

# BIRMINGHAM CITY COUNCIL

## PUBLIC REPORT

**Report to:** CABINET  
**Report of:** Corporate Director, Economy  
**Date of Decision:** 12 December 2017  
**SUBJECT:** FORMER CURZON ST STATION REFURBISHMENT AND DISPOSAL TO HS2 LTD  
**Key Decision:** Yes Relevant Forward Plan Ref: 002536/2016  
**If not in the Forward Plan:** Chief Executive approved ☐  
(please "X" box) O&S Chairman approved ☐  
**Relevant Cabinet Members:** Councillor Ian Ward – Leader of the Council  
Councillor Majid Mahmood - Commercialism,  
Commissioning and Contract Management  
**Relevant O&S Chairman:** Councillor Zafar Iqbal - Economy, Skills and Transport  
Councillor Mohammed Aikhlaq – Corporate Resources  
and Governance  
**Wards affected:** Nechells

### 1. Purpose of report:

- 1.1 To seek approval to implement a funding, disposal and management package created through a partnership with HS2 Ltd to refurbish the former Curzon Street Station building and help to secure its long-term future as part of the regeneration of the area under the Curzon Masterplan.
- 1.2 To seek approval to enter into a funding agreement and accept £2m of Enterprise Zone funding from the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP).
- 1.3 To seek approval to enter into a funding agreement and make a grant of £2m to HS2 Ltd to carry out the refurbishment of Curzon Street Station.
- 1.4 The exempt matters for consideration are contained in the accompanying report on the private agenda.

### 2. Decision(s) recommended:

That Cabinet:-

- 2.1 Approves the funding, disposal and management package created through a partnership with HS2 Ltd to refurbish the former Curzon Street Station building as detailed in this report.
- 2.2 Authorises the Corporate Director, Economy to accept a £2m capital grant from the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) Enterprise Zone (EZ).
- 2.3 In its capacity as Accountable Body for the Greater Birmingham and Solihull Local Enterprise Partnership, approves City Council prudential borrowing of £2m for this scheme in accordance with the City Centre Enterprise Zone and Curzon Investment Plan approved by Cabinet on 20th September 2016.
- 2.4 Authorises the Corporate Director, Economy to enter into a funding agreement with, and to make a capital grant of £2m to HS2 Ltd to carry out the refurbishment of Curzon Street Station.
- 2.5 Authorises the City Solicitor to prepare, negotiate, execute and complete all relevant legal documentation to give effect to the above recommendations.

<b>Lead Contact</b>	Matthew Lynch	Richard Cowell
<b>Officer(s):</b>	Head of Service Investment	Assistant Director Development
<b>Telephone No:</b>	0121 303 3985	0121 303 2262
<b>E-mail address:</b>	<a href="mailto:Matthew.Lynch@birmingham.gov.uk">Matthew.Lynch@birmingham.gov.uk</a>	<a href="mailto:richard.cowell@birmingham.gov.uk">richard.cowell@birmingham.gov.uk</a>

### **3. Consultation**

#### **3.1 Internal**

- 3.1.1 Relevant ward members and District Chairs have been consulted and are supportive of the project.
- 3.1.2 The Corporate Director Place, Assistant Director of Property (Interim), Assistant Director Development and officers from City Finance and Legal and Governance, Birmingham Property Services, Transportation and Connectivity, Highways and Infrastructure and Planning and Development have been involved in the preparation of this report.

#### **3.2 External**

- 3.2.1 Consultation on the Curzon Masterplan took place in 2014. The aspirations for this area are clearly outlined in the Masterplan. Curzon Street Station is identified as a key asset and envisaged re-use/ refurbishment. Among the 6 identified key areas for growth were Learning and Research, Creative and Visit, to which the proposals for Curzon Street Station will contribute. The Curzon Masterplan was consulted on in 2014.
- 3.2.2 Consultation included a number of activities that sought to engage as wide a range of people, groups and organisations as possible. The wide publicity has gathered a good response from residents within the city and beyond. Both the Curzon Masterplan (2015) and Curzon Enterprise Zone Investment Plan (CEZIP) (2016) have been approved by the City Council and key stakeholders and Members have been consulted and are supportive of the project.
- 3.3.3 The grant funding of £2m was approved by the Enterprise Zone Board on 28<sup>th</sup> June 2017 and the offer letter is attached at Appendix 1.
- 3.3.4 In addition, the work has been subject to consultation with the Curzon Delivery Board with representation from DCLG, HCA, GBSLEP, HS2 and the Council ensuring it is aligned with the strategic requirements of the CEZIP.
- 3.3.5 Historic England (HE) have been involved with Atkins in the development of the proposed schedule of works which is outlined in para 5.3.

