

BIRMINGHAM CITY COUNCIL

ECONOMY AND SKILLS OVERVIEW AND SCRUTINY COMMITTEE

WEDNESDAY, 06 NOVEMBER 2019 AT 10:30 HOURS
IN COMMITTEE ROOM 2, COUNCIL HOUSE, VICTORIA SQUARE,
BIRMINGHAM, B1 1BB

A G E N D A

1 NOTICE OF RECORDING/WEBCAST

The Chairman to advise/meeting to note that this meeting will be webcast for live or subsequent broadcast via the Council's Internet site (www.civico.net/birmingham) and that members of the press/public may record and take photographs except where there are confidential or exempt items.

2 DECLARATIONS OF INTERESTS

Members are reminded that they must declare all relevant pecuniary and non pecuniary interests arising from any business to be discussed at this meeting. If a disclosable pecuniary interest is declared a Member must not speak or take part in that agenda item. Any declarations will be recorded in the minutes of the meeting.

3 APOLOGIES

To receive any apologies.

3 - 8

4 ECONOMY & SKILLS O&S COMMITTEE ACTION NOTES - 11 SEPTEMBER

To confirm the action notes of the meeting held on the 11th September.

9 - 22

5 THE ECONOMIC IMPACT OF THE CLEAN AIR ZONE (CAZ) ON BUSINESSES WITHIN THE CAZ AREA

A discussion with the Cabinet Member for Transport & Environment; Stephen Arnold, Head of CAZ, BCC; Paul Faulkner, Chamber of Commerce and representatives of City Centre Business Improvement Districts.

6 **CURZON PUBLIC REALM**

James Betjemann, Head of EZ & Curzon Delivery, BCC
(Subsequent to the circulation of the agenda, an announcement was made calling a general election. In order to try to ensure that this presentation does not contravene regulations relating to the pre-election period, a revised version of the presentation is now submitted).

7 **ECONOMY & SKILLS O&S COMMITTEE WORK PROGRAMME**

To note the work programme for discussion.

8 **REQUEST(S) FOR CALL IN/COUNCILLOR CALL FOR ACTION/PETITIONS RECEIVED (IF ANY)**

To consider any request for call in/councillor call for action/petitions (if received).

9 **OTHER URGENT BUSINESS**

To consider any items of business by reason of special circumstances (to be specified) that in the opinion of the Chairman are matters of urgency.

10 **AUTHORITY TO CHAIRMAN AND OFFICERS**

Chairman to move:-

'In an urgent situation between meetings, the Chairman jointly with the relevant Chief Officer has authority to act on behalf of the Committee'.

BIRMINGHAM CITY COUNCIL**ECONOMY, SKILLS & TRANSPORT O&S COMMITTEE –
PUBLIC MEETING**

**10.30 hours on 11th September 2019, Committee Room 2, Council House –
Action Notes**

Present:

Councillor Tahir Ali (Chair)

Councillors John Clancy, Chaman Lal, Julien Prichard and Simon Morrall.

Also Present:

Rachel Brothwood, Director of Pensions, West Midlands Pension Fund

Jill Davys, Assistant Director – Investments and Finance, West Midlands Pension Fund

Baseema Begum, Research & Policy Officer

1. NOTICE OF RECORDING/WEBCAST

The Chairman advised the meeting to note that members of the press/public may record and take photographs.

2. DECLARATIONS OF INTEREST

Cllr Lal declared a non-pecuniary interest as a beneficiary of the West Midlands Pension Fund (WMPF). Cllr Clancy stated that he is the City Council's substitute member on the WMPF's Pensions Committee.

3. APOLOGIES

Councillors Ken Wood and Lou Robson.

4. ACTION NOTES

The Committee agreed the action notes for the meeting held on the 10th July 2019.

5. WEST MIDLANDS PENSIONS FUND

(See document No. 1)

The Chair welcomed Rachel Brothwood and Jill Davys from the West Midlands Pension Fund (WMPF) to the meeting. The presentation that was circulated with the agenda pack was talked to.

Members then raised the following points and questions:

- The amount of investment management expenses and fees as listed in the latest WMPF annual accounts was queried as these have increased quite considerably from £60m in 2017/18 to £79m in 2018/19. It has been stated previously by the WMPF that this would be looked at in more detail.
- It was noted that half of the amount paid in investment fees can be seen to be accounted to the amount that Birmingham pays in. Currently the city pays in £0.5b per year and it was felt that this money could be better invested by the city in its local economy (both in employees and services).
- Since 2013/14 all Pension Funds have been required to report their investment expenses and fees differently than in previous years. There was concern that there had been underreporting of fees and expenses in previous years. This has impacted the contribution that Birmingham has had to pay considering the additional demand to make additional efficiency savings in light of the cuts to its core budget since 2010.
- In comparison to the other approximately 100 Pension Funds in the country the WMPF is in the lower half of the table on the return on investments made. An example of the Bradford/West Yorkshire Pension Fund (who are about the same size as WMPF) was given to demonstrate that contributors to that fund are paying in a lower amount but are receiving the same returns. It was highlighted that the return on investment made per pound on management investment costs was about 8 times worse for the WMFP than the Bradford/West Yorkshire Fund.
- Birmingham's contribution is paid out of its revenue and housing revenue account. This was 12% on salary in 2015 raising to a projected 18.3% on salary by 2020. In addition to this Birmingham is required to pay an additional amount.
- How sustainable is the WMPF in the future as there will be more pensioners and people are living longer? What will be the impact on the Fund on this demand?
- How well does the WMPF compare in terms of investment and returns to other pension funds and in relation to local and regional investments?
- What is the WMPF doing on the climate change agenda in relation to investment in high carbon funds and the agenda to divest in fossil fuels (the City Council agreed a motion in 2017) and further in June 2019 it declared a climate emergency.
- There is a financial risk in continuing to invest in fossil fuels as well as the climate change argument. Does the WMPF have a specific resolution in

relation to investing in large gas/oil companies and what have the Fund agreed to do?

- What are other Pension Funds doing on regional investment and to tackle climate change for example Merseyside and was it possible for the WMPF to do something similar?
- Concern on the investment abroad in overseas and private equities that could be at risk if there was a global crash as in 2008.
- Do WMPF look at investing in the region locally? It was noted that the return would not be as much as investing elsewhere however there would be a social benefit and uplift to residents and the community but there is a cost to that.
- Concern that the active investment in the past was not generating the return on investment anticipated and to ease the pressure that was been felt globally government intervention known as 'quantitative easing' was bought in in 2008. Therefore, there was not any expert intervention by investment managers to boost returns on investment. Furthermore, the low discount rate of about 2% implanted means a greater liability has had to be created.
- The Council's accounts show a liability of £2.5b and this affects the Council's ability to invest locally as it effects the ability to borrow.

