

Birmingham City Council

Report to Cabinet



14th December 2021

Subject: Metro Centenary Square Extension – GBSLEP EZ
Additional Funding

Report of: Director of Planning, Transport and Sustainability and
Director, Council Management

Relevant Cabinet Member: Councillor Waseem Zaffar – Transport and Environment
Councillor Tristan Chatfield – Finance and Resources

Relevant O &S Chair(s): Councillor Liz Clements – Sustainability and Transport
Councillor Mohammed Aikhlaq – 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): Ladywood		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 008863/2021		
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 This report sets out the background of previous Cabinet approvals for funding for the Metro Extension to Centenary Square, and the reasons for additional Greater Birmingham & Solihull Local Enterprise Partnership Enterprise Zone (GBSLEP EZ) funding.
- 1.2 This report seeks authority for the City Council, in its role as Accountable Body, to accept the additional GBSLEP EZ funding and to use it to pay the West Midlands Combined Authority (WMCA) for both the enhanced materials used within this

Metro Extension and to cover a reduced contribution from the Paradise Development.

2 Recommendations

That Cabinet:

- 2.1 Notes the acceptance of £4.474m of GBSLEP EZ funding approved on 7th March 2018 by GBSLEP Programme Delivery Board as a contribution towards the delivery of the Metro Extension to Centenary Square scheme, noting that this is in addition to £15.950m already secured.
- 2.2 Approves the City Council, acting as the Accountable Body for the GBSLEP Enterprise Zone, prudentially borrowing up to £4.474m to contribute towards the delivery of the Metro Extension to Centenary Square for both the enhanced materials used within this Metro Extension and to cover a reduced contribution from the Paradise Development.
- 2.3 Authorises the Director, of Council Management to passport this funding to the WMCA, as payment for both the enhanced materials used within this Metro Extension and to cover a reduced contribution from the Paradise Development, subject to the Deed of Variation being signed by the City Council and WMCA.
- 2.4 Authorises the City Solicitor to negotiate, execute, seal and complete all necessary documentation to give effect to the above recommendations.

3 Background

- 3.1 The Metro Extension Project Definition Document (PDD) report to Cabinet dated 21st October 2013 contained three projects; the Metro Extension, Centenary Square Refurbishment and Complementary Highway Works and released £0.030m for initial development of the overall project. A further report was approved by Cabinet, on 17th February 2014, releasing £3.000m of GBSLEP funding for development works in order to progress the Metro Extension project to Full Business Case.
- 3.2 On the 18th May 2015, Cabinet approved the FBC for the Metro Extension to Centenary Square. The funding of the project included authority to release a further £15.950m of GBSLEP EZ funding, in addition to the £3.000m already approved for Metro development works, to enable Centro (now part of the WMCA) to complete detailed designs, undertake utilities diversions and to procure and construct the Metro Extension project. A grant agreement was entered into between the City Council and the WMCA for this funding.
- 3.3 This project was being taken forward against a backdrop of extraordinary transformation to the west of Birmingham city centre, with a number of significant projects and developments (Paradise, Arena, Dandara and Centenary Square refurbishment) all being progressed at a remarkable and increasing pace. This was coupled with transformation on the political and governance agenda, with the

Devolution Deal and West Midlands Combined Authority delivering enhanced momentum for the HS2 connectivity package.

- 3.4 In discussions with the WMCA, the City Council identified a requirement for using enhanced materials rather than those included in the planning permission granted in May 2014, in certain sections of the Metro route (Victoria Square, Centenary Square and Pinfold Street). The proposed enhanced materials were chosen to complement the materials in adjacent projects. It also became apparent that the Paradise Development would not be able to provide its full contribution to the Metro scheme. The total financial implications of the reduced contribution and the enhanced materials, based upon contractual proposals received from WMCA's delivery partner (the Midland Metro Alliance), saw costs increased by £4.474m.
- 3.5 WMCA flagged this issue to the EZ Board and put forward a case for the additional funding. On the 7th March 2018, the EZ Board agreed to fund the additional £4.474m subject to approval of the Enterprise Zone Investment Plan (EZIP). The subsequent delay in finalising the EZIP led to a letter from the GBSLEP to the WMCA, dated 21st January 2019, confirming that the EZ Board decision would be honoured, but that the funding would not be available until 2021.
- 3.6 The Metro Centenary Square extension was constructed, including the additional enhancements, and opened to fare-paying passengers in December 2019. The WMCA had agreed to fund the additional enhancements on the understanding that they would be reimbursed when the GBSLEP additional funding became available.
- 3.7 The GBSLEP wrote to the WMCA, dated 7th May 2021 (see Appendix A), confirming that the funding would be available subject to the WMCA and the City Council signing of a Deed of Variation to the original Grant Agreement. This report seeks permission to undertake and complete all necessary documentation to accept the GBSLEP additional funding and to reimburse the WMCA.

