

**BIRMINGHAM CITY COUNCIL**

**PUBLIC**

<b>Report to:</b>	<b>CABINET</b>
<b>Report of:</b>	<b>STRATEGIC DIRECTOR ECONOMY</b>
<b>Date of Decision:</b>	<b>21 MARCH 2017</b>
<b>SUBJECT:</b>	<b>MARKETING BIRMINGHAM BUSINESS PLAN</b>
<b>Key Decision: Yes</b>	<b>Relevant Forward Plan Ref: 003286/2017</b>
<b>If not in the Forward Plan: (please "X" box)</b>	Chief Executive approved <input type="checkbox"/> O&S Chairman approved <input type="checkbox"/>
<b>Relevant Cabinet Member</b>	<b>Cllr Ian Ward, Deputy Leader</b>
<b>Relevant O&amp;S Chairman:</b>	<b>Cllr Zafer Iqbal</b>
<b>Wards affected:</b>	<b>ALL</b>

<b>1. Purpose of report:</b>
<p>1.1 To consider the conversion of Marketing Birmingham Limited into the West Midlands Combined Authority Growth Company and the associated changes to the company's Membership and Memorandum and Articles</p> <p>1.2 To confirm the expenditure budgets that the Council will provide to the new Growth Company for the next 3 years</p> <p>1.3 To consider the transitional arrangements to allow Marketing Birmingham to continue to deliver services in 2017-18 under contract, to support inward investment, marketing of the city as a leisure and visitor destination and supporting the visitor economy</p> <p>1.4 To confirm the treatment of company separation and any balance sheet liabilities</p>

<b>2. Decision(s) recommended:</b>
<p>That Cabinet:</p> <p>2.1 Authorise the conversion of Marketing Birmingham Limited to the West Midlands Combined Authority (WMCA) Growth Company.</p> <p>2.2 Approve the payment of a pro-rata fee in 2017/18 for the continuous services from Marketing Birmingham in accordance with the existing SLA between Marketing Birmingham and the City Council until the conversion is completed on 1<sup>st</sup> May 2017.</p> <p>2.3 Approve the earmarking of £32,700 per annum from the City Council's budget allocation for the new WMCA growth company to cover the pre-existing pension fund liability in relation to past and existing local government pension fund members of Marketing Birmingham.</p> <p>Continued....</p>

2.4	Authorise the novation of the existing 10 year annuity loan to the Growth Company.
2.5	Authorise the novation of the revolving £1.0m working capital loan facility to the Growth Company should this be required.
2.7	Note that new arrangements for nominations to the future Board of Directors of the Growth Company will be a matter for West Midlands Combined Authority to approve.
2.8	To authorise the City Solicitor to negotiate, execute, seal and complete all necessary agreements and documentation to give effect to the above recommendations.

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### **3. Consultation**

3.1	<p><u>Internal</u></p> <p>The Leader of the Council, and Cllr Timothy Huxtable, who are the elected members nominated as Directors of Marketing Birmingham, have been sent a copy of this report. All members support the proposals of this report. Officers from City Finance, Corporate Procurement and Legal and Democratic Services have been involved in the preparation of this report.</p>
3.2	<p><u>External</u></p> <p>The Board of Directors of Marketing Birmingham and the Executive Board of the West Midlands Combined Authority approved the creation of the Growth Company on 3 March 2017.</p>

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

4.1	<p><u>Are the recommended decisions consistent with the Council's policies, plans and strategies?</u></p> <p>The proposals in this report will enable the Council through the new WMCA Growth Company to continue to deliver a service promoting and encouraging businesses to invest in Birmingham and to now extend this under a new corporate structure to the wider WMCA, supporting the Council Financial Plan 2017+ vision for the future.</p>
4.2	<p><u>Financial Implications</u></p>
4.2.1	<p>Transfer to the Growth Company:</p>
4.2.1.1	<p>The City Council has an inward investment and other services approved revenue budget in 2017/18 of £1.613m. This will reduce to £1.363m in 2018/19 and to £1.063m in 2019/20 onwards consistent with the Council's Financial Plan 2017+.</p>
4.2.1.2	<p>The City Council is working with Marketing Birmingham in 2016/17 to ensure the company can achieve a revenue break even position at the year end.</p>

4.2.1.3 Pension Deficit – Marketing Birmingham has employees with membership of the Local Government Pension Scheme (LGPS). Some are retired and some are employees who will transfer to the Growth Company. The deficit is assessed as £0.975m at 1 April 2016. Currently Marketing Birmingham pays an additional £32,700 per annum to balance the company with the pension fund. This will continue to be paid from the Growth Company, resourced from the SLA payment made by the City Council.