In response to the points made Rachel Brothwood replied: -

- Birmingham does pay more into the WMPF than any other employer because it is a bigger organisation and has more employees in the Fund and has promised most pension benefits to its employees so there is a clear direct link there.
- The money collected is in the region of £500/600m per annum in contributions. About £0.5b is receiving in total by the Fund and £0.5m of this is paid out as benefits promised to members of the scheme.
- In relation to investment management costs - reported costs are £80m however this investment has generated (net of costs) an increase in the WMPF's invested assets and income of £700m onto the value of assets in one year. This will help support future payments to beneficiaries. In the last five years this has totalled £5.5b return (net of costs) and therefore this does outweigh the amount invested.
- WMPF strives to continue to improve and become a leader. The Fund are on a journey to reduce the management costs and have done this through the last five years. The challenge on comparison with others is to ensure that this is done on a 'like for like' basis.
- The Fund does follow best practice standards within the sector in reporting investment costs in the way in which it operates. CEM Benchmarking have been employed to help with this and look at the total value added.
- In 2016 a review and benchmarking exercise was undertaken on the contributions received with comparable public sector schemes. It was found that the WMPF were collecting contributions far below the average being requested elsewhere. In response the Fund decided to raise the amount to avoid a deficit in the future (and to avoid the need to request

further contributions later) and to fall in line with other comparable schemes. This was imperative to be able to pay out to future beneficiaries.

- There has been an increase in the number of people accessing their pension as demographics change and there are more older people which is recognised as a global issue and there is a need to respond to this challenge. The WMPF has been monitoring this and forecasting future changes especially with the number of people now drawing their pension and accessing their services. The Fund is responding by increasing self-service opportunities and offering more services on-line and operating more efficiently.
- In response to the future impact as increasing numbers of people access pensions and the trend continues for the Council to reduce its number of employees then this will mean that there will be fewer people contributing to the Fund and the amount needed to be paid in will have to increase. It would be detrimental to delay collecting of adequate contributions as this may lead to future problems so there is a requirement to be as balanced as possible.
- In relation to targeting responsible investment it was noted that the WMPF do not invest in hedge funds any longer but do have some liquid private equities and infrastructure assets. Careful selection is undertaken in the selection of long-term investments by the Fund.
- The Pensions Regulator has only started to regulate public sector pensions since 2015 and the WMPF has been working with them in the last 9 months. A review of the Local Government Pension Scheme (LGPS) is due shortly.
- In terms of better return on investment there are different strategies adopted by different pension funds and this impacts on returns received and the costs.
- In terms of calculating key metrics to assess against comparator Funds there is a need for disclosure on a consistent basis in order to be able to draw meaningful conclusions. There is a need for greater transparency within the investment community and this is a journey that the WMPF is undertaking. There have been improvements in terms of the information being provided and the speed at which that information has been provided. There is however a need for voluntary disclosures of costs and the tools are getting there in the industry to help with this. Until this is in place CEM benchmarking is the best available tool.
- With regards to regional property holdings of the Fund there isn't the comparator information to benchmark against others however the WMPF assesses opportunities in line with their fiduciary duty. The Fund does look at where local investment can be made however the key driver is ensuring the same investment on return. Investment managers are worked with to steer to local opportunities where the return is the same to invest in the West Midlands region.
- The Fund does not have a specific resolution however it has a strategy in place that adheres to the values of the Paris Accord 2016.

- In terms of the climate change agenda the Fund is looking at different ways to get a better understanding of how exposed it is to climate risk. Climate risk metrics are being looked at and will be included in next year's annual report. A 4-year strategy is being set and will be reviewed in due course. Engagement is also being undertaken with companies that are invested in long term and the Fund is co-signing resolutions as an investor in these companies however a key driver is policy change as this will make the biggest impact.
- The Fund has set aside a substantial allocation for the low carbon equity fund and this will be used to consider issues on investment. However, the Fund must take a balanced view on all investments made as part of its climate aware strategy as there will be a cost to implementing these. An 'index based' approach will be used on investments made.
- The WMPF Pension Committee and local pension boards receive a training programme and as part of this they have received reports on the work around the climate change agenda at quarterly meetings.
- Merseyside Pension Fund has a low carbon fund and is leading the way in this area. WMPF is looking to do something similar. A sustainable equity fund and lots of different initiatives are being considered such as investment in a wind farm portfolio and an infrastructure fund.
- Investment returns are directly related to reported costs. Views on what is best longer term and consistent reporting is in line with CIMA standards. The Fund has put these into their annual report to be transparent on costs but are awaiting further guidance on this.
- The WMPF does focus on independent global benchmarking when it comes to investment on returns and management costs. Within CEM Benchmarking there is referencing between comparable cohorts (e.g. other metropolitan authorities) including peers/cohorts on this.
- In terms of investment costs this has been looked at closely and see if it can be done cheaper. The costs associated with the private equity portfolio has also been looked and consolidated and there has been some impact on performance as a result of this.
- Information on investment managers can be found in the WMPF annual report and accounts 2018.
- Active management is an academic issue. The Pensions Committee has a set of beliefs that includes both active and positive approach to investment and these are being kept under review.
- The Pensions Regulator does not regulate the LGPS in relation to funding and investment as this is outside of its scope.
- The numbers showing on the City Council's accounts in pension benefit obligations are driven by international accounting standards in terms of how they are assessed and calculated (method and discount rate are listed here). These figures and accounts are signed off by Birmingham City Council's auditors. This figure does not impact the Council's borrowing ability.

RESOLVED: -

1. The report is noted.

6. WORK PROGRAMME DISCUSSION – SEPTEMBER 2019

(See document No. 2)

Due to a change on expected item on the Committee's work programme it was decided that the October meeting would be cancelled.

The Chair noted Cllr Robson's email request for an update on the Council's Property Strategy including a preview of planned sales and requested that officers make arrangements for this item to be added to the future work programme.

RESOLVED: -

1. All Members are notified of the cancellation of the October meeting.
2. An update on the Council's Property Strategy including a preview of planned sales is scheduled for a future meeting.

7. REQUEST(S) FOR CALL-IN/COUNCILLOR CALL FOR ACTION/PETITIONS RECEIVED (IF ANY)

None.

8. OTHER URGENT BUSINESS

None.

9. AUTHORITY TO CHAIRMAN AND OFFICERS

Agreed.

RESOLVED:-

That in an urgent situation between meetings the Chair, jointly with the relevant Chief Officer, has authority to act on behalf of the Committee.

The meeting finished at 12:09 hours.