### **4. Compliance Issues:**

- 4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?
  - 4.1.1 The decisions recommended in this report will support the priorities in the Council's Vision and Forward Plan 2017 for Birmingham by building upon our assets, talents and capacity for enterprise and innovation in bringing back into use an unused and historically important asset.
  - 4.1.2 The redevelopment of the Curzon Street Station forms part of the Curzon HS2 Masterplan, Curzon Investment Plan, HS2 Growth Strategy, Birmingham Development Plan, the Big City Plan, and the GBSLEP Enterprise Zone Investment Plan.
  - 4.1.3 The funding agreement with HS2 Ltd will require HS2 to comply with the Birmingham Business Charter for Social Responsibility. The Council will also ensure that all main and sub-contracted organisations involved in the re-development of the site maximise the employment outcomes for local people through the development of apprenticeship schemes and prioritising Birmingham's job seeking residents.

- 4.1.4 External service providers' compliance with the Birmingham Business Charter for Social Responsibility shall form part of the tender evaluation process. The City Council will be part of the procurement process for the refurbishment works ensuring it complies with City Council procurement practice.

#### 4.2 Financial Implications

(Will decisions be carried out within existing finance and Resources?)

- 4.2.1 It is proposed that the City Council will dispose of Curzon Street Station to HS2 Ltd on a 125 year Lease. Further details of this proposed transaction are detailed in the private report. HS2 will provide a sub-lease to Birmingham City University (BCU) for the whole premises. A subsequent lease will be provided to Heritage England (HE) from BCU. BCU will take on the internal repairing liability for the building during the sub lease term as well as the ongoing running costs.
- 4.2.2 The cost of the delivery for refurbishment of the Curzon Street Station is estimated at £4m. Acting as the accountable body on behalf of the GBSLEP, the City Council will provide a capital grant of £2m funded from the EZ to HS2 Ltd specifically for the refurbishment works set out in para 5.3, which will be matched by £2m from HS2 Ltd. This refurbishment project will be delivered by HS2 Ltd in consultation with the City Council. Payment of the grant will be made retrospectively based upon 50% of expenditure evidenced by defrayal and is estimated to be spent in 2018/19.
- 4.2.3 The grant award of £2m by the GBSLEP is consistent with the CEZIP approved by Cabinet on the 20th September 2016. The period of prudential borrowing made by the Council as accountable body will be linked to the maximum 30 year life of the EZ, in accordance with the Council's debt repayment policy for the EZ. The prudential borrowing can be funded from the uplift in business rates within the EZ and in doing so will comply with the financial principles in relation to the CEZIP which were detailed in the report to Cabinet on 20<sup>th</sup> September 2016. Revenue costs associated with the borrowing will be repaid through the business rates uplift.
- #### 4.3 Legal Implications
- 4.3.1 The Council has a duty to efficiently manage its assets and has the power to hold and dispose of land under Section 123 of the Local Government Act 1972 for best consideration. Section 1 Localism Act 2011 sets out the Council's general power of competence. Section 111 of the Local Government Act 1972 empowers local authorities to do anything (whether not involving the borrowing, expenditure or lending of money or the acquisition or disposal of any of its property) which, is calculated to, or is conducive or incidental to the discharge of any of their functions. The disposal terms represent best consideration.
- 4.3.2 The City Council on behalf of the GBSLEP will require HS2 Ltd to complete a funding agreement to provide a maximum of £2m grant funding. On the basis that the GBSLEP grant does not contain any specific outputs other than the refurbishment of the station and the grant will be paid retrospectively based upon defrayal then a legal charge is not required. The City Council will ensure that the project does not overspend by placing conditions in the funding agreement with HS2 Ltd that the grant from the EZ is capped and that no further funding will be provided to complete the project from the City Council.

#### 4.4 Public Sector Equality Duty (see separate guidance note)

- 4.4.1 An equality analysis has been undertaken and no adverse implications have been identified from the actions recommended in this report. The analysis (ref EA002512) can be found in Appendix 2 to this report.

