



Greater Birmingham and Solihull LEP Birmingham City Centre Enterprise Zone Progress Report

October 2015

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Birmingham Curzon concourse entrance

Executive summary

In April 2011, the LEP chose Birmingham's City Centre as the location for its Enterprise Zone (EZ). The EZ Business Case (2011) outlined the barriers to growth and how the Zone could begin to remove these and act as a catalyst to the delivery of development. The Business Case recognised that early intervention in the City Centre was necessary to accelerate growth and help unlock EZ sites for development.

In July 2014, the Greater Birmingham and Solihull Local Enterprise Partnership (GBS LEP) approved the latest version of the EZ Investment Plan (EZIP) to address these identified issues. The 2014 EZIP covers the period 2013/14 to 2022/23 with an allocation of £275m. This approval also included updated governance arrangements for how the EZ Executive Board and Birmingham City Council (acting as Accountable Body) will manage business rate uplift and subsequent investment.

As part of the approved EZ Governance arrangements, there is a requirement to provide the LEP Board with reports on the progress of delivering the EZIP every 6 months. The update for October is set out in this document.

This report provides an update on the progress of the Birmingham City Centre Enterprise Zone (EZ) since March 2015.

Delivery summary

Since the previous Progress Report in March 2015, the EZ has seen 241 new jobs created (excluding HS2) and 56,440sq.m commercial floorspace delivered, keeping the EZ on track to deliver its job creation targets and exceeding its commercial floorspace targets for 2015/16.

The EZ continues to make effective progress delivering development sites and supporting infrastructure:

- Major highway and utility works continue with Paradise.

- The winning design has been announced for Centenary Square, where detailed design continues in conjunction with discussions with Centro and the Metro extension.
- Agreements and planning are in place for the New Wholesale Market to start on site in January 2016.
- Feasibility work has been agreed for the Smithfield site to support the delivery of the masterplan in 2016.
- The Site Development and Access Fund has agreed a further £3m investment, including funding to support the restoration of the former Belmont Works building.
- Creating Economic Opportunities sees projects progressing to detailed design phases with some of the City centre Ring Roads schemes commencing on site.
- Recent approvals will see further progress and investment in the Business Development and Support for the EZ into 2016.

Whilst progress is continuing, there remains some challenges in bringing a number of the projects forward as forecast. However, the overall affordability position remains positive. Whilst close monitoring and management will remain for business rate forecasts against that which is secured, the future remains optimistic with the recent occupier announcements for Arena Central and planning permissions for Three Snowhill and 103 Colmore Row.

Investment programme progress

Since the Progress Report published in March 2015, there has been important progress made in delivering the Enterprise Zone investment programme, supporting the Greater Birmingham and Solihull Enterprise Zone (GBSLEP) Strategic Economic Plan.

The following updates can be provided:

Paradise

The redevelopment of Paradise Forum has seen continued works on site to bring the scheme forward. Major highway and utility works continue. Whilst there have been some changes to the demolition phasing of the former library building, which now commences in November 2015, the delivery of the first Phase buildings currently remains on programme for 2018. The reserved matters application for buildings 1 and 2 and the public realm were approved in September 2015.

New Wholesale Market (WSM)

Considerable work has been undertaken on relocating the Wholesale Market to enable the development of the Southern Gateway EZ site.

Relocation is now secure. At the end of October 2015, the threshold of 60% for trader sign up was exceeded. This allowed for the exchange of contract with IM Properties to purchase the land for the new site at Witton (outside the EZ). In addition the planning application for the new Wholesale Market was approved in September 2015.

The anticipated start on site date for WSM is January 2016 with the new market expected to open in March 2017.

Birmingham Smithfield (formally Southern Gateway)

The delivery of this site remains dependent on delivering the new Wholesale Market.

In March 2015 the visioning document, the first stage in developing the Birmingham Masterplan for Smithfield, was launched for public consultation. The document sets out key principles and concepts for how the area will be developed.

In order to support the publication of a draft masterplan for consultation in Spring 2016, the EZ has funded a feasibility study, which is currently being finalised, that will support technical and design solutions to alleviate flooding challenges in the Birmingham Smithfield area.

