

Report to the Greater Birmingham and Solihull Supervisory Board

21st October 2015

GROWTH DEAL UPDATE

Purpose of the Report

1. To update on the progress of the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) Growth Deal

Recommendations

2. Members are asked to:
 - Note progress in delivering the Growth Deal and the Local Growth Fund projects signed off since the last meeting.
 - Note the progress on the development of Growth Hub and its recent launch.

Background and Key Issues

3. Since the last report to the Supervisory Board, work has been continued to deliver the Growth Deal programme. This was reviewed by the Growth Team on 2 September 2015. At that meeting it was confirmed that £47.31m has been received by GBSLEP for LGF expenditure in 2015/16, via Birmingham City Council as the accountable body.
4. Separately, an indicative £49.2m of funding is expected in 2016/17, which will form the basis for an annual conversation with the Department for Communities and Local Government on the 10 December 2015. Confirmation of the funding is expected in February 2016 with a Section 31 Grant Determination issued to the LEPs in April 2016.
5. A baseline position was reported to BIS Local in June 2015, which anticipated defrayal of £44.6m over the remaining three quarters of 2015/16 financial year. £9.19m was defrayed in Quarter 2 (to September 2015) against a forecast of £9m. An additional £12m is expected to be defrayed in Quarter 3 (to December 2015).
6. At its September 2105 meeting, the Growth Team decided to reallocate £12.3m of unallocated skills funding to other Regeneration and Transport projects that had pressing investment needs. Funding was provisionally allocated to a range of extended or new projects on the back of this decision which would be subject to a full business case approval. The projected defrayal for 2015/16, following these decisions, is currently £46.8m (99% of profile), see Annex 1. This represents a significant improvement from the position reported at the last Supervisory Board meeting.
7. Since the last meeting, the Department for Transport (DfT) has offered to fund development fees of £2.2m as a Section 31 grant in 2015/16 against their Portfolio Schemes. This supports the development of full business cases for Midland Metro Extension to Edgbaston (£1.5m), A45 Rapid Transit (£0.2m) and A457 Dudley Road (£0.5m). A report seeking approval to accept the grant and for its defrayal will go to Birmingham City Council (as Accountable Body) Cabinet on 20 October 2015.

8. There are ongoing discussions with the DfT regarding the handling of the £224.2m of funding provisionally allocated to these schemes. These also include the Tame Valley Viaduct and Midland Metro to Eastside Extension projects. Whilst BCC are receptive to the management and defrayal of four of the five schemes at risk, the Tame Valley Viaduct remains a possible high risk due to the liability related to potential overspend. Methods to mitigate this risk are being explored with the DfT.
9. Since the last meeting, a further three projects have been approved by the Growth Team and Programme Delivery Director. Short summaries of the project business cases are attached in Annex 2 for noting.
10. A full launch of GBSLEP Growth Hub took place on 7 October 2015. The launch was part of a business support showcase at which sixteen of our partners took the opportunity to have a presence. The Hub www.gbslepgrowthhub.co.uk is now fully operational and already attracting more 6,800 unique visitors to the site and over 300 enquiries.
11. An ESIF bid for the future delivery of much of the Hub service by the existing consortium of the Chamber and university partners was received at outline stage by DCLG on 25 September. This will now progress through the application process.

Financial and Legal Implications

12. The Local Growth Fund projects rely on match funding from delivery partners. Confirmation of the availability and security of the proposed match funding is being checked as part of the due diligence undertaken on the Business Cases presented by the partner.
13. The Local Growth Funding is provided by Government as a Section 31 grant. The provision of the funding for the approved projects is secure, subject to managing the projects in line with the agreed Accountability Framework.
14. The Framework will be reviewed following amendments, agreed by the Growth Team on 2 September 2015, regarding stricter sanctions that now only allow business cases to slip their deadlines by three months, rather than six months, before being reviewed by the Growth Team. A report on the impact of this will be taken to the November meeting of the Growth Team.
15. Birmingham City Council (BCC) oversees the approach being taken to project expenditure and wider financial management as part of its role as accountable body to the GBSLEP.
16. BCC will also issue all legal contracts linked to the Growth Deal, again as part of its accountable body status.

Conclusion

17. This report provides an update on the positive progress of the Growth Deal to date. The Board are asked to note its contents.

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Annex 2

Report to the Greater Birmingham and Solihull Supervisory Board

21st October 2015

Journey Time Reliability to Growth Areas

Purpose of the Report

To update on the decision made by the Growth Deal Programme Delivery Director on 6th August 2015, in relation to funding capital costs, to the value of £2.416m in support a package of highway measures to help improve journey reliability throughout the Greater Birmingham and Solihull area.