BRUM BREATHES

BIRMINGHAM'S JOURNEY TO CLEAN AIR

Economy and Skills Overview and Scrutiny Committee

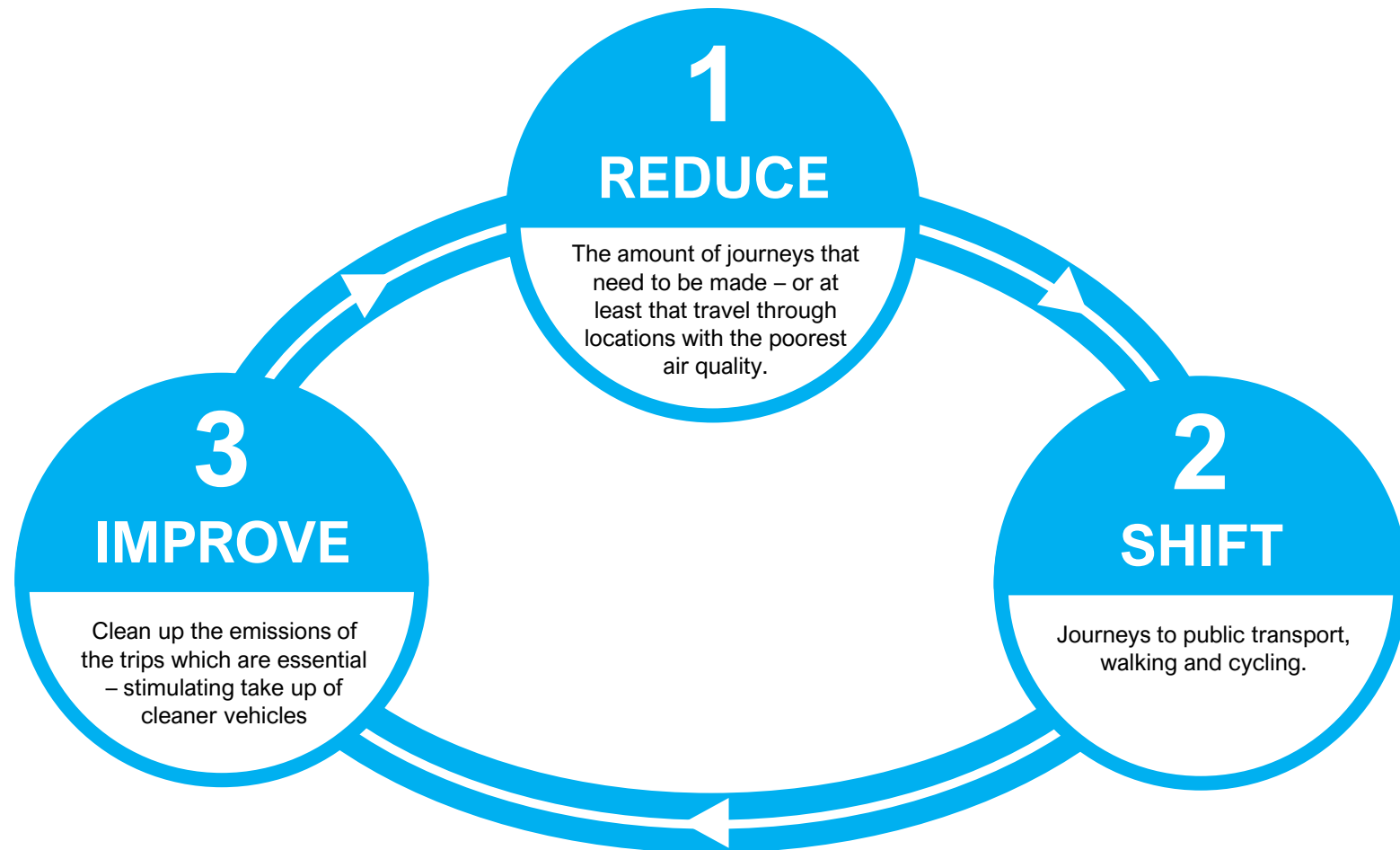
Councillor Waseem Zaffar

Cabinet Member, Transport and Environment

06 November 2019



The Clean Air Zone is just part of a wider approach to the challenge of poor air quality



The effects of air pollution on Birmingham's citizens

Up to
900 DEATHS
per year linked to man-made air pollution



LINKED TO

Heart disease
Diabetes
Asthma
Obesity
Cancer
Dementia



LINKED TO

Still births
Infant deaths
Low birth weight
Organ damage
Premature deaths



**CHILDREN IN
HIGH
POLLUTION
AREAS**

x4



more likely to have reduced lung function
when they become adults



61% OF JOURNEYS
TO WORK
ARE BY CAR
OR VAN

Exposed to **21%** higher
levels of pollution



Affects the

**VULNERABLE
& DEPRIVED**

areas most



BUS & TAXI DRIVERS

are exposed to

3x



more
pollution
than
anyone
else

The causes of poor air quality

VEHICULAR EMISSIONS

2.8m

The number of journeys made by the residents of Birmingham each day comprises 50% by car and 50% by all other forms of travel combined.*



0.5m

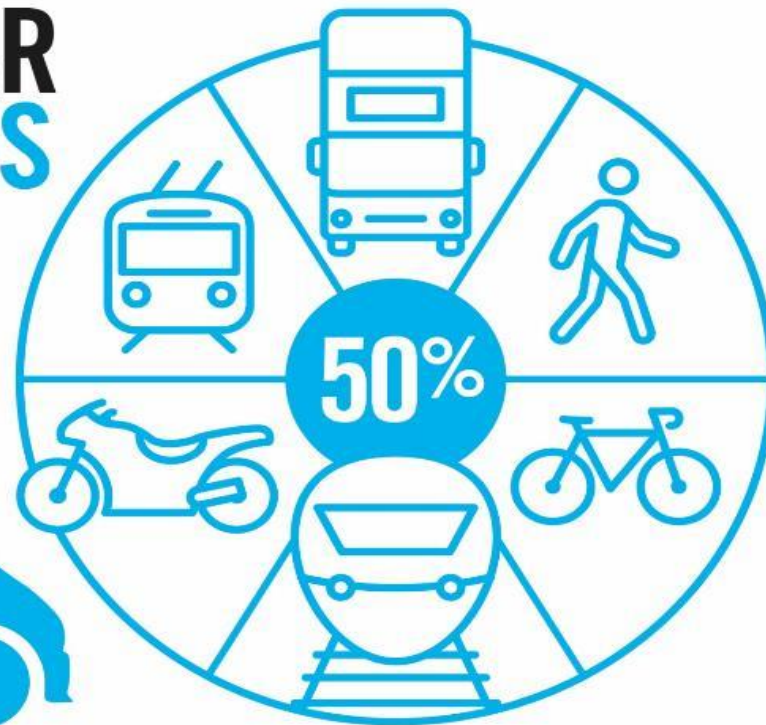
The number of car journeys made into Birmingham by people from outside of the city.

250k

The number of car journeys made by Birmingham residents that are less than one mile.

3.8

The average number of journeys per weekday in car-using households.