To complement this work, recent approvals by the EZ Executive have granted funding for further feasibility and technical work in regard to: the retail markets, stakeholder engagement, development viability, funding and delivery, highway design and infrastructure delivery which will be completed in 2015/16 to 2016/17.

Direct Site Investment

This year has seen a number of projects approved and more coming on stream. The Garrison Data Centre, a new data centre facility in Digbeth on the Great Barr Street EZ site, is progressing well and is due to be completed at the end of 2015 with a view to being opened in the New Year. Already there are plans for a second phase of development as well as a new innovation centre for small businesses, the Garrison Innovation Centre, which is likely to come forward in early 2016.

Metro Extension and Centenary Square improvements

Centro are continuing to lead the delivery of the Metro Extension to Centenary Square. Design work is progressing, with a decision awaited on the Public Enquiry into the Transport and Works Act Variation Order.

In June 2015 the Centenary Square project saw the announcement of the international design competition winner as Graeme Massey. The Edinburgh architects produced a striking 'Hall of Columns' design, with a final design, integrating the Metro scheme, and cost profile to be presented to the EZ boards at the beginning of 2016.

Connecting Economic Opportunities

Making the Connections is progressing with the options appraisal due to be completed in November 2015 and the detailed design by March 2016. The One Station designs are progressing with the proposals for Moor Street Queensway taking into account HS2 impacts whilst still allowing scheme delivery. Stage D design is expected to be approved in February 2016. Both are due to on site in 2016/17.

The City Centre Ring Road works has seen Haden Circus and Bordesley Circus commence on site in the summer of 2015. Ashted Circus will commence when both of these are completed with Holloway Circus dependent on the Paradise programme.

Delivery Team

A dedicated EZ Programme Manager started in March 2015 and continues to work with the EZ boards on supporting delivery of the EZ projects. Regard is also being given where EZ projects have other LEP funding streams as part of their funding profile.

The Birmingham Graduate Hub programme, supported with EZ funding, has seen one new graduate start work in the City Centre Team in October 2015, with a second to follow in November 2015.

The EZ funded Principal Urban designer is expected to start in December 2015.

Business Development and Support, Skills and Marketing

In 2015 work commenced on looking at the Business Development and Support and Skills development funding profiles for the EZ. Funding has so far been allocated for a Relocation Service pilot scheme. In addition a proposal for an incentive fund package for a joint marketing and skills allocation is to be considered in the near future. The evidence base for which is supported by a recent funding approval to extend the occupier study for the EZ.

As reported in March 2015 there have been some challenges in bringing a number of these projects forward as forecasted. This is in part due to continued dependencies which influence the programme on these projects. For example, the City Centre Ring Road works with

interdependences on each other and the progress of the Paradise highway works.

With the later start on site dates regard is given to the requirement to secure business rates uplift in line with the EZIP, with constant monitoring of the impact on the financial model and affordability. This is discussed in more detail later in this report.



Eastside Locks office development underway



Demolition of 103 Colmore Row underway

EZ site delivery progress

The delivery of the 26 EZIP identified sites is critical for the success of the investment programme and wider Birmingham economy.

Since March 2015, there has been significant progress made on:

Birmingham City University (BCU)

BCU completed their phase 2 campus in summer 2015. This has supported the unlocking of the Eastside Locks site, where development continues. The new Alumno student accommodation is on site and private sector investment is delivering an office block to be occupied by the expanding BCU campus.

Assay Office

The Assay Office moved into a state-of-the-art, purpose-built facility fronting Icknield Street in the Jewellery Quarter in July 2015. This has allowed them to diversify their operations to include the testing of jewellery and gemstones as well as jewellery valuations and hallmarking.

In the remainder of 2015/16 the EZ is expecting to see:

Direct site investment

Activity on Eastside Locks in Eastside and the Junction Works (Warwick Bar) in Digbeth are likely to be on site early in 2016, and will bring forward new office

space which will help to attract creative businesses to the area. This includes the former Belmont works building. The i-Centrum development is also progressing well with completion due well before the end of the financial year.