Recommendations

Supervisory Board are asked to note the agreement to fund the LGF grant and the manner in which the funding will be defrayed.

Background and Key Issues

Although Birmingham is at the heart of national road and rail networks, large-scale car commuting (a major source of carbon emissions) contributes to the traffic congestion that costs the West Midlands economy over £2.3 billion annually. This problem is a serious barrier to growth, with the local economy currently underperforming relative to national and international competitors.

Solihull Council is embarking on a strategy of 'Managed Growth' through the promotion of the 'UK Central' which brings together the economic assets of the Borough including regional business parks, town centres, Land Rover, Airport, HS2 and NEC. The Council is determined to make this vision of 'managed growth' a reality - meeting the needs for new housing and jobs in the Borough by making the best use of land, ensuring a high quality environment. Significant growth plans for Solihull have been identified over the next 20 years or more. In total, assuming HS2 is completed, there could be as many as 32,000 more jobs and 5,000 new households in the Borough by 2031; which will represent a 30% and 7% increase on today. These are significant numbers which present both opportunities and challenges.

Journey Time Reliability to Growth Areas was allocated £2,416,500 in the GBSLEP Growth Deal in order to allow the sponsors, Birmingham City Council and Solihull Metropolitan Borough Council, to fund a package of highway measures to help improve journey time reliability throughout the Greater Birmingham and Solihull area. The funding will help to unlock economic growth and aspiration associated with planned major housing and employment growth.

The measures within the package will remove transport barriers to growth in a key regeneration area serving the Enterprise Zone, key employment growth sites and economic growth zones, promote sustainable transport options and improve journey time reliability for all users. Modal shift will reduce congestion, freeing the corridors for use by essential business traffic and make the area a more attractive location for businesses.

This package will be delivered between 2015/16 to 2019/2020. And will be delivered subject to an annual full business case that provides evidence of traffic and congestion conditions, whilst allowing for monitoring of schemes completed in previous years of the programme. In

doing so, the scheme will address junctions where improvement is required in a timely manner and provide maximum benefits in reducing delays at a significant number of pinch points across the GBS LEP geography.

The 2015/16 scheme package prioritises junctions that currently experience significant delay and have been identified as locations where there is the potential to deliver immediate and considerable benefits at relatively low cost.

The following impact measures will be achieved through this project:

- Enable the safeguarding and creation of 360 jobs
- Increase in traffic flow capacities
- Improved journey time for buses
- Improved journey time reliability for car users

The scheme was recommended for approval on the 8th July 2015 by an independent technical evaluator (ITE).

Financial and Legal

The expenditure profile has been developed based on discussions with Birmingham City Council, the project sponsor:

Cost Category	2015/16 (£)	2016/17 (£)	2017/18 (£)	2018/19 (£)	2019/20 (£)	Total (£)
2015/16 to 2019/20 package prioritises	616,500	450,000	450,500	450,000	450,500	2,416,500
Total	616,500	450,000	450,500	450,000	450,500	2,416,500

The funding profile is underpinned by a detailed project plan with milestones which will be monitored by the GBSLEP programme management team for performance against expected outcomes.

The GBSLEP will contribute £2,415,500 to this £2,849,800 project of which match funding has been secured. The funding profile is underpinned by a detailed project plan with milestones which will be monitored by the GBSLEP programme management team for performance against expected outcomes.

Conclusion

This report provides an update on the decision made by the Growth Deal Programme Delivery Director on 6 August 2015 following the recommendation of the ITE. The Supervisory Board are asked to note the decision made by them.

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Report to the Greater Birmingham and Solihull Supervisory Board

21st October 2015

Battery Way Extension, Tyseley

Purpose of the Report

To update on the decision made by the Growth Deal Programme Delivery Director on 2nd September 2015, in relation to funding capital costs, to the value of £2.46m in support of the construction of approximately 0.700 meters of new single carriageway roadway to be constructed by BCC and adopted as public highway.

Recommendations

Supervisory Board members are asked to note the agreement to fund the capital costs and the manner in which the funding will be defrayed.

Background and Key Issues

Birmingham City Council was allocated £1.26m in the GBSLEP Growth Deal to construct the extension of the Battery Way by approximately 0.700 meters as a single carriageway link through the former industrial land in Tyseley, Birmingham.

In developing the business case and on receipt of updated costings the overall project cost has increased by £1.2m as a result of constructing the new highway over contaminated land. The Growth Team on the 2nd September agreed to the additional allocation which now offers £2.46m LGF and increases the overall project cost to £2.77m.

