

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	CABINET
Report of:	STRATEGIC DIRECTOR OF ECONOMY
Date of Decision:	18 October 2016
SUBJECT:	BIRMINGHAM SMITHFIELD DEVELOPMENT
Key Decision: Yes	Relevant Forward Plan Ref: 002443/2016
If not in the Forward Plan: (please "X" box)	Chief Executive approved <input type="checkbox"/> O&S Chairman approved <input type="checkbox"/>
Relevant Cabinet Members	Councillor John Clancy – Leader of the Council Councillor Majid Mahmood - Value for Money and Efficiency
Relevant O&S Chairman:	Councillor Zafar Iqbal - Economy, Skills and Transport
Wards affected:	Nechells Ward

1. Purpose of report:

This report :

- 1.1 Sets out the proposed approach to be taken in developing a delivery strategy and Full Business Case (FBC) for the re-development of the Birmingham Smithfield site in accordance with the agreed Masterplan area and marketing the site for disposal to progress the development of the area to support the sustainable growth of the city centre.
- 1.2 Provides details of the procurement process for procuring a delivery adviser, taxation and legal services to provide the necessary expertise to assist in delivering the project that will include the consideration of complex financial and operational delivery models.

2. Decision(s) recommended:

That Cabinet:-

- 2.1 Approves the Birmingham Smithfield Development Project Initiation Document (PID) at *Appendix 1* to develop a Delivery Strategy and Full Business Case for the re-development of the area that will include the production of an Outline Delivery Strategy and Business Cases, and a Procurement Strategy to appoint a Development/Investment Partner and the execution and monitoring of a Partnership Contract/Agreement.
- 2.2 Delegate authority to the Strategic Director of Economy to apply for, accept and spend £940,000 funding from the Greater Birmingham Solihull Local Enterprise Partnership (GBSLEP) Enterprise Zone (EZ) Fund to deliver the project as outlined at paragraph 2.1 and to enter into a funding agreement.

Lead Contact Officer(s):	Marlene Slater Principal Project Delivery Officer	Simon Garrad Head of Project Delivery Team
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2. Decision(s) recommended: continued.

- 2.3 Approves the procurement process for the delivery adviser as outlined in Appendix 2, the taxation services as outlined in Appendix 3 and legal services as outlined in Appendix 4 where the Council does not have the expertise or the capacity to provide such advice.
- 2.4 Subject to the confirmation of funding from GBSLEP, authorises the invitation of tenders for the procurement of professional estate property, finance, taxation and legal services through the Crown Commercial Services Frameworks to assist in the delivery of the above recommendations, and delegate authority to the Strategic Director of Economy in conjunction with the Assistant Director Procurement, the Strategic Director of Finance and Legal (or their delegate) and the Acting City Solicitor (or their delegate) to award the contract award and place orders.
- 2.5 Authorises the Director of Property in conjunction with the Strategic Director of Economy to market the Birmingham Smithfield site for disposal and appointment of a Development/Investment Partner(s).
- 2.6 Authorises the Acting City Solicitor to prepare, negotiate, execute and complete all relevant legal documentation to give effect to the above recommendation 2.3 above.
- 2.7 Notes that a further report will be presented to Cabinet to seek approval to the Options Appraisal for the development of the Birmingham Smithfield area at the end of Key Stage 2 as shown in the Project Initiation Document (PID) at Appendix 1.

3. Consultation

3.1 Internal

- 3.1.1 The Leader of the Council and Cabinet Member for Value for Money and Efficiency have been consulted regarding the preparation of this report and are supportive of the project proceeding towards an executive decision. Relevant ward members and Executive Members for the Districts have been consulted and are supportive of the project.
- 3.1.2 Members of the Project Board and Group that includes the Strategic Director, Major Programmes and Projects, Acting Strategic Director Place, Director of Property and senior officers from City Finance, Transportation and Connectivity, Highways and Infrastructure, Arts and Culture, Market Operations, Parks and Events, Legal and Democratic Services and Birmingham Property Services, have been involved in formulating the Project Initiation Document (PID) at *Appendix 1* that forms the basis of this report; and are in agreement with the recommendations made in this report.
- 3.1.3 City Finance, Legal and Democratic Services and Corporate Procurement Services officers have been involved in the preparation of this report.