Since the previous Progress Report in March 2015, the EZ has seen 241 new jobs created (excluding HS2) and 56,440sq.m commercial floorspace delivered, keeping the EZ on track to deliver its job creation targets and exceeding its commercial floorspace targets for 2015/16.

Future delivery

The EZ remains on programme to deliver into 2016/17. New business rate income is expected from a completed:

- Eastside Locks - Alumno student accommodation.
- Eastside Lock - BCU office space.
- Great Barr Street - Garrison Date Centre.
- Beorma - remainder of Phase 1.
- Warwick Bar - Junction Works.
- Newhall Square - ApartHotel.
- Digital Plaza - I-Centrum.

Job creation figures are set to increase by approximately 1,000 when HS2 job numbers are confirmed.

Beyond 16/17: New future committed sites

From 2017 onwards it is expected the business rate income for the EZ will accelerate considerably. In Since March 2015 the following additions to the forecast EZ income are included:

Three Snowhill

Planning permission was granted in May 2015 for grade A office space, retail, leisure and associated parking. The preferred contractor has been secured with construction due to commence shortly for completion in 2018.

Arena Central

HSBC

In March 2015 it was announced HSBC would be relocating their UK head office for personal and business banking operations to Birmingham. The Arena Central site was granted planning permission in April 2015 with works starting on site in the summer of 2015. When completed in 2017/18 the development will create approximate 2,500 jobs in the EZ.

Hotel

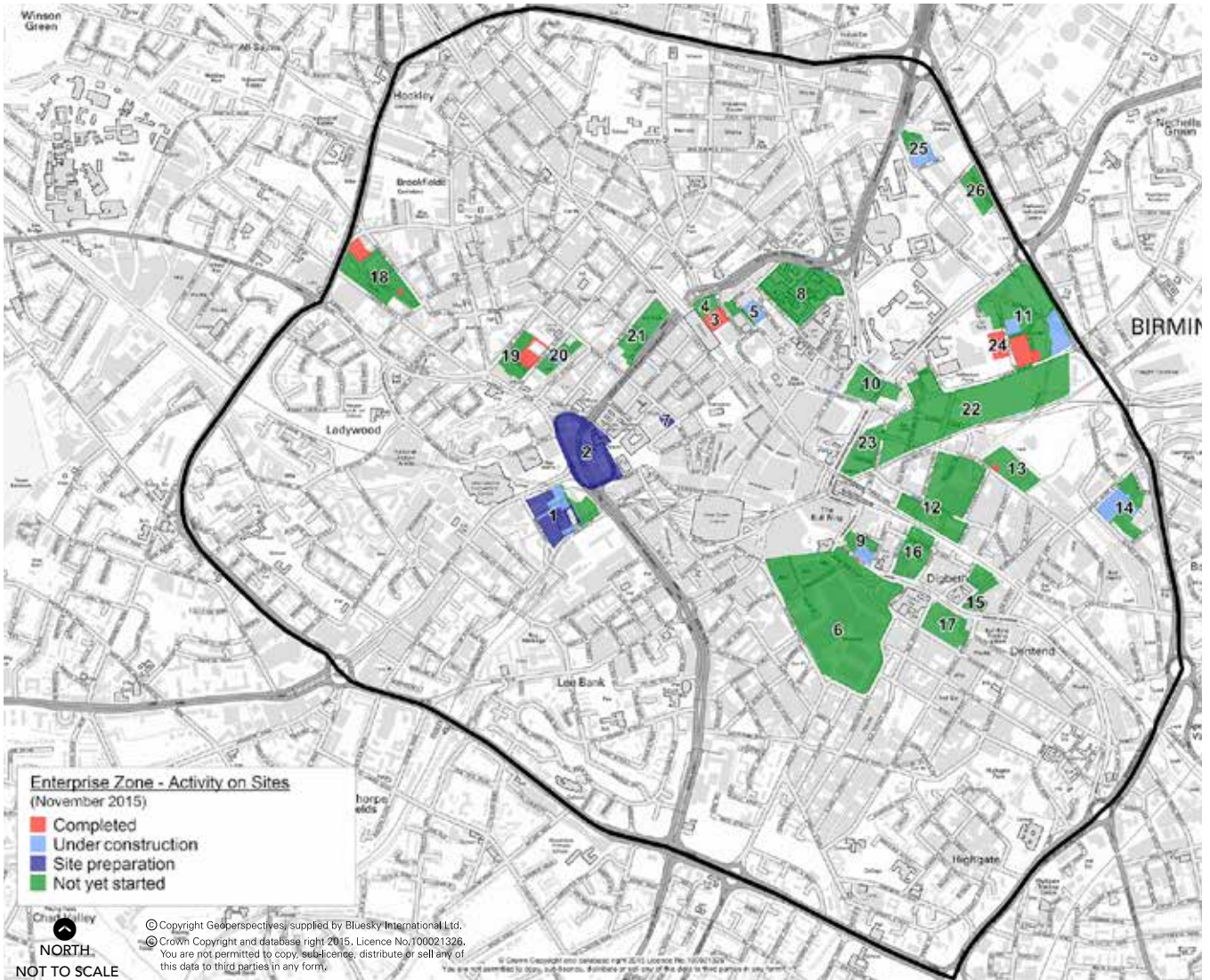
The Holiday Inn hotel development commenced on site in the summer of 2015 and is due to be completed and ready for occupancy in 2017.

