

# Birmingham City Council

## Report to Cabinet



25<sup>th</sup> April 2023

**Subject:** **ARDEN CROSS LIMITED BUSINESS PLAN & BUDGET FINANCIAL YEAR 2023/2024**

**Report of:** Strategic Director – Place, Prosperity & Sustainability

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

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

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Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s): Outside of City Boundary (Solihull Metropolitan Borough Council)		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 011075/2023		
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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Exempt Appendices 3, 4 and 5 Information relating to the financial or business affairs of any particular person (including the council)		
Schedule 12A Local Government Act 1972		

### 1 Executive Summary

- 1.1 This report seeks approval to update Cabinet on progress to date and to approve the Arden Cross Ltd (ACL) Budget and Business Plan for the Financial Year 2023/2024.

## **2 Recommendations**

- 2.1 Notes ACL's revenue budget for 2023/24 and approves Birmingham City Council's (BCC's) contribution as per the terms of the ACL Shareholders Agreement; approved on the 28th October 2020.
- 2.2 Authorises the City Solicitor (or their delegate) to negotiate, execute and complete all relevant documentation required to give effect to the above recommendation.

## **3 Background**

- 3.1 Arden Cross is a strategic development site extending to 140 hectares, located on the east side of Birmingham, adjacent to the NEC, Birmingham International Airport and Birmingham International train station. The site in its entirety is located within Solihull Metropolitan Borough Council (SMBC).
- 3.2 The site is the location of the HS2 Interchange Station now under construction which once built will provide fast connections to the major UK cities.
- 3.3 The Arden Cross site is principally owned by three landowners, BCC, Packington Estate and Coleshill Estate who have pooled their land interests to enable the delivery of a comprehensive mixed-use development and have entered into an Option Agreement with ACL which entitles ACL to draw down these land interests for the purposes of such development.
- 3.4 ACL is a Special Purpose Vehicle (SPV) that the landowners have created to ensure the development comes to fruition. ACL is financed by the landowning shareholders through a SPV Shareholders Agreement. ACL provide forecast operational budgets that are supported by a business plan each year.
- 3.5 The Council has two officers who are directors of ACL; the Director of Planning, Transport & Sustainability and Assistant Director of Investment and Valuation. In the report to the Leader of the Council dated 20th October 2020 "Land at Bickenhill Lane, Arden Cross.... Shareholders Agreement", it was recommended that a City Council Arden Cross/HS2 officer and member project board be established to provide separate unconflicted Council oversight of its interests at Arden Cross and approve ACL's requests for shareholder contributions.
- 3.6 ACL commissioned the production of an evidence-based masterplan ([www.ardencross.com](http://www.ardencross.com)) aligned with Her Majesty's Government compliant HS2 scheme. The masterplan and business case articulate that the site can deliver an exciting mix of over 6 million sq ft of commercial space, 3000+ new homes with unrivalled public realm to include a new 12 hectare country park at its heart.
- 3.7 Once fully developed the site has the capacity to accommodate at least 27,000 jobs that will deliver an additional £1.4bn Gross Value Added to the local economy per annum. The gross development value of the development exceeds £3bn.

- 3.8 The masterplan and business case have the support of local and regional Government and is being mobilised with the necessary departments of central Government who have offered support for the proposals. In the March 2021 Budget, HM Treasury made provision of a financial support package by way of a £50m grant to fund the first phase of Multi Storey Car Park (MSCP).
- 3.9 The landowning parties entered into a land agreement with the Secretary of State for Transport in 2016, that amongst other things enabled the landowners to utilise the infrastructure being delivered by HS2 to access their development land, provide for easements across the HS2 permanent infrastructure and ensure that land 'temporarily required' during the construction of the railway is returned to the relevant landowners for development. This will be the topic of a further report to Cabinet.
- 3.10 The Business Plan and Budget is detailed at Exempt Appendix 4 and provides confidential financial information.
- 3.11 The strategic approach to the utilisation and disposal of the City Council's property assets was outlined in a report of the Director, Inclusive Growth entitled "Property Strategy 2018/19-2023/24 (the Property Strategy) approved by Cabinet in November 2018.
- 3.12 The development of this site will contribute to the creation of jobs within the plan area with employment and skills programmes put in place to connect these opportunities to the local communities. The arrival of HS2 and extension of the Midland Metro from the City Centre to Birmingham Airport and the proposed HS2 Interchange Station will improve connectivity within the wider City region.

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

- 4.1 ACL and its property advisors have considered a number of options for the development of the site as set out in earlier reports.
- 4.2 Ongoing work is outlined in more detail in Exempt Appendix 3.
- 4.3 The delivery of the subject site will promote investment into the city region economy.

#### **5 Consultation**

- 5.1 As the proposals for development of the site are progressed further public consultation will take place including all future planning applications relating to the site.
- 5.2 No external consultation has taken place regarding the contents of this report, beyond the informal discussions with ACL.

## **6 Risk Management**

- 6.1 Risks will be identified, evaluated and managed by ACL and HS2 in line with the Project Board's Risk Management Methodology. The initial risks and opportunities are shown in the Risk Register at Exempt Appendix 5.

