

# Birmingham City Council

## Report to Leader and the Cabinet Member for Finance and Resources 17<sup>th</sup> February 2022



**Subject:** HS2 CURZON STATION ENHANCED PUBLIC REALM PROJECT – REVISED DEVELOPMENT BUDGET

**Report of:** Strategic Director of Place, Prosperity and Sustainability

**Relevant Cabinet Member:** Councillor Ian Ward, Leader of the Council  
Councillor Tristian Chatfield, Finance and Resources

**Relevant O &S Chair(s):** Councillor Cllr Saima Suleman, Economy and Skills

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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): Nechells		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
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 arrival of HS2 into Birmingham city centre in 2029 is a once in a generation opportunity to drive growth in the city. In order to maximise the economic benefits the City Council launched the Curzon Masterplan in 2015, which included a number of 'Big Moves' to ensure the new HS2 Curzon Station delivered a world class design that maximises the connectivity for pedestrians and public transport in and around the station within a high-quality public realm environment.
- 1.2 On 18<sup>th</sup> July 2019 the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) approved an Outline Business Case (OBC), awarding the City Council £26.172m of Enterprise Zone (EZ) funding to deliver the preferred

option for enhancing public realm surrounding the new HS2 station, subject to the approval of a compliant Green Book Full Business Case (FBC). On 29<sup>th</sup> October 2019, Cabinet subsequently approved the OBC budget of which £0.223m was earmarked for the development of the FBC.

- 1.3 HS2 have since revised their procurement strategy which means further initial work is required to define scheme costs as part of Stage 1 of HS2's contractor procurement which has increased the development budget to £0.551m. This report seeks approval to accept a capital grant from GBSLEP to be undertaken with HS2's main works contractor during Stage 1, which will provide greater level of assurance of costs to be included in the FBC. The change is contained within the approved value of £22.885m. The FBC is due to be submitted to the GBSLEP for Independent Technical Review at the end of January 2022.

## **2 Recommendations**

- 2.1 Accepts a capital grant from the GBSLEP for £0.551m development funding for the Curzon Public Realm project as set-out within the attached change request approval letter 20 October 2021 at Appendix 1. The funding will support further detailed work being undertaken at Stage 1 of HS2 Ltd's main works contract, which will provide further cost assurance prior to a FBC being presented to GBSLEP and Cabinet.
- 2.2 In its role as Accountable Body for the GBSLEP, approves City Council Prudential Borrowing of up to £0.551m to fund the development of the HS2 Birmingham Curzon Station Enhanced Public Realm project.
- 2.3 Notes that the £0.551m forms part of the overall commission with HS2 for up to £22.885m of works as authorised under the Cabinet report dated 29<sup>th</sup> October 2019 but subject to FBC approval to deliver the HS2 Birmingham Curzon Station Enhanced Public Realm project.
- 2.4 Authorises the Acting City Solicitor to negotiate, execute, seal and complete all necessary documents in connection with the above recommendations.

## **3 Background**

- 3.1 In February 2014, the City Council launched the Curzon Masterplan as part of the wider HS2 Midlands Growth Strategy to maximise the economic impact of HS2. The masterplans vision will be achieved through the delivery of five 'Big Moves' which would deliver a world class design that is also fully connected and permeable with the surrounding environment;
- Station design to create a landmark building and arrival experience;
  - Paternoster Place;
  - Curzon Promenade and Curzon Square;
  - Station Square and Moor Street Queensway;

- Curzon Station Metro Stop;

- 3.2 On 20<sup>th</sup> September 2016 the City Council approved the Curzon Investment Plan, which sets out a £724m programme of local infrastructure over and above the investment by HS2, including the allocation of additional EZ funding to assist with the delivery of the Big Moves and maximise the impact of HS2's arrival in the region.
- 3.3 Following the launch of the Curzon Masterplan, the Department for Transport (DfT) agreed a number of assurances with the City Council to address concerns that the design of the station, as proposed in the HS2 Hybrid Bill, did not meet the Council's objectives around connectivity and integration. Since then, the City Council and HS2 Ltd have been working collaboratively to develop the design and ensure the station and associated public realm meet the objectives for the Masterplan.
- 3.4 The Big Moves for the public realm at Curzon Promenade and Square and Paternoster Place are not included within the HS2 Act and therefore additional funding is required to meet the extra costs incurred by HS2 Ltd.
- 3.5 The Enhanced Public Realm Outline Business Case (OBC) was approved by GBSLEP on 18<sup>th</sup> July 2019, conditionally allocating the City Council £26.172m of EZ funding to undertake the delivery of the preferred option for the public realm, subject to the submission and approval of a Green Book compliant FBC. As part of the overall allocation GBSLEP approved £0.223m as development funding to progress the FBC in addition to the £1.445m previously approved for options analysis and design work. Cabinet subsequently, accepted the award of funding on the 29<sup>th</sup> October 2019 as follows:

<b>Capital Costs</b>	
Direct Feasibility and design fees	£1.445m
FBC Development Costs	£0.223m
Public Realm Works and associated costs	£16.658m
Contingency	£6.227m
Network Rail Rights	£1.125m
BCC Project Costs	£0.494m
<b>Sub-Total</b>	<b>£26.172m</b>

- 3.6 The GBSLEP OBC approval was based on the understanding that HS2 would undergo a single stage procurement model to appoint the preferred contractor to deliver Curzon Street Station and surrounding landscaping works. However, following a period of market testing, in September 2019, HS2 made a decision to adopt a revised procurement approach which consists of a two-stage contract

model with the aim of reducing tenderer pricing risk and facilitating a collaborative approach to setting the target price. Each stage is set-out in further detail below;

### **Stage One**

- 3.7 In May 2021, HS2 Ltd awarded the contract for the delivery of Curzon Street station and landscaping to MDJV, a joint venture team that is made up of Mace and Dragados. Post Stage One contract award, additional time has been built into the programme to enable the successful contractor to work with HS2 to:
- Validate the design inherited from the Station Design Services Contractor (WSP)
  - Identify construction risks and opportunities
  - Develop a deliverable construction programme
  - Demonstrate affordability and value for money
  - Identify key supply chain partners at Tier 2 and below and
  - Develop an agreed Target Price.
- 3.8 Adopting this additional stage provides further assurance to all parties of delivery within the Target Price and schedule in Stage 2 and in turn reduces risk to the City Council and GBSLEP. An indicative process for Stage 1 is set out within Appendix 2.
- 3.9 In December 2021, following a robust assurance process by HS2 Ltd, an agreed position has been reached regarding the final Target Price and programme. This information has informed a final FBC which will be submitted to GBSLEP in January 2022 prior to Full Board and Cabinet approvals being sought for the project in tandem with HS2 seeking necessary governance prior to providing notification to the contractor of Stage 2. It should be noted that the final FBC amount exceeds the approved OBC budget.

### **Stage Two**

- 3.10 During Stage 2 the Contractor shall deliver the detailed design, construction, testing, commissioning and completion of Curzon Street Station and the surrounding landscaping works.
- 3.11 In order to support further detailed work being undertaken at Stage 1, there is a requirement for £0.551m of funding to be approved from the overall £26.172m allocation. This change was approved by GBSLEP's Programme Delivery Board (PDB) on 3 February 2021 and subject to the funding conditions set-out in Appendix 1.

## **4 Options Considered and Recommended Proposal**

- 4.1 The following options were considered.
- **Option 1 – Recommendation** – Accepts a capital grant from the GBSLEP for £0.551m development funding for the Curzon Public Realm

project as set-out within the attached change request approval letter 20 October 2021 at Appendix 1. This would ensure the inclusion of the enhanced public realm scheme in HS2's Stage 1, and would lead to the development of a robust FBC for this scheme. A key deliverable for Stage 1 is the development of Target Costs which will provide a greater level of assurance around the costs to be included in the FBC, and also give all parties higher confidence of delivery within Target Price and schedule in Stage Two. Therefore, reducing project risks to all parties including the Council and the GBSLEP.

- **Option 2 – Council does not agree the recommended proposal** - This option should be discounted as it would result in the enhanced public realm project not going ahead, as the level of detail to inform the FBC would not be sufficient and therefore funding would not be approved. This would be a missed opportunity for the City and would result in a number of significant scheme benefits not being realised.

## **5 Consultation**

- 5.1 Throughout Stage 1, two-weekly Enhanced Urban Realm Working Group meetings have taken place between HS2 Ltd, their contractor MDJV and City Council officers. This forum will continue to meet on a regular basis throughout the life of the project.
- 5.2 Additionally, consultation takes places with wider stakeholders on a monthly basis through the Curzon Station Working Group, membership of which includes HS2 Ltd, Historic England, Canal and River Trust, Birmingham City University and the West Midlands Combined Authority. Recent meetings have provided a helpful forum to discuss Stage 1 and Curzon Public Realm FBC updates with key partners.
- 5.3 Members of the GBSLEP support the recommendations of this report and provided approval of this change request at the GBSLEP Programme Delivery Board on 3 February 2021.