* West Midlands Household Travel Survey (HHTS)

We want to get the city moving and keep it moving

- A proactive approach to keeping the city moving is needed given the level of growth and transformation we are facing
- The Birmingham Transport Plan will describe what we need to do differently over the next few years to achieve our ambitions
- This plan will complement current programmes and initiatives and also identify some 'Big Moves' for transport in Birmingham
- The implementation plan will require coordinated delivery in order to minimise disruption and manage travel demand



Making cycling easier and safer

- Secured funding to improve cycle provisions across the city
- New two-way cycle routes on A34/A38 opened this June offering safe access into the city centre
- Big Birmingham bike scheme: supporting families and deprived areas with cycling provisions
- Bike bank: additional resource to support children with cycling

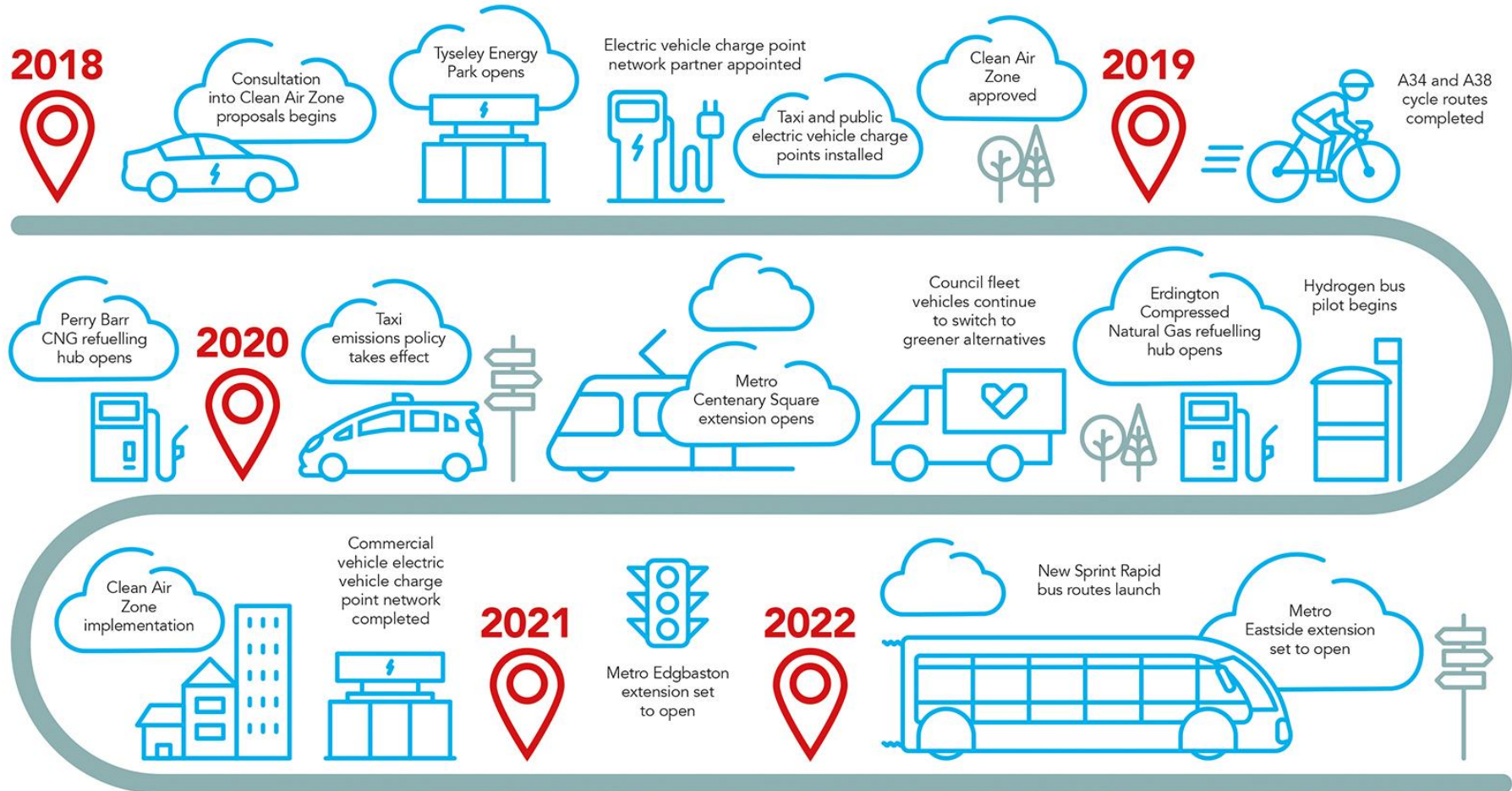


Car free school streets

- Pilot project with six primary schools
- Reducing congestion, increasing safety and improving air quality at school gates
- Switch off school streets kit: resources to support anti-idling campaign around schools



Our journey to clean air



Other measures to support the introduction of the CAZ

Short term exemptions

GROUP	DURATION
Commercial vehicles registered within the CAZ (max 2 vehicles per company)	1 year
Commercial Vehicles with existing finance agreement beyond 2020, registered within Birmingham (max 2 vehicles per company)	1 year
Individuals travelling into the CAZ for work and earning less than £30,000 a year	1 year
Residents within the CAZ (private vehicles registered within the CAZ)	2 years
Visitors to hospitals in the CAZ	1 year
Community and School Transport (vans and minibuses classifies for Section 19 operation in Birmingham)	1 year

Other measures to support the introduction of the CAZ

Ongoing exemptions

GROUP

Vehicles with disabled or disabled passenger tax class

Motorcycles

Show vehicles

Historic vehicles (over 40 years old)

Specialist vehicles (e.g. emergency vehicles)

A range of incentives to encourage the shift to low emission vehicles and support the vulnerable

£10m

Workers in the CAZ
earning < £30k p.a.

- Choice of mobility credit (£1k) or scrappage scheme (£2k) offered to non-compliant car owners working within the CAZ, for individual annual income up to £30k

£10m

HGV and coach fleets
(SMEs)