3.2 External

- 3.2.1 Key Stakeholders and the general public were consulted in March 2016 on the Birmingham Smithfield Masterplan and comments received in relation to the delivery strategy are reflected in the Project Initiation Document (PID) at *Appendix 1*
- 3.2.2 An application to GBSLEP will be made on 2nd November 2016 for development funding from the Enterprise Zone Fund to undertake this project

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 facilitate the development of the Birmingham Smithfield area that supports the Council's Business Plan and Budget 2016+ Priority Outcomes by contributing to making Birmingham 'A strong economy': revitalising and modernising the city's economy to deliver sustainable growth and strengthen Birmingham's global standing generating jobs and prosperity for current and future residents.
- 4.1.3 The development of Birmingham Smithfield forms part of the emerging Birmingham Development Plan, The Big City Plan, and the Greater Birmingham and Solihull Local Enterprise Partnership Enterprise Zone Investment Plan 2014 and supports the Birmingham Connected five core objectives.
- 4.1.4 In working with the Council external service providers will be required to comply with the Birmingham Business Charter for Social Responsibility. The Council will work with developers, partners, contractors involved in the re-development of the site to maximise employment outcomes for local people; prioritising Birmingham's job seeking residents.

4.2 Financial Implications

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

- 4.2.1 The cost of developing the delivery strategy and business cases for re-developing the Birmingham Smithfield Masterplan area; and procuring a delivery partner(s) is estimated at £940,000. This cost includes expert estate property, finance, legal and taxation advice and project management officers' time necessary to deliver the project outputs as shown in Birmingham Smithfield Development Project Initiation Document (PID) at Appendix 1.
- 4.2.2 A project application will be submitted to the GBSLEP Executive Board on the 2 November 2016 with the intention of funding this from GBSLEP Enterprise Zone (EZ) revenue resources. The cost of undertaking this preliminary work to identify options is revenue expenditure.
- 4.2.3 The project shall be managed in-line with the City Council's gateway process and related financial approval framework.
- 4.2.4 A further report will be presented to Cabinet to seek approval for the options appraisal for the development of the Birmingham Smithfield area at the end of Key Stage 2 as shown in the Project Initiation Document (PID) at Appendix 1, page 8. The report will outline the whole-life cost of the preferred operational and financing model for developing the site and highlight the capital and revenue implications to the Councils budget.
- 4.2.5 Once a preferred Development Partner(s) has been selected, a final report will be made to Cabinet to seek approval of the FBC, which will provide the detailed whole life cost implications.

4.1 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 Sections 120 and 123 of the Local Government Act 1972. Section 1 Localism Act 2011 sets out the Council's general power of competence.

Legal Implications Continued.

4.3.3 The Council may secure external legal advice to work with Legal Service in the development of proposed delivery strategy, business case, service contracts and partnership agreement(s) where it does not have the expertise or the capacity to provide such advice.

4.4 Public Sector Equality Duty (see separate guidance note)

4.4.1 The development of a full Delivery Strategy and Business Case for re-developing the Birmingham Smithfield Masterplan area will support the delivery of the Birmingham Smithfield Masterplan adopted by Cabinet on 20 September 2016, for which an Equality Analysis was undertaken and concluded that the masterplan was unlikely to have a disproportionate impact on any of the protected groups. This Equality Analysis will be reviewed following production of the options appraisal and Full Business Case (FBC).

5. Relevant background/chronology of key events:

5.1 In September 2010, the City Council launched the Big City Plan that defined five areas of transformation to develop Birmingham into a world class City Centre delivering sustainable growth, improved connectivity, authentic character, environmental quality, new residential communities and a diversified economic base.

5.2 The Birmingham Smithfield is a 14 hectare site located within the city centre's Southern Gateway area of transformation as set out in the Big City Plan. Development of the Birmingham Smithfield site will act as a catalyst for the transformation of the wider Southern Gateway area that will support the sustainable growth of the city centre.