103 Colmore Row

Planning permission was granted in August 2015 for the demolition of the former NatWest Tower and replacement grade A office building. Demolition has already commenced on site with the new building likely to be ready for occupiers in Summer 2018.



Assay Office opened in July 2015



The City Centre Enterprise Zone

Major Sites: Mixed development opportunities (including office, leisure, retail and commercial)

1	Arena Central
2	Paradise
3	Snowhill Building 2
4	Snowhill Building 3
5	Post and Mail
6	Birmingham Smithfield
7	103 Colmore Row
8	Birmingham Children's Hospital
9	Beorma
10	Masshouse (Phase 2)
11	Eastside Locks

Digbeth: A centre for the creative and digital industries

12	Typhoo Wharf
13	Warwick Bar
14	Great Barr Street
15	Custard Factory Extension
16	Smithfield Court
17	Connaught Square
Jewellery Quarter: Office and mixed use opportunities	
18	St Georges Urban Village
19	University College Birmingham
20	Newhall Square
21	Ludgate Hill

Eastside: Opportunities surrounding the new HS2 Terminus

22	Curzon Park
23	City Park Gate
24	Birmingham City University Campus
Birmingham Science Park: Technology and digital media hub	
25	Digital Plaza
26	Venture Way

Measurement	Cumulative Total (as at October 2015)	Target
Number of new employment positions filled.	1,179	2015/16 - 2,508 2022/23 - 21,800 2037/38 - 40,000
Number of new enterprises.	16	-
Amount of land developed or redeveloped (ha).	2.78ha	2037/38 - 68ha
New floorspace created (gross internal area in sq.m - new and refurbished).	117,169sq.m	2015/16 - 102,843sq.m 2022/23 - 618,000sq.m 2037/38 - 1,385,000sq.m
Uplift in Business Rates (per annum - forecast).	£64.0m	2022/23 - £51.7m 2037/38 - £134.7m
Private Sector Capital Investment.	£287.4m	2022/23 - £1,039m 2037/38 - £2,205m
EZ Investment Programme Capital Expenditure (forecast).	£54.9m	2022/23 - £261.1m

Table 1 EZ measure of success (October 2015)