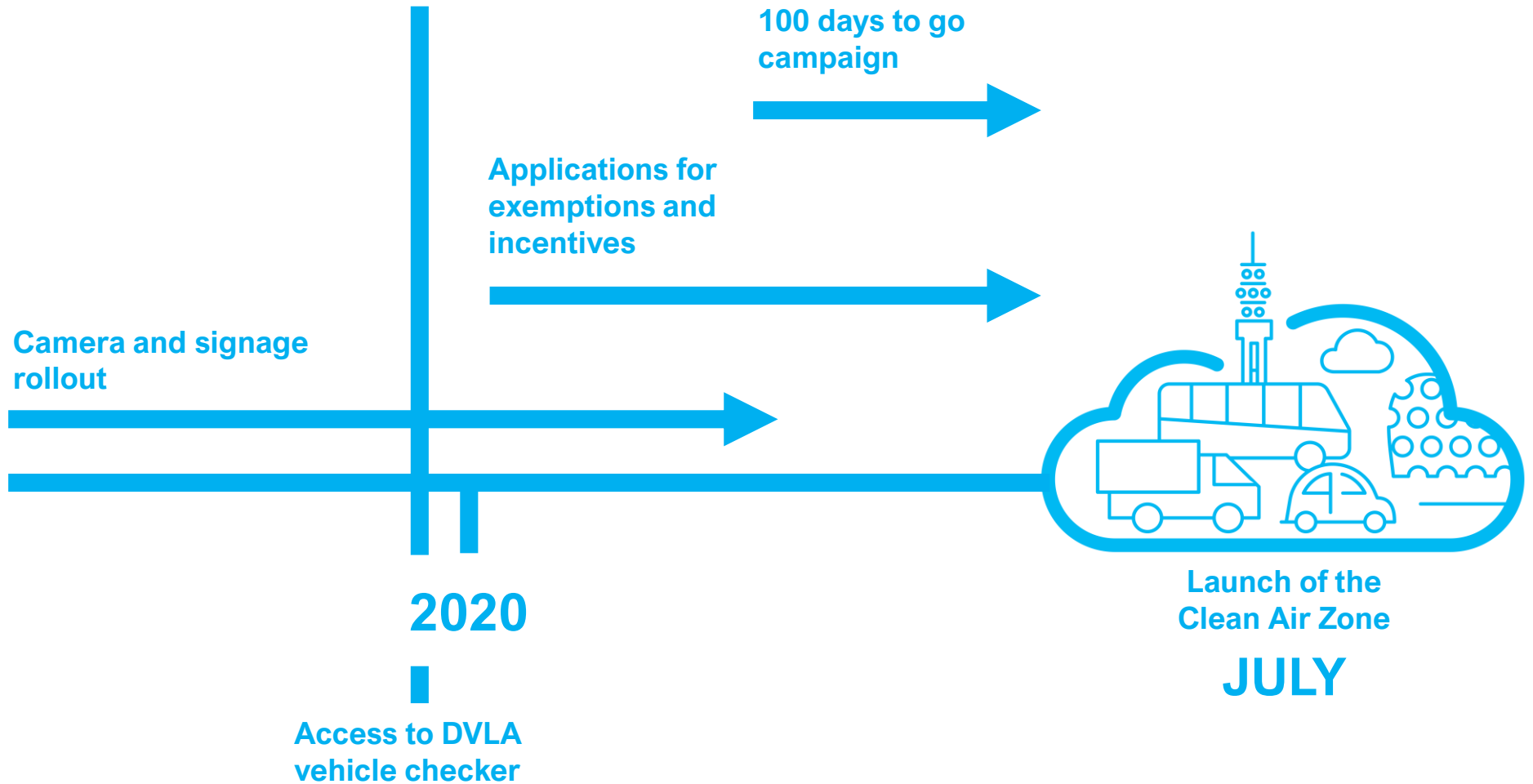
- Purchase an ULEV taxi to receive an operational financial support package (£5k over 4 years)
- Receive funding towards retrofitting an eligible vehicle (£5k 1 OFF payment)
- Birmingham City Council to purchase 50 ULEV taxis to lease out to most vulnerable drivers
- PHV owners who upgrade to a compliant vehicle which fulfils BCC's 2020 licencing criteria and is <3 y.o. will receive financial aid of up to £2,500.

£15m

Hackney carriages and
private hire vehicles

- Fleet operators will be able to apply for a cash payment towards retrofit technology/compliant vehicle, up to £15k

Next steps



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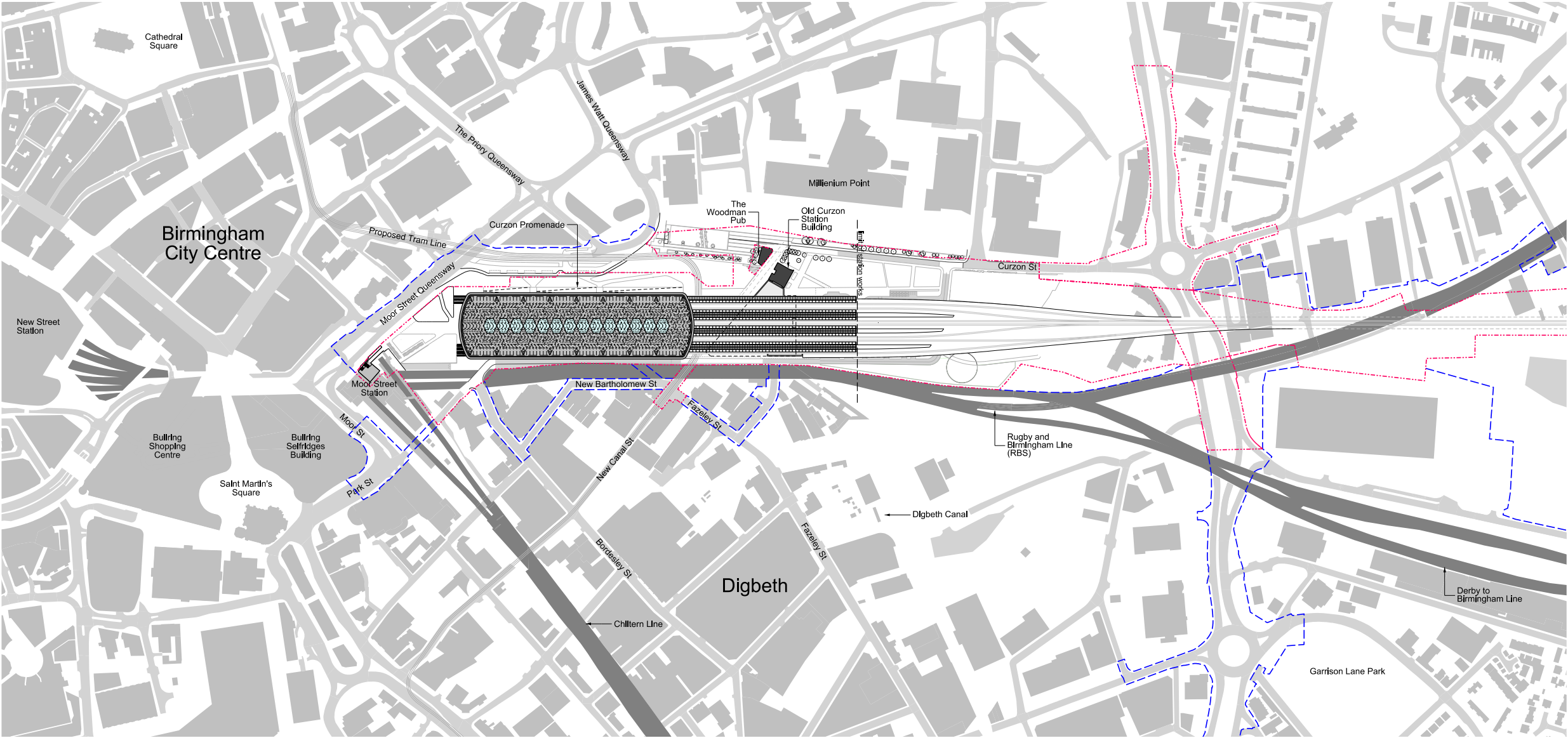