5.3 On 20 September 2016 Cabinet approved the Birmingham Smithfield Masterplan that sets out ambitions for the area to capitalise on the established city assets within and surrounding the site with the creation of a sustainable and inclusive place. This includes new cultural and leisure attractions, vibrant markets and spaces for new and small businesses and a residential neighbourhood with a high quality public realm and integrated public transport links to the wider city centre.

5.4 Development of the site is expected to deliver over 300,000 sq. metres of new floor space, 2000 new homes and 3000 new jobs, adding £470 million GVA to the local economy. It will attract millions more visitors to the region and over £500 million of investment.

5.5 The demolition of the existing Birmingham Wholesale Markets is planned to commence in February 2017 following the relocation to a purpose built facility at The Hub, Witton. The Wholesale Market site is owned by the Council and covers approximately 8 Hectare (60%) of the Birmingham Smithfield area as shown in the Project Initiation Document (PID) at Appendix 1, Annex 1 Site Boundary and BCC Ownership Map attached.

5.6 The Council will need to partner with investor/ developer to bring finances and expertise to deliver the re-development. The financial and operational partnership options that can deliver the ambitions of the masterplan for the area are far ranging and complex. Therefore, a robust Delivery Strategy is now required to guide and take forward the re-development and regeneration of the Birmingham Wholesale market site and the wider Birmingham Smithfield Masterplan area.

Relevant background/chronology of key events continued.

- 5.7 A comprehensive project management team (as shown in the Appendix 1 Project Initiation Document (PID), Annex 4 Governance and Management Structure) has been established to manage the development of a Delivery Strategy, Business Case and procurement of the Development Partner(s).
- 5.8 It is proposed that a Delivery Adviser is procured through the Crown Commercial Services framework contract for Professional Estate Services to develop the delivery strategy and Full Business Case that will include the production of an Outline Delivery Strategy and Business Case and Procurement Strategy; managing the procurement of Development/Investment Partner; managing the execution of Partnership Contract/Agreement and monitoring the progress of the re-development. The Delivery Adviser will also coordinate advice, assistance and information from internal teams and external suppliers to the project.
- 5.9 Taxation and legal services may be procured to provide the necessary expertise to assist the project where the Council does not have the expertise or the capacity to provide such advice.
- 5.10 A further report will be brought to Cabinet in Winter 2017/18 to seek approval of the options appraisal and in principle approval to appoint the preferred Development/Investment Partner(s) subject to Cabinet approval of a Full Business Case at a later date in Winter 2018/19.

6. Evaluation of alternative option(s):

- 6.1 Option 1 - Do Nothing. This will not enable the council to bring forward the development of the area in a holistic, coherent manner that optimises the investment opportunity to attract private sector investment and provides the best value for money.
- 6.2 Option 2 - Reduce the project scope to the Wholesale Market site only. See para 6.1 above.

7. Reasons for Decision(s):

- 7.12 To facilitate the development of Birmingham Smithfield and ensure that the delivery model for developing the area is commercially and financially viable for both the Council and private sector development partner(s).
- 7.2 To identify and where appropriate utilise public sector resources to remove barriers to development and increase the attractiveness of the investment opportunity.

Signatures

Date

Councillor John Clancy –
Leader of the Council

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Councillor Majid Mahmood –
Cabinet Member, Value for
Money and Efficiency

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Waheed Nazir Strategic
Director of Economy

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List of Background Documents used to compile this Report:
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| <ol style="list-style-type: none">1. Big City Plan 20102. Birmingham Development Plan (BDP)3. Greater Birmingham and Solihull Local Enterprise Partnership EZ Investment Plan 20144. Council's Business Plan Council's Business Plan 2016+5. Birmingham Smithfield Masterplan Cabinet Report 20 September 2016 |
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List of Appendices accompanying this Report (if any):
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| <ol style="list-style-type: none">1. Birmingham Smithfield Development Project Initiation Document (PID)2. Procurement Approach – Delivery Adviser3. Procurement Approach – Taxation Advisor4. Procurement Approach – Legal Advisor |
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