Development	Floorspace created/ refurbished (GIA)	Business Rates status	Business Rates income (2015/16)	Commentary
Two Snowhill.***	Grade A Office - already completed	Secured	£1.17m	HS2 Ltd. in process of occupying floors 3-6, with occupiers to be secured for remaining other office space.
Former Post and Mail Building (Phase 1).*	22,390sq.m	Committed	£0.57m	New car park now completed. Other commercial space likely to come forward post 2015/16, linked to delivery of Phase 2.
BCU Phase 2, Eastside Locks.*	24,300sq.m	Committed	£0.04m	The Curzon Building as part of the new BCU City Centre Campus, opened September 2015.
Assay Office, St George's Urban Village.**	5,700sq.m	Committed	£0.17m	New state of the art Assay Office, opened Summer 2015.
Beorma (Phase 1).*	8,700sq.m	Committed	£0.16m	Adagio Aparthotel opened Summer 2015. Remaining commercial elements now forecast to generate business rates in 2016/17, with occupiers to be secured.
109-111 Pope Street, St George's Urban Village.	644sq.m	Committed	£0.005m	Refurbishment and extension to commercial space for existing occupier.
Junction Works, Warwick Bar.*	725sq.m	Not committed	£0m	Refurbished commercial space now likely to come forward in 2016/17.
ApartHotel, Newhall Square.	770sq.m	Committed	£0m	Under construction, with some delays so now likely to come forward in 2016/17.
iCentrum, Digital Plaza.	4,097sq.m	Committed	£0m	Speculative office space under construction, focussed on 'tech' industries. Jobs and business rates income forecast for 2016/17.
Garrison Data Centre, Great Barr Street.	7,514sq.m	Committed	£0m	Refurbished commercial space under construction as a Data Centre. Jobs and business rates income forecast for 2016/17.
Remaining outputs expected 2015/16****	1,316sq.m		£1.2m	

Table 2 Major EZ site delivery in 2015/16

* Completed floorspace in Table 1, with job figures and business rates income to be confirmed.

** Completed floorspace and jobs reflected in Table 1 with business rates income to be confirmed.

*** Completed floorspace and actual business rates income included in Table 1, with job figures and remaining business rates income to be confirmed.

**** Excludes outputs from sites which are no longer expected to deliver in 2015/16. It also reflects £0.92m business rates income already secured at Two Snowhill this year.
Business Rates Status: Secured - Business rates paid or legally due (actual income). Committed - Construction on site or guaranteed via legal agreement therefore business rates income reasonably secure (forecast income). Not committed - Development not yet started, therefore business rates income not yet secure (forecast income).

Financial management

The financial strategy for the EZ is set out in the Enterprise Zone Investment Plan (EZIP).

The principle of the EZ is about investing in projects identified in the EZIP, which are ultimately funded by the expected income they will generate through the uplift in business rates.

In addition all business rates growth generated by the EZ is retained by the GBSLEP for 25 years to reinvest in local economic growth.

EZ Income

Aligning with the update report produced in March 2015, the current forecast in the graph below shows that business rates income will generally be lower than estimates from the Investment Plan (2014) most notably between 2017/18 to 2019/20 (£13m).

The forecast reflects the latest information available on expected completion dates of development and amount of business rates income they will generate. This is subject to monthly change and is a continuously fluid process.

The amount of income forecast has been affected by a number of factors; only part of floors coming forward when whole floors were expected, development taking longer to come forward than expected and the amount of time it takes for business rates assessment to be undertaken, which delays the receipt of the income.