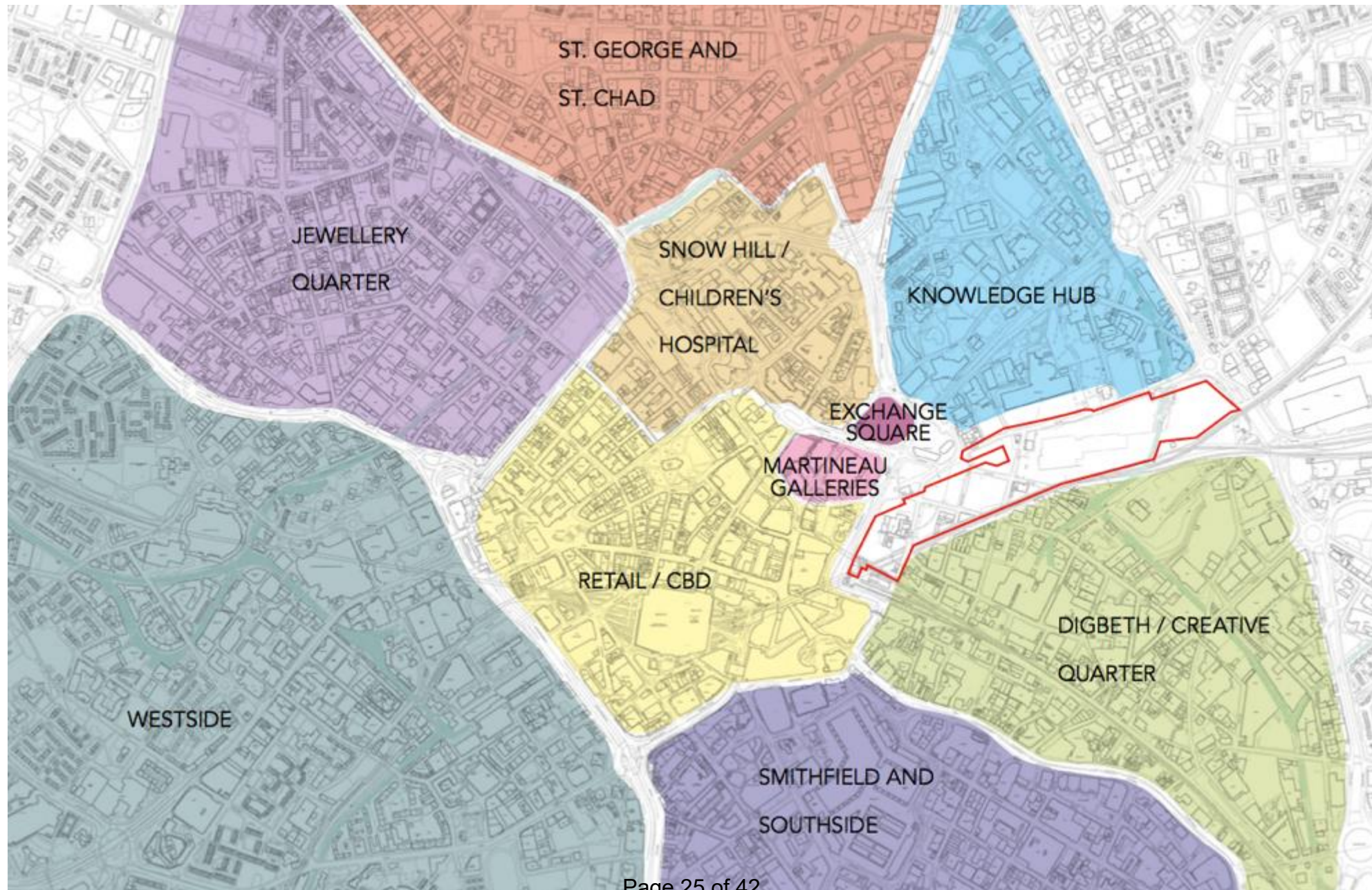
Economy and Skills Overview and Scrutiny Committee