## **6 Risk Management**

A risk register is included in Appendix 3 which highlights the scheme's strategic risks. The top risk is set out below.

**The City Council do not accept the £0.551m capital grant from the GBSLEP to increase the development funding in order to cover costs associated with Stage 1, and do not accept the re-profiling of the conditional budget allocation.**

- 6.1 This would result in the enhanced public realm being excluded from Stage 1. Subsequently, an insufficient level of detail would be available to support the development of the GBSLEP FBC. This risks the full funding allocation not being

approved and the enhanced public realm works being excluded from the Curzon Station contract between HS2 Ltd and MDJV.

## **7 Compliance Issues:**

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

7.1.1 The delivery of the HS2 Curzon Station Integrated Metro Stop project is set out as a priority in the Curzon Masterplan (2015) and forms a key part of the Enterprise Zone Investment Plan (2019), which was approved by the Council on 30<sup>th</sup> July 2019. This supports the Council Plan 2018–22, Priority 1: “We will create opportunities for local people to develop skills and make the best of economic growth.” In particular, the HS2 Curzon Station Integrated Metro Stop project will contribute towards the City Council's high-level outcome to deliver a strong inclusive economy by supporting future development activity, job creation and delivering public transport improvements. The Curzon Masterplan is key to delivery of the Big City Plan, GBSLEP Strategic Economic Plan (SEP), and the Midlands HS2 Growth Strategy, which is a priority for the GBSLEP and WMCA to maximise the economic impact of HS2.

#### **Legal Implications**

7.1.2 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, on behalf of the GBSLEP, to retain 100% of business rates income from within the Enterprise Zone.

7.1.3 The City Council has under Section 1 Localism Act 2011, a general power of competence under which it can procure services from third parties which will or are likely to benefit the authority, its area or persons resident or present in its area.

### **7.2 Financial Implications**

7.2.1 Within the GBSLEP EZ all business rates are collected by the City Council with any net uplift in the business rates collected within the EZ allocated to the GBSLEP for a period to 31 March 2046. This is not affected by the Government's recent announcement on stopping the retention scheme. The GBSLEP decide how and where these funds are deployed and make the investment decisions over the resource in line with the investment plans for the EZ, subject to the City Council in its Accountable Body role ensuring compliance with the financial governance principles.

7.2.2 In its Accountable Body role, the City Council undertakes prudential borrowing to support delivery of projects within the approved Enterprise Zone Investment Plan (EZIP). The costs of prudential borrowing will be fully

financed by the revenue resources generated through the uplift in business rates within the EZ.

7.2.3 This project is included with the current approved EZIP, and therefore falls within the existing approved budget for the EZ.

7.2.4 Following Cabinet approval on the 29<sup>th</sup> October 2019 of £26.172m of funding as set-out within the GBSLEP OBC, £0.223m of the total funding approved was earmarked for the development of the FBC. Since this date HS2 have revised their procurement strategy which means further early work is required to define scheme costs as part of Stage 1 of HS2's contractor procurement. This report seeks approval to accept a capital grant from GBSLEP for £0.551m to undertake further work with HS2's main works contractor during Stage 1. The completion of this work will provide a greater level of assurance prior to the submission of the FBC to GBSLEP and Cabinet. This change was approved by GBSLEP's Programme Delivery Board on 3 February 2021 and subject to the funding conditions set-out in Appendix 1.

### **7.3 Procurement Implications**

7.3.1 There are no procurement implications with the recommendations of this report. The procurement strategy was approved in the HS2 Curzon Station Enhanced Public Realm Project report to Cabinet dated 29<sup>th</sup> October 2019.

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

7.4.1 All activity identified within this report will be managed by existing Council employees.

### **7.5 Public Sector Equality Duty**

7.5.1 In overall terms the HS2 Curzon Station Integrated Metro Stop Project has been assessed as leading to a positive effect on the equality considerations through the promotion of economic activity, job creation and improving skills that will benefit local people. It has been assessed that the project will advance equality of opportunity as a result of its promotion of development and regeneration activity (set out in Appendix 3).

## **8 Appendices**

8.1 Appendix 1 – GBSLEP Change Request Approval Letter

8.2 Appendix 2 – Stage 1 Process

8.3 Appendix 3 – Risk Register

## **9 Background Documents**

9.1 HS2 Curzon Station Enhanced Public Realm Project – Cabinet 29<sup>th</sup> October 2019

9.2 HS2 Station Public Realm Programme and Curzon Station Metro Stop – Cabinet 13<sup>th</sup> September 2017

9.3 Curzon Masterplan 2014

9.4 Curzon Investment Plan 2016

9.5 EZ Investment Plan 2019