4.2.1.4 Loans to Marketing Birmingham – Marketing Birmingham has an inter-company loan from the City Council which relates to the creation of a Business Hub at Baskerville House. The balance on this loan at 31 March 2017 will be £0.630m and is repaid at a 10 year annuity rate of 2.2%. Currently Marketing Birmingham and its sub tenants pay an inclusive charge for the space they occupy which includes the rent paid to the landlord, service charge and a proportionate share of the loan repayment. There are sufficient occupation plans and agreements in place to enable the continued repayment of the loan and consequently the Growth Company will take assignment of the lease on the building from Marketing Birmingham and continue to meet the loan repayments. .

4.2.1.5 Working Capital – currently BCC provides a working capital loan facility of up to £1.0m (approved by Cabinet on the 16 March 2015 and extended by Cabinet on the 8 December 2015 up to the financial year 2018/19) to Marketing Birmingham to cover the specific cash flow gap for the ERDF programme as that grant is paid in arrears. As this is currently a GBSLEP wide scheme BCC will continue to provide the working capital for the approved term, unless the WMCA finance director believes it to be more efficient for the WMCA to do so. Should the WMCA wish to fund this facility, BCC will withdraw the facility and demand repayment of all monies owed under the terms of it. The current balance on this facility is £0.350m

4.2.1.6 Re-organisation costs – should the City Council and Marketing Birmingham agree to any restructuring of the organisation prior to the new Growth Company, the costs of this will fall to Marketing Birmingham and the City Council to resolve. After the transfer of the company to the WMCA Growth Fund, the company will be owned and controlled by the WMCA.

#### 4.2.2 Service Level Agreement

4.2.2.1 It is proposed that the existing SLA, pro-rata to the 2017/18 budget, is extended with Marketing Birmingham to the point the Growth Company comes into operation on the 1<sup>st</sup> May 2017.

4.2.2.2 The service agreement with the new Growth Company is now being prepared by Officers and Cabinet approval to it will be sought prior to the Growth Company coming into operation.

#### 4.3 Legal Implications

Under the general power of competence per Section 1 of the Localism Act 2011, the Council has the power to enter into the arrangements set out in this report which also are within the boundaries and limits of the general power of competence Section 2 and 4 of the Localism Act 2011.

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

An Equality Assessment has been undertaken and is attached at Appendix 2. There are no adverse implications identified from the actions recommended in this report.

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

- 5.1 MB (and its predecessor organisation) was established in 1982 and is a not-for-profit organisation. Birmingham City Council has always been its major stakeholder and continues to be its major funder and shareholder.
- 5.2 In March 2016, the WMCA Shadow Board considered establishing a wholly owned Growth Company which would help support delivery of a number of the ambitious targets set out in the region's Strategic Economic Plan. The creation of the company was approved by the WMCA Board on 3 March 2017 to be in place by the 1 May 2017.
- 5.3 Since then, and with support and guidance from a Steering Group, a Delivery Group, PWC and Marketing Birmingham, WMCA partners have worked to pull together initial proposals for the role and functions of the Growth Company, and an indicative governance model. These were considered by the WMCA Programme Board on 8th July 2016. On 3 March the Board approved the creation of the company, the existing board of directors and the Memorandum and Articles will be replaced to reflect the new WMCA Growth Company requirements and the change of control from the City Council to the WMCA.
- 5.4 In order to support delivery of Strategic Economic Plan (SEP) targets such as the additional 500,000 jobs and 20,000 businesses, targets which sit over and above existing LEP targets, a joined-up effort will be required to market the region to potential investors, and to support existing major investors to stay and grow. When successful, this will have a positive impact on delivery of SEP targets, as well as helping to maximise business rate receipts.
- 5.5 The role of the WMCA Growth Company, will be to sit above existing local activities to support small and medium size businesses. It will also seek to avoid situations which have occurred in the recent past where a major investor has been lost to another region, partly as a result of local partners competing with each other, rather than joining forces to maximise the offer.
- 5.6 Furthermore, the Growth Company will be able to lead region-wide activity to attract global investment opportunities where local scale is insufficient to prevail. An example might be bidding to host the Commonwealth Games. A joined-up approach to missions and events around the World can also be co-ordinated by the Growth Company as was successfully demonstrated at MIPIM 2017.
- 5.7 The Growth Company will deliver a range of benefits for the region aligned to the aim of helping to facilitate delivery of the Strategic Economic Plan, including but not limited to the following:
  - Within the first three years, a minimum of 10% year-on-year improvement in the number of overseas businesses establishing themselves in the region (Foreign Direct Investment), which annually is targeted to result in a £40m uplift in Gross Value Added (GVA) and an additional 800 jobs.
  - Increased global competition for West Midlands wide capital investment opportunities from Sovereign wealth funds and private investors.