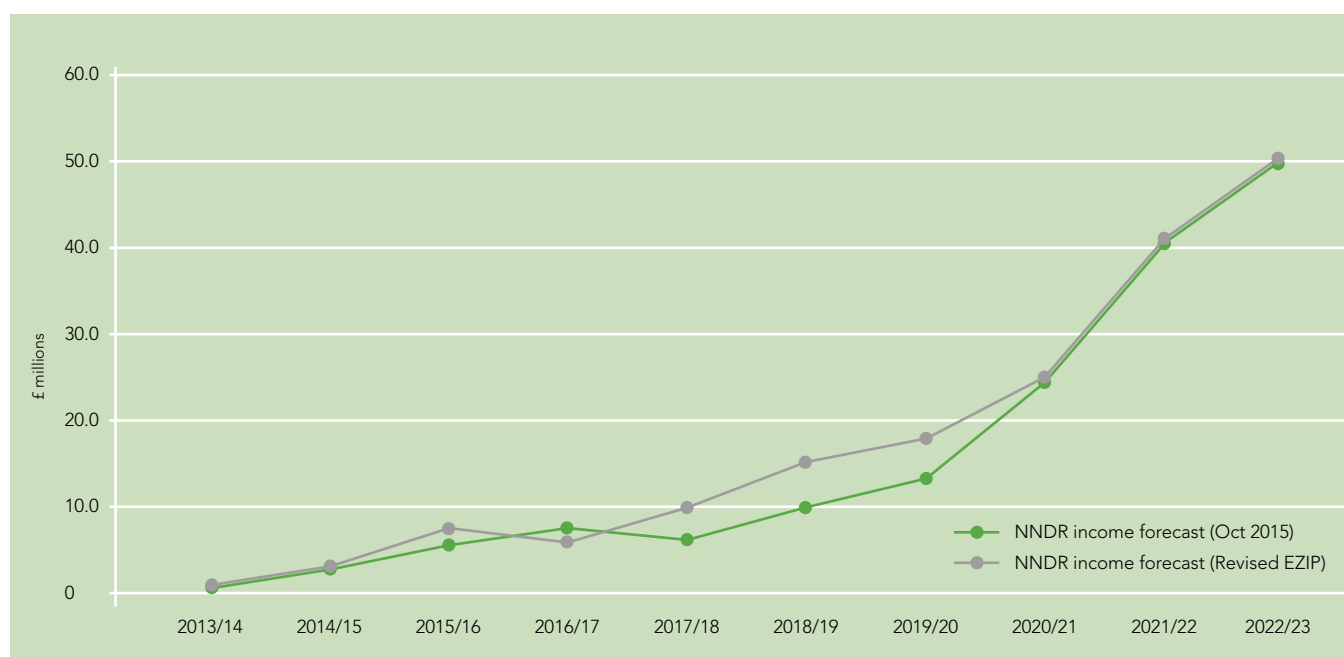
The rateable value for a building can also only be forecast based on intelligence on similar buildings. It is not until the actual rateable value, which affects the amount of business rates an occupier pays, is issued by the Valuations Office Agency (VOA), can the correct figure be known.

Whilst officers within Planning and Regeneration and the Financial Services are working closer with the Business Rates Team to share information, meetings and discussions have also been undertaken with the VOA in regard to how their process of rating a building works.

The EZ includes many large and bespoke new buildings. This makes the valuation process more difficult, with the VOA sometimes having to utilise specialist teams or entering into lengthy communications with occupiers to gather the necessary information to assess the business rating and give the correct value.

Table 2 provides an update on the forecast figures for 2015/16 for business rates income where actuals are likely in this financial year. Additional Income secured in 2015/16 above that already being attributed to the EZ, is £1.17m with a further £0.92m expected from 6 more committed sites.

Whilst the amount of income is less than that forecast in the EZIP, however the programme remains affordable. There are still many sites committed for 2015/16 that will add to the secured income. As reported in the Site Progress section the next 2-3 years will see many new sites, such as Arena Central, come forward to create an increase in business rate income.



Graph 1 Business Rates income forecast (£m)

A detailed site schedule is maintained on the progress of sites to understand how business rates income can be treated within the EZ financial model (using categories of Secured, Committed and Uncommitted). This is reviewed on a quarterly basis and with the information from the VOA on the valuations process; this current model will be updated to build in more time for income to be classed as secured.

Whilst the programme remains affordable for 2015/16, the more important analysis remains for the period 2016/17 through to 2019/20, where expenditure needs to be controlled within the income generated through the business rate uplift.