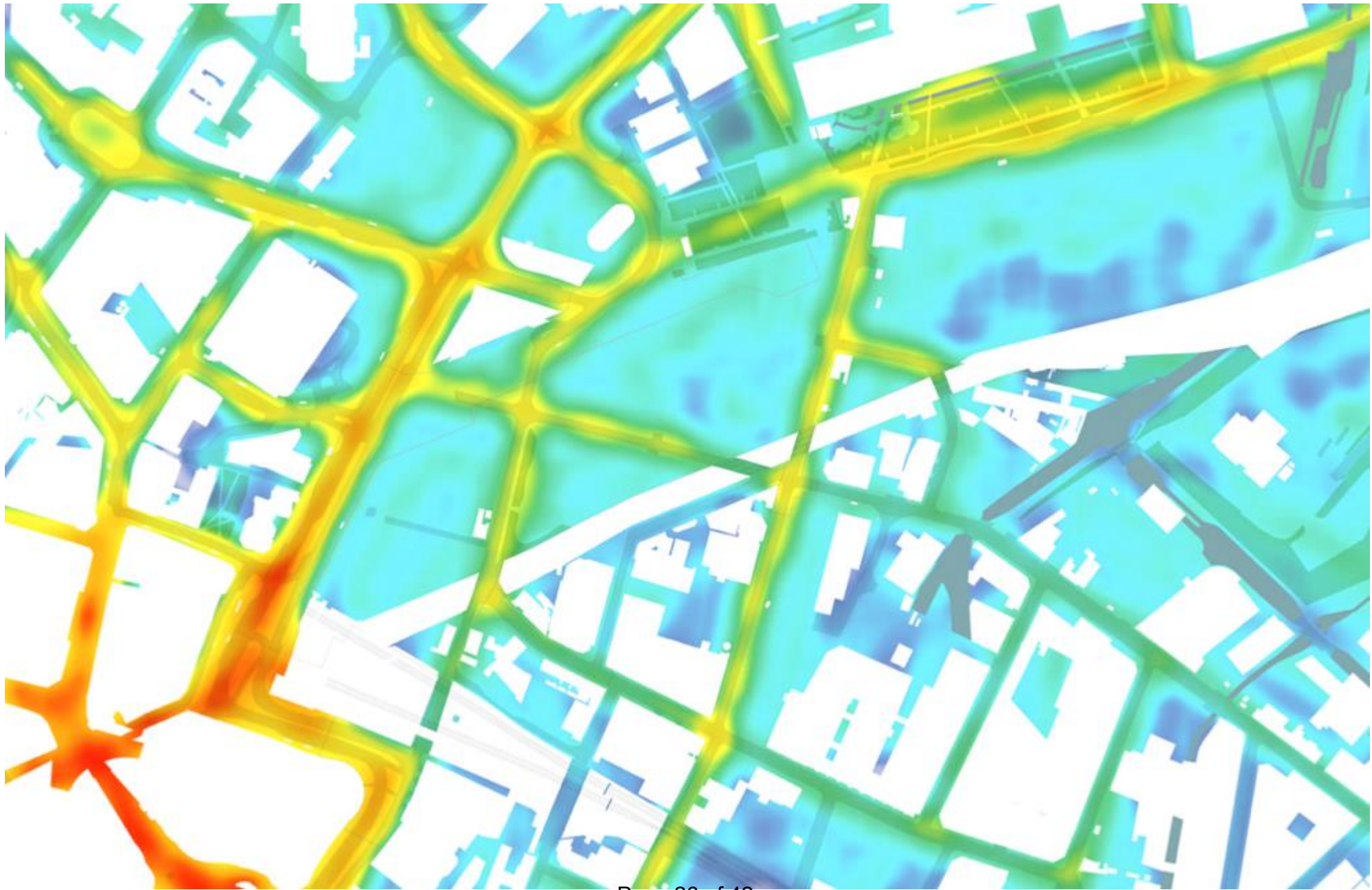
HS2 Curzon Station and Public Realm

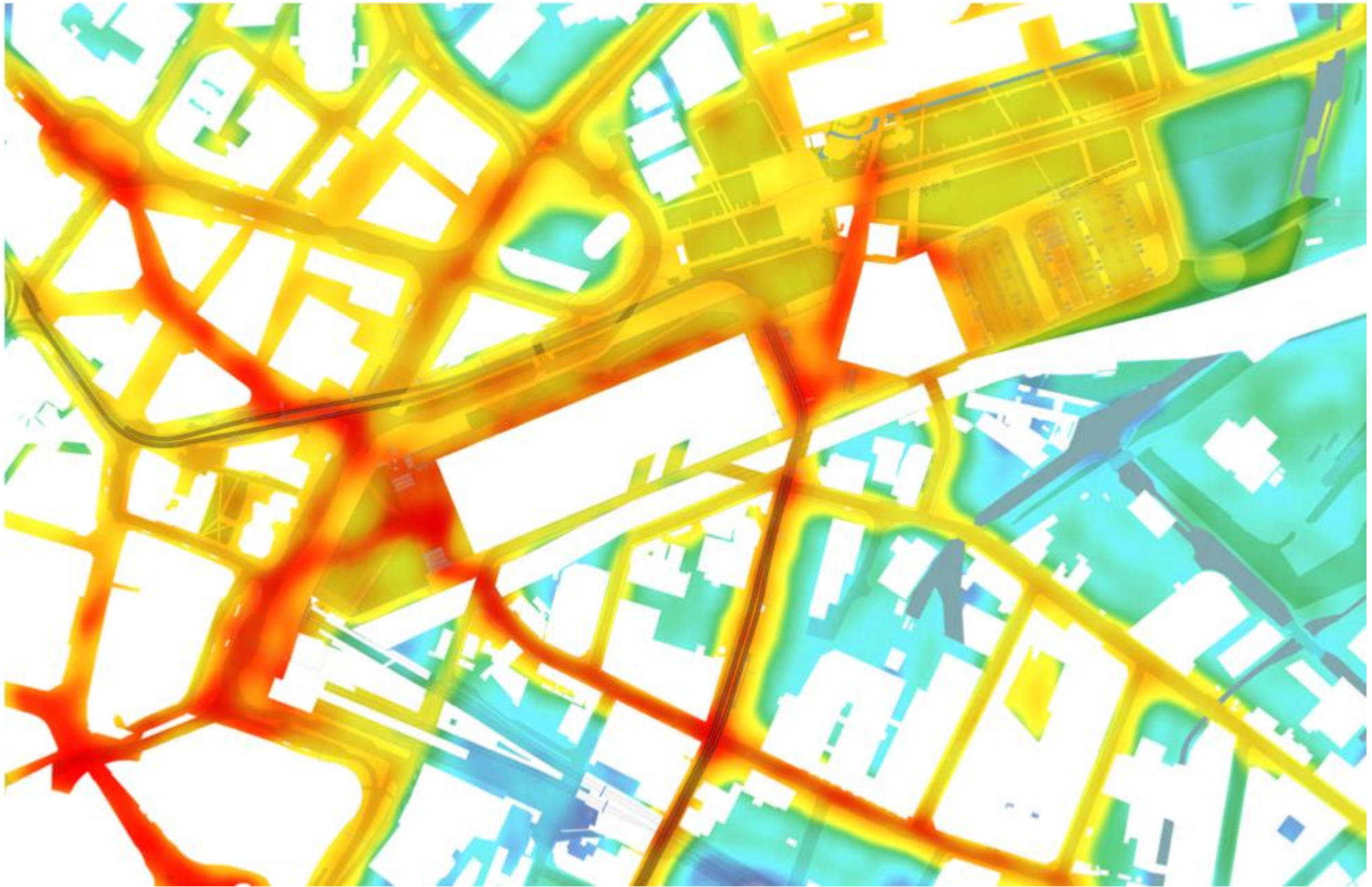


Station Square



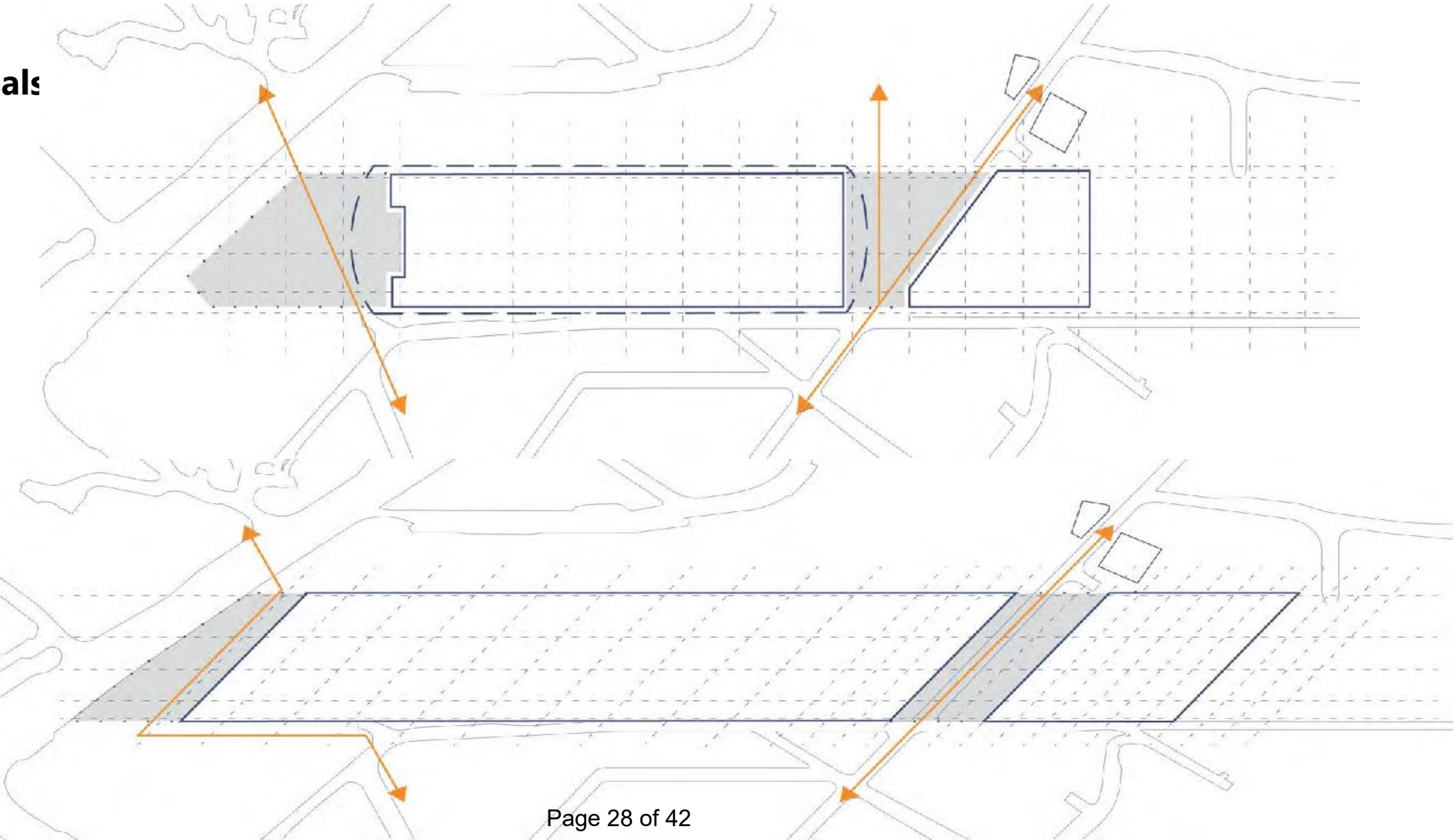






Development from Hybrid Bill

Current Proposals



Hybrid Bill



Design Vision:
City Facing



Western Concourse



Paid Concourse



Eastern Concourse



Curzon Promenade



Curzon Promenade



Curzon Square



Paternoster Place





Economy & Skills O&S Committee: Work Programme 2019/20

Chair:	Cllr Tahir Ali
Deputy Chair:	Cllr Lou Robson
Committee Members:	Cllrs John Clancy, Chaman Lal, Simon Morrall, Julien Pritchard, Lucy Seymour-Smith and Ken Wood
Officer Support:	Rose Kiely, Group Overview & Scrutiny Manager (303 1730) Baseema Begum, Scrutiny Officer (303 1668) Errol Wilson, Committee Manager (675 0955)

1 Meeting Schedule

Date	What	Officer Contact / Attendees
19th June 2019 1030 hours Committee Room 6 Report deadline: 10 th June	Smithfield Petition Work Programme discussion on key Economy & Skills issues	Richard Cowell, Assistant Director, Development/ James Tucker – Petitioner/Cllr Jayne Francis Committee discussion
10th July 2019 **1630 hours** Committee Room 6 Report deadline: 28 th June	Smithfield Masterplan discussion	Cllr Ian Ward, Leader; Waheed Nazir, Strategic Director, Inclusive Growth Lendlease [TBC] James Tucker, CityPark4Brum Peter Culley, Spatial Affairs Bureau
11th September 2019 1030 hours Committee Room 2 Report deadline: 2 nd Sept	West Midlands Pension Fund	Rachel Brothwood Director of Pensions and Jill Davys, Assistant Director - Investments and Finance, West Midlands Pension Fund
9th October 2019 1030 hours Committee Room 2 Report deadline: 30 th Sept	CANCELLED	



Date	What	Officer Contact / Attendees
6th November 2019 1030 hours Committee Room 2 Report deadline: 28 th Oct	The economic impact of the Clean Air Zone (CAZ) on businesses within the CAZ area Curzon Public Realm	Cabinet Member for Transport & Environment; Stephen Arnold, Head of CAZ, BCC, Paul Faulkner, Chamber of Commerce City Centre Business Improvement Districts representatives (Colmore, Jewellery Quarter, Retail, Southside and Westside); James Betjemann, Head of EZ & Curzon Delivery
4th December 2019 1030 hours Committee Room 2 Report deadline: 25 th Nov	Cabinet Member for Education, Skills & Culture 6 monthly update: Youth Promise Plus programme East Birmingham & North Solihull Regeneration Strategy - Update (TBC)	Cllr Jayne Francis (Laura Hendry, CSO) TBC Mark Gamble, Delivery Manager
29th January 2020 1030 hours Committee Room 2 Report deadline: 20 th Jan	Leader's portfolio update Media & Communication Strategy to promote opportunities to young people from deprived communities	Cllr Ian Ward, Leader Birmingham City Council Marketing/Communications (TBC) West Midlands Growth Company (TBC)
26th February 2020 1030 hours Committee Room 2 Report deadline: 17 th Feb	Business Improvement Districts (TBC) Update on the BCC Property Strategy and Preview of planned sales	TBC Kathryn James, Assistant Director, Property, BCC