- Commensurate with the above, increases in Business Rate revenues to the West Midlands which is a key part of the financial modelling to deliver the Strategic Economic Plan and the WMCA investment programme.
- Increases in the number and value of business and leisure tourists visiting the region and the resulting uplift in expenditure and Gross Value Added (GVA).
- At least £10m per annum advertising value equivalent (AVE) of publicity for West Midlands regional investment opportunities;
- A significantly improved and joined up account management service for the region's existing investors, so maximising the opportunity for them to remain and grow in the region, develop local supply chains, and avoiding intra-regional competition for new investments (as detailed earlier in this report).
- A new platform for West Midlands Universities to invest and engage with the region and work collaboratively at programme level to market their collective offer (e.g. skills, research and development, investment) and deliver a joined-up proposition to Government.
- A new collaboration for Universities and all stakeholders to sell the West Midlands proposition both domestically and internationally in a joined up way.
- A more coherent and influential input into the Midlands Engine.
- An indirect benefit of attracting and retaining skills and talent in the region, and an ability to share local skills and talent across the WMCA geography and the wider West Midlands region.
- A vastly improved qualitative impact at global events such as MIPIM and a more attractive proposition for investors and when bidding for national and global events in sport, culture and conferencing to come to the West Midlands.

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

- 6.1 Do nothing: Marketing Birmingham will remain a wholly owned company of the City Council. The potential benefits of wider regional joined up activity will not be realised.
- 6.2 Alternative company structures: alternative structures have been considered as part of the WMCA Growth Company Steering Group project, including contractual relationships to the existing company, closure of one company and creation of another. Legal and corporate structure advisors recommend the proposed option of company conversion.

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

- 7.1 To enable the staff and knowledge of Marketing Birmingham Limited to move into a company wholly owned by the WMCA to provide a joined up marketing and business support service to the WMCA region.

Signatures	<u>Date</u>
Deputy Leader Cllr Ian Ward	.....
Strategic Director Economy Waheed Nazir	.....

List of Background Documents used to compile this Report:
European Regional Development Fund (ERDF) Application - Investing In Greater Birmingham Project: Cabinet report 8 <sup>th</sup> December 2015 Marketing Birmingham Service Schedule 2016-17: Cabinet report 16 <sup>th</sup> February 2016

List of Appendices accompanying this Report (if any):
1. Equalities Assessment

## **PROTOCOL PUBLIC SECTOR EQUALITY DUTY**

- 1 The public sector equality duty drives the need for equality assessments (Initial and Full). An initial assessment should, be prepared from the outset based upon available knowledge and information.
- 2 If there is no adverse impact then that fact should be stated within the Report at section 4.4 and the initial assessment document appended to the Report duly signed and dated. A summary of the statutory duty is annexed to this Protocol and should be referred to in the standard section (4.4) of executive reports for decision and then attached in an appendix; the term 'adverse impact' refers to any decision-making by the Council which can be judged as likely to be contrary in whole or in part to the equality duty.
- 3 A full assessment should be prepared where necessary and consultation should then take place.
- 4 Consultation should address any possible adverse impact upon service users, providers and those within the scope of the report; questions need to assist to identify adverse impact which might be contrary to the equality duty and engage all such persons in a dialogue which might identify ways in which any adverse impact might be avoided or, if avoidance is not possible, reduced.
- 5 Responses to the consultation should be analysed in order to identify:
  - (a) whether there is adverse impact upon persons within the protected categories
  - (b) what is the nature of this adverse impact
  - (c) whether the adverse impact can be avoided and at what cost – and if not –
  - (d) what mitigating actions can be taken and at what cost
- 6 The impact assessment carried out at the outset will need to be amended to have due regard to the matters in (4) above.
- 7 Where there is adverse impact the final Report should contain:
  - a summary of the adverse impact and any possible mitigating actions (in section 4.4 or an appendix if necessary)
  - the full equality impact assessment (as an appendix)
  - the equality duty – see page 9 (as an appendix).

## Equality Act 2010

The Executive must have due regard to the public sector equality duty when considering Council reports for decision.

The public sector equality duty is as follows:

1	<p>The Council must, in the exercise of its functions, have due regard to the need to:</p> <ul style="list-style-type: none"><li>(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act;</li><li>(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;</li><li>(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.</li></ul>
2	<p>Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:</p> <ul style="list-style-type: none"><li>(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;</li><li>(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;</li><li>(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.</li></ul>
3	<p>The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.</p>
4	<p>Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:</p> <ul style="list-style-type: none"><li>(a) tackle prejudice, and</li><li>(b) promote understanding.</li></ul>
5	<p>The relevant protected characteristics are:</p> <ul style="list-style-type: none"><li>(a) age</li><li>(b) disability</li><li>(c) gender reassignment</li><li>(d) pregnancy and maternity</li><li>(e) race</li><li>(f) religion or belief</li><li>(g) sex</li><li>(h) sexual orientation</li></ul>