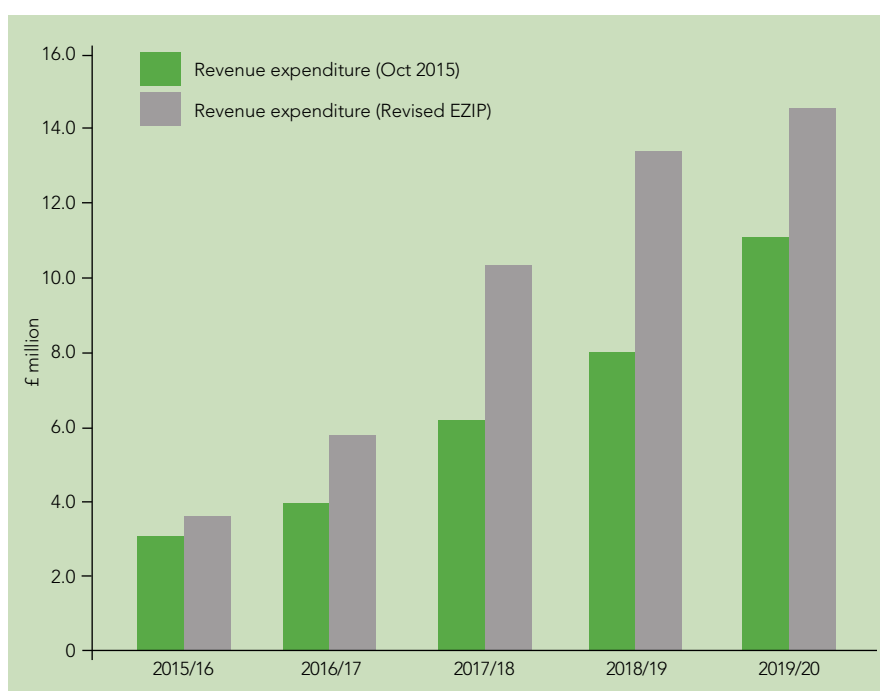
Maintaining the affordability of the programme for these years is dependent on sites completing. In addition to the investment in the EZ Programme, key to this is the task of gaining accurate business rate intelligence and forecasting of when business rates income is likely to be received. Whilst information is shared with the Business Rates Team and the Site Development Schedule is monitored as closely as possible, the schedule of the actual income received is reliant on external influences and third parties. However now that stronger connections have been made with the VOA, it is hoped that communications will improve and our support will be given where necessary.

The careful management and monitoring of income and expenditure levels will continue, with monthly reporting to the EZ Executive Board, to ensure the affordability is maintained.



Graph 2 Forecast EZ capital expenditure

- Capital expenditure peaks in 2016/17 due to a number of capital projects forecast to spend.
- SDAF spend will increase to £9m in 2016/17, £2m will be spent on commencing the Southern Gateway Site Remediation project and Metro and Paradise will also increase due to planned capital programme activity.



Graph 3 Forecast EZ revenue expenditure

EZ Expenditure

There has been progress made on projects with a number of commitments made since March 2015.