The proposed highway extension is anticipated to support and capitalise on the potential provided by Mucklow Business Park, accelerating this development and other development opportunities and employment sites in the locality. The purpose of this highway scheme is to both enable and support growth by removing a barrier to access this site. Planning Consent was granted for the highway works in June 2015.

The project will enable 1,250 jobs to be created and safeguarded and 15 ha of reclaimed land as well as attracting a £0.157m private sector contribution.

The project will be delivered between June 2016 and May 2017.

The scheme was recommended for approval on the 5th August 2015 by an independent technical evaluator (ITE).

Financial and Legal

The following use of funds has been developed based on discussions with Birmingham City Council, the project sponsors:

	2014/15 £m	2015/16	2016/17 £m	Total £m
Capital Funding				
Local Growth Fund		0.200	2.260	2.460
Integrated Transport Block	0.025	0.025	0.107	0.157
Private Sector Contribution			0.157	0.157
Total Capital Funding	0.025	0.225	2.524	2.774

The funding profile is underpinned by a detailed project plan with milestones which will be monitored by the GBSLEP programme management team for performance against expected outcomes.

Conclusion

This report provides an update on the decision made by the Growth Team on the 2nd September 2015 following recommendations by the Growth Deal Programme Delivery Director and the ITE. The Supervisory Board are asked to note the decision.

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Report to the Greater Birmingham and Solihull Supervisory Board

21st October 2015

Kingswood Lakeside Access

Purpose of the Report

To update on the decision made by the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) Programme Delivery Director on the 1st September 2015, in relation to funding capital costs, to the value of £800,000 for Kingswood Lakeside Access.

Recommendations

Supervisory Board members are asked to note the agreement to fund the LGF grant and the manner in which the funding will be defrayed.

Background and Key Issues

The Kingswood Lakeside project was allocated £800,000 in the GBSLEP Growth Deal in order to allow the sponsor, Staffordshire County Council, to fund the establishment of a ground remediation fund associated with the project.

On the 2nd September 2015 the Growth Team invited Staffordshire County Council to work up a full business case for an additional £700,000 to develop a larger site area and create up to but, stressed the need to provide additional benefits over the £800,000 that had already been allocated. This will be submitted to the November Board as Phase 2, subject to a successful evaluation.

Kingswood Lakeside is a high quality business park created on a former opencast coal mine. This prominent location was chosen for its proximity to the M6 Toll Road but suffers from a difficult geotechnical legacy arising from its former use. The funding will enable Staffordshire County Council to improve the existing site conditions that will attract full market value of the site and encourage developers and investors to create commercial and industrial space for job creation and business growth.

The Business Park was created in 2004/05 but development has been hindered by the financial uncertainty arising from the difficult ground condition legacy and the incomplete infrastructure provision. The costs for the completion of the infrastructure deficiencies were granted by Staffordshire County Council Cabinet during February 2014. This leaves the difficult ground conditions as the only outstanding issue causing significant delay in the delivery of commercial development and associated jobs and financial investment.

There are currently 3 prospective developers who have expressed interest in 3.8 hectares (9½ acres) of land for commercial development but all have identified the ground conditions as a major constraint undermining commercial viability. The biggest proposed development is for a 100,000 ft² floor space unit on 5.8 acres, safeguarding 120 staff and creating space for an additional 80. In total 613 jobs will be created / safeguarded once all the available land has been remediated.

Financial and Legal

The following use of funds has been developed based on discussions with Staffordshire County Council the project sponsor:

Cost Category	Funding Body	2014/15 (£)	2015/16 (£)	2016/17 (£)	Sub Totals
Ground treatment	GBSLEP	0	800,000	0	800,000
Total		0	800,000	0	800,000

The funding profile is underpinned by a detailed project plan with milestones which will be monitored by the GBSLEP programme management team for performance against expected outcomes.

Three options for defrayal were considered by the Growth Team on the 2 September 2015:

- **Option 1** – Staffordshire County Council claims for defrayed costs, quarterly in arrears, following the process normally used for approved LGF business cases.
- **Option 2** – Staffordshire County Council can be provided with the full £800,000 in 2015/16 of funding based on the profile above. Staffordshire County Council would have to account for this funding with the sanction that it would need to be repaid if they do not adhere to the project plan within their full business case.

The Programme Delivery Director agreed that Option 2 should be the most appropriate form of defrayal to take. This option would allow Staffordshire Council to bring forward project start and end dates and develop a larger site area in a shorter space of time.

Conclusion

This report provides an update on the decision made by the Programme Delivery Director on the 1st September 2015 under delegated powers and subsequent Growth Team agreement on the 2nd September 2015. The Supervisory Board are asked to note the decision made by them.

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