## **7 Compliance Issues:**

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

The decisions recommended in this report will facilitate the development of the Site which contributes to:

- 7.1.1 The Property Strategy which is aligned with the strategic outcomes outlined in the Council's Corporate Delivery Plan 2022-2026 prioritises jobs and skills for Birmingham to be a great city to succeed in and to be renowned as an enterprising, innovative and green city. The scheme will support inclusive sustainable growth in the number of jobs, invest in infrastructure to develop a modern, sustainable transport system; invest in growth sectors; and provide training for residents so that they can take advantage of sustainable employment. The scheme will deliver on actions within the Delivery Plan to concentrate on significant areas of opportunity, by facilitating jobs and training opportunities using the City Council's property assets to accelerate regeneration and investment and by facilitating the expansion of the Metro.
- 7.1.2 As the largest local authority in the country with the biggest property portfolio, the Council has the opportunity to utilise its property and land assets in a strategic way to deliver its priorities.
- 7.1.3 The Property Strategy takes a medium to long-term strategic approach to how the City Council utilises its commercial property assets and will ensure a balanced delivery of maximised commercial and social returns. Re-aligning the Council's land and property will provide a catalyst for development and underpin the social fabric of communities across the city region.
- 7.1.4 The Birmingham Connect Mobility Action Plan sets out a vision to create a transport system which puts the user first and delivers the connectivity that people and business require. The aim is to improve people's daily lives by making travel more accessible, more reliable, safer and healthier, and using investment in transport as a catalyst to improve the fabric of the city.
- 7.1.5 The development of the Site for employment uses is a key part of the Regional Growth Strategy and will be complemented by skills and training

programmes to connect the local community to the job opportunities created.

#### 7.1.6 Net Zero Carbon Measures –

The preparation of the master plan was both supported and informed by Environment and Sustainability Appraisals. In terms of ongoing work, the ACL team is working with key stakeholders to ensure the site fulfils overarching objectives in terms of ‘pollution free’ transport modes, e.g. an Automated People Mover; car free gateways; and green and blue infrastructure design. ACL is also working with UGC and other UK Central Hub stakeholders to identify the means to optimise use of renewable energy sources wherever possible.

## 7.2 Legal Implications

7.2.1 The power to dispose of land is contained in Section 123 of the Local Government Act 1972.

7.2.2 Section 1 of the Localism Act 2011 contains the Council’s general power of competence, which is circumscribed only to the extent of any applicable pre-commencement restrictions and any specific post-commencement statutory restriction of the power, and Section 4 of that Act contains the Council’s power to exercise this general power of competence for commercial purposes through a company. Section 111 of the Local Government Act 1972 contains the Council’s ancillary financial and expenditure powers in relation to the discharge of its functions including the disposal and acquisition of property.

7.2.3 The information in Exempt Appendices 3, 4 and 5 is commercially sensitive with regard to the project’s delivery. Exempt information is set out in Schedule 12A of the Local Government Act 1972 (as amended) and paragraph 3 of schedule 12A includes information relating to the financial or business affairs of any particular person (including the council). It is in the public interest to treat the information in Exempt Appendices 3, 4 and 5 as exempt information as they contain commercially sensitive information of a financial or business nature, which if disclosed to the public could be prejudicial to a named, individual or company.

## 7.3 Financial Implications

7.3.1 Exempt Appendix 4 contains details of ACL’s revenue budget for 2023/24 for which the Council makes an annual contribution. This is treated as a revenue loan and will be repaid by the development partner or as part of the shareholder (landowner) returns from future development returns as per the legal agreement with ACL. This could be in the form of capital receipts, rents or dividends negotiated by ACL.

## **7.4 Procurement Implications**

7.4.1 A draft Social Value plan has been produced for the project, which will be developed further with all stakeholders. The ACL business case prepared in 2021 identified that Arden Cross has the ability to deliver up to 27,000 jobs, 16,000 of which will be new.

7.4.2 The Arden Cross Community and Social Value Strategy identifies the intent for the provision of employment for the local workforce and to ensure jobs are accessible. This strategy was shared with all potential Partners and it has been confirmed to SMBC that Social Value will be a key consideration.

## **7.5 Human Resources Implications**

7.5.1 The Council is using existing staff from the Investment and Valuation Service and Planning and Development Service of the Place, Prosperity and Sustainability Directorate to progress this project.

## **7.6 Public Sector Equality Duty**

7.6.1 The programme has been undertaken in accordance with the Property Strategy. The Property Strategy is a policy document setting out the strategy principles associated with property assets and at this stage there are no specific implications.

7.6.2 The Equality Analysis EQUA1068 is attached at Appendix 2, which concluded that the scheme will help create a framework that will positively impact on the quality of life of the area's diverse community. A further Equality Analysis will not be required at this stage, as the report recommendations do not have an adverse impact on the groups and characteristics protected under the Equality Act 2010.

## **8 Appendices**

8.1 List of Appendices accompanying this report:

1. Appendix 1 Site plan
2. Appendix 2 Equality Impact Assessment EQUA1068
3. Exempt Appendix 3
4. Exempt Appendix 4 ACL Revenue Budget 2023/24
5. Exempt Appendix 5 Risk Register

## **9 Background Documents**

9.1 Land at Bickenhill Lane, Arden Cross adjacent to the proposed HS2 Interchange Station, Solihull, Landowner Options Agreement and Revised Shareholders Agreement; Leader report 28<sup>th</sup> October 2020

Arden Cross Interchange Triangle Contractual Agreements to Enable Development; Cabinet report 18<sup>th</sup> May 2021