4 Options Considered and Recommended Proposal

- 4.1 There are no options to consider, as the works have been constructed to an enhanced standard by the WMCA and the additional funding will be made available once the Deed of Variation is signed.

5 Consultation

- 5.1 No external consultation has been undertaken for this additional funding.
- 5.2 The Acting Director - Inclusive Growth, the Director of Council Management and the Chief Legal Officer all support the acceptance of this funding.

6 Risk Management

- 6.1 The City Council will become the Accountable Body for the additional funding. However, as the works have already been constructed, there are no programme risks or external issues that should prevent expenditure once the Deed of Variation is signed.

7 Compliance Issues:

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

7.1.1 Securing the additional EZ funding has facilitated construction of an enhanced public realm environment in the City's most prominent area.

7.1.2 This supports the City Council's Plan and Budget 2018-2022 priorities (as updated in 2019), specifically '*gain the maximum benefit from hosting the Commonwealth Games*'. The square will be seen by visitors to the City and in television coverage.

7.1.3 The proposals also support the objectives of Birmingham Development Plan (BDP) 2031 including:

'To provide high quality connections throughout the city and with other places including encouraging the increased use of public transport, walking and cycling'.

7.2 Legal Implications

7.2.1 Section 1 of the Localism Act 2011 contains the Council's general power of competence and Section 111 of the Local Government Act 1972 contains the Council's financial and ancillary powers required for the discharge of any of its functions.

7.2.2 Section 1 of the Local Government Act 2003 gives the City Council the power to borrow money for any purpose relevant to its functions under any enactment or for the purposes of the prudent management of its financial affairs.

7.3 Financial Implications

7.3.1 The additional cost to the City Council outlined in this report is £4.474m, funded from additional GBSLEP EZ funding approved on 7th March 2018 by GBSLEP Programme Delivery Board, subject to the signing of a Deed of Variation to the original Grant Agreement.

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

7.3.3 In its Accountable Body role, the City Council will undertake prudential borrowing to support the Metro Extension to Centenary Square generated through the uplift in business rates within the EZ. There are 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 and up-front revenue expenditure incurred by the City Council. These risks have and will continue to be managed primarily through detailed financial modelling and by receiving, for independent examination/approval, detailed individual business cases for project expenditure.

- 7.3.4 The current EZ financial modelling includes this scheme and shows the cost is considered affordable based on the expected and additional income levels that the EZ will generate.

Revenue Implications

- 7.3.5 Any revenue implications in relation to the assets constructed through the Metro Extension works are covered within the FBC report approved by Cabinet on 18th May 2015.

7.4 Procurement Implications (if required)

- 7.4.1 There are no procurement implications as the works that the funding will cover were procured by the WMCA, under their Midland Metro Alliance contract, and are already completed.

7.5 Human Resources Implications (if required)

- 7.5.1 Legal and Finance Officers will need to negotiate, execute, seal and complete all necessary documentation to give effect to the above recommendations.

7.6 Public Sector Equality Duty

- 7.6.1 The funding itself does not introduce an Equality implication. The Metro extension Equality Impact Assessment was undertaken by Centro (now part of the WMCA) and was provided with the FBC report to Cabinet in May 2015.

8 Appendices

- 8.1 List of Appendices accompanying this report:

Appendix A – funding approval letter from GBSLEP, dated 7th May 2021

- 8.2 List of Exempt Appendices accompanying this report:

None

9 Background Documents

Metro Extension to Centenary Square and Associated Works – Project Definition Document - Cabinet report dated 21st October 2013

Midland Metro Extension to Centenary Square – Executive Report to Cabinet dated 17th February 2014

Midland Metro Extension to Centenary Square – Full Business Case, Cabinet report dated 18th May 2015

Letter from the GBSLEP to WMCA (dated 29th January 2019) providing assurance that the decision taken on the 7th March 2018 by the Executive Board of the Enterprise Zone to provide the additional funding was approved.