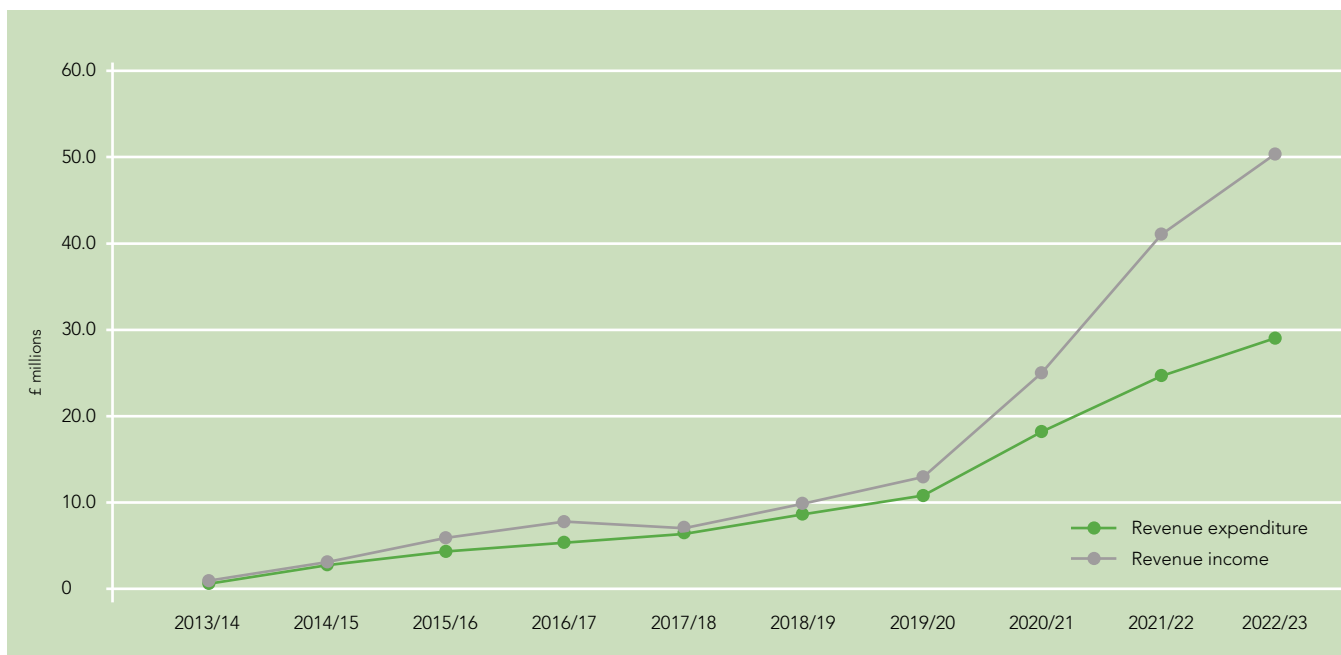
Details of EZ Executive Board approvals made since July 2014 are contained in the Appendix.

The lower spend identified in Graphs 2 and 3 reflect some of the challenges faced on bringing these complex schemes forward. As referenced earlier, some EZ projects have inter-dependencies and are reliant on other projects completing first e.g. Pinch Points.

Whilst Metro has seen Local Growth Funding prioritised over EZ funding, this has also benefited the EZ by reducing borrowing costs due to slippage.

This lower expenditure is also partly offset by the lower level of business rates income received to date (as identified in Graph 4).

Overall the approved programme still remains affordable and is managed within the Accountable Body's financial principles and management. However as identified within the EZ income section, the business rates income will only generate a small surplus over the next 4 years. Consequently there may be some risks in bringing forward or identifying further expenditure. Close monitoring and careful management of the Investment programme will remain for 2015/16 and into 2016/17. This will continue to include closer alignment on projects funded by both the EZ and Local Growth Fund.



Graph 4 Revenue expenditure versus revenue income (£m)

The graph shows that generally annual revenue costs (revenue programme and financing costs) are lower than annual business rates income apart from 2017/18 where expenditure marginally exceeds income by £0.20m. However, a cumulative surplus of £5.22m generated in previous years can offset this annual deficit.

Appendix

EZ Executive Board approvals since March 2015

Project	EZ funding	EZIP	Executive approval
Centenary Square.	£0.083m	Infrastructure.	29/04/2015
Metro: Complimentary Highway Works (early implementation works).	£0.080m	Infrastructure.	29/04/2015
Metro: Full Business Case.*	£18.65m	Infrastructure.	26/05/2015
SDAF: Junction Works.	£0.38m	Direct Site Investment.	26/06/2015
Centenary Square.	£0.200m	Infrastructure.	26/06/2015
Metro: Complimentary highway works.*	£2.70m	Infrastructure.	28/09/2015
Occupier Study Research.	£0.097m	Busines Development and Support.	28/09/2015
Relocations package.	£0.5m	Busines Development and Support.	28/09/2015
SDAF: Eastside Locks.	£2.45m	Direct Site Investment.	28/09/2015
Birmingham Smithfield.	£0.300m	Site Access and Development.	02/11/2015

* Due to bringing LGF funding forward ahead of EZ borrowing, the Centro and Complimentary Highway Works (CHW) projects have seen a funding swap of £2.7m. Centro can bring £2.7m of Local Growth Fund forward earlier than CHW and therefore the Metro funding of EZ finances has been reduced from £18.65 to a total of £15.95 with an allocation now made to CHW of £2.7m.