25th March 2020 1030 hours Committee Room 2 Report deadline: 16 th Mar	Skills and Employment issues: Visit to South and City College, Digbeth (TBC)	TBC
22nd April 2020 1030 hours Committee Room 2 Report deadline: 13 th Apr	6 monthly update: Youth Promise Plus programme (TBC)	TBC



2 Further work areas of interest/Work to be programmed

2.1 The following items could be scheduled into the work programme if members wish to investigate further:

- Smithfield Masterplan – Community discussion. To be scheduled once Lendlease have been formally appointed (approximately Autumn 2019).

3 Other Meetings

Call in Meetings

None scheduled

Careers Advice in Schools Working Group Meetings

4th March 2019, 4.30pm, Room 335, Scrutiny Office
26th March 2019, 4.30pm, Room 335, Scrutiny Office
12th November 2019, 5pm, Room 335, Scrutiny Office

West Midlands Pension Fund Member Discussion Group

26th March 2019, 10.00am, Room 335, Scrutiny Office

Petitions

'Park at Smithfield – Petition No:2104', Wednesday 19th June, 10.30am, Committee Room 6, Council House

Councillor Call for Action requests

*None
scheduled*

It is suggested that the Committee approve Wednesday at 1030 hours as a suitable day and time each week for any additional meetings required to consider 'requests for call in' which may be lodged in respect of Executive decisions.

Contact Officers

Rose Kiely, Group Overview and Scrutiny Manager, rose.kiely@birmingham.gov.uk – 0121 303 1730
Baseema Begum, Research & Policy Officer, baseema.begum@birmingham.gov.uk – 0121 303 1668



4 Forward Plan for Cabinet Decisions

The following decisions, extracted from the Cabinet Office Forward Plan of Decisions, are likely to be relevant to the Economy & Skills O&S Committee's remit. **Please note this is correct at the time of publication.**

Reference	Title	Portfolio	Proposed Date of Decision
006871/2019	Budget 2020/21+ Consultation	Finance & Resources	29 Oct 2019
005280/2018	Midlands Art Centre - new lease	Leader	29 Oct 2019
005626/2018	Securing the legacy of the Commonwealth Games Village through InReach	Leader	29 Oct 2019
006208/2019	HS2 Curzon Station Public Realm Project Delivery Costs	Leader	29 Oct 2019
006370/2019	Icknield Port Loop Deed of Variation	Leader	29 Oct 2019
006426/2019	Property Prospectus - Tenders	Leader	29 Oct 2019
006459/2019	Appointment of Development Partner for Birmingham Smithfield	Leader	29 Oct 2019
006461/2019	Public Consultation on the Parking Supplementary Planning Document	Leader	29 Oct 2019
006883/2019	Development Management in Birmingham – Consultation on the Publication Document	Leader	29 Oct 2019
005744/2019	Birmingham City Council Property Voluntary First Registration	Leader	26 Nov 2019
006887/2019	Birmingham City Council Business, Investment and Trade Strategy	Leader	26 Nov 2019
006918/2019	Birmingham Urban Centres Framework for Inclusive Growth	Leader	26 Nov 2019
006922/2019	Public Consultation on East Birmingham Inclusive Growth Strategy	Leader	26 Nov 2019
006873/2020	Business Plan 2020-2024	Finance & Resources	11 Feb 2020