### **5. Relevant background/chronology of key events:**

- 5.1 The Curzon Street Station (previously the British Rail Goods Office) is a Grade I listed building of national architectural significance. Designed in 1837 by Charles Hardwick as the boardroom and office for the London and Birmingham Railway, the neo-classical station was at the time the counterpart of Euston Station and Arch in London. The Curzon Street Station building is the world's oldest surviving piece of monumental railway architecture. It sits at the heart of the Curzon regeneration area, is part of the EZ and stands next to the location for the High Speed 2 City Centre Terminus station. The area is set to undergo transformation over the next 15-20 years.
- 5.2 The City Council owned building has remained vacant for 16 years, due to the costs and complexities associated with bringing the building back into beneficial use coupled with the lack of critical mass within the area necessary to stimulate the private sector interest in this Grade I Listed Building. Previous proposals have been unviable due to revenue costs and management. Whilst HS2 is a key driver for the area the building will continue to remain commercially unattractive throughout the HS2 construction phase and thus this proposal provides an opportunity to showcase the building and create a base from which future commercial opportunities can be potentially realised.
- 5.3 In 2016, HS2 proposed a refurbishment scheme and a working group was formed between the City Council, HS2, BCU and HE to explore the scheme. HS2 Ltd commissioned Atkins to produce a report on the condition and proposed works. These works will ensure that the building is weatherproof, safe and fully operational with appropriate renewed utilities and equipment. The proposed £4m scheme will create consultation and exhibition space, visitor centre, café, as well as providing conference facilities and meeting rooms on the ground floor. The first and second floors will provide office accommodation for BCU post graduate start up units and HE Midland office.
- 5.4 To deliver this scheme HS2 Ltd are committing £2m of funding and will deliver the refurbishment works; BCU will manage the building and take on the internal repairing liability for the building for a period of 10 years. The City Council will grant a 125-year lease to HS2, who as leaseholder would sub-let for a 10 year period to BCU on a peppercorn rent and BCU will sub-let to HE on a peppercorn rent. The City Council and HS2 Ltd jointly procured Lambert Smith Hampton to undertake an independent valuation of the building to ensure that both parties can arrive at a mutually agreeable position.
- 5.5 The City Council acting as the Accountable Body for the EZ will provide a capital grant to HS2 Ltd to match their commitment. As the Accountable Body the City Council will ensure that a public procurement process is undertaken to ensure value for money in the delivery of the construction works, which will be the responsibility of HS2, and that the grant expenditure is paid based upon evidence of defrayal.
- 5.6 The scheme addresses the significant challenge of funding a refurbishment and overcoming the negative images associated with the building sitting vacant within a major regeneration zone. The refurbishment of Curzon Street Station will create a regenerated iconic building that will act as a catalyst for longer term investments to the wider EZ and Curzon area.

5.7 The project has secured planning permission/ Listed Building consent on 6<sup>th</sup> July 2017. HE has been involved early on in the process as a partner to help steer the proposals with the City Council, BCU and HS2. HE have given their approval to the HS2 planning consent for the refurbishment works.

5.8 The timescales for delivery of the project are as follows:

Milestone	Date*
Royal Assent Granted for High Speed 2	23/02/2017
HS2 Change and Investment Panel approval	21/06/2017
Listed Building Consent and Change of Use Consent agreed	25/07/2017
Detailed design and refurbishment contract let to contractor by HS2 Ltd.	18/10/2017
Agree Heads of Terms between BCC and High Speed 2	30/11/2017
Cabinet Approval of Proposal	12/12/2107
Works to start on site	02/02/2018
Main refurbishment works complete	31/10/2018
Project and financial closedown	30/11/2018

## 6. Evaluation of alternative option(s):

### 6.1 Option 1 - Do Nothing.

- a) The City Council will not be able to bring forward the refurbishment of the building and attract private sector investment in a coherent way that provides best value for money.
- b) The funding being made available from HS2 Ltd and EZ for the scheme now, will not be available in the future thus losing the opportunity to bring the building back into use.
- c) Birmingham Property Services will be left with an ongoing property management liability with risk of significant costs to avoid further deterioration. Due to the complexities outlined in 5.2 and the impending HS2 construction site immediately adjacent, Birmingham Property Services are of the opinion that there will continue to be no financially viable demand for the property until the construction works are complete.

### 6.2 Option 2 – Minor repairs.

The City Council could continue carrying out minor repairs to keep the building in its current condition. However the building would continue to sit vacant detracting from the wider areas regeneration.

### 6.3 Option 3 – The City Council does the work itself.

The City Council provides capital funding as match against the GBSLEP capital grant. The City Council would have to manage the refurbishment programme and identify the funding from its limited financial resources. This option would provide the City Council with an ongoing management issue of the building.

## **7. Reasons for Decision(s):**

- 7.1 Without external funding, this project cannot move forward and the opportunity and benefits will be lost. The refurbishment of Curzon Street Station will create a regenerated iconic building that will act as a catalyst for longer term opportunities and investments to the wider EZ and Curzon area.
- 7.2 To bring one of Birmingham's Grade I listed buildings back into use with a funding package from HS2 and EZ thus securing the management of the building for a 10 year period.

## **Signatures**

## **Date**

Councillor Ian Ward –  
Leader of the Council

.....

Councillor Majid Mahmood  
Cabinet Member, Commercialism,  
Commissioning, and Contract  
Management

.....

Waheed Nazir  
Corporate Director, Economy

.....

## **List of Background Documents used to compile this Report:**

1. Big City Plan 2010
2. Birmingham Development Plan (BDP) - January 2017
3. Greater Birmingham and Solihull Local Enterprise Partnership EZ Investment Plan 2014
4. Council's Financial Plan 2017+
5. Birmingham Curzon Masterplan - July 2015
6. City Centre Enterprise Zone Extension and Curzon Investment Plan - Cabinet report 20<sup>th</sup> September 2016
7. Old Curzon Street Station RIBA Stage 3 Report - Atkins dated 17<sup>th</sup> March 2017

## **List of Appendices accompanying this Report (if any):**

1. Solihull Local Enterprise Partnership (GBSLEP) Funding Offer Letter
2. Equality analysis
3. Consultation Summary