Report to the Greater Birmingham and Solihull Supervisory Board

28 July 2016

BIRMINGHAM CITY CENTRE ENTERPRISE ZONE INVESTMENT PLAN PROGRESS UPDATE

1. Purpose of the Report

1.1. To update the Supervisory Board on the progress of the Enterprise Zone Investment Plan (2014)

2. Recommendations

That Members are asked to:

2.1 Note the progress made in delivering the Enterprise Zone Investment Plan (2014)

3. Background

3.1 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.

3.2 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 £275 million.

3.3 The LEP Board is represented on the EZ Executive Board by Simon Marks (Chair), Pat Hanlon, and Katie Trout. Birmingham City Council representation on the Board includes Waheed Nazir (Strategic Director for Economy) and Richard Cowell (Assistant Director of Development).

3.4 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. Appendix 1 contains the latest update, providing up to date information on the delivery the Investment Programme, progress made on the delivery of EZ sites, and the financial management position.

3.5 The management and monitoring of the income and expenditure levels will continue to be undertaken and reported to the EZ Executive Board.

4. Key Issues

EZ Progress October 2015 – July 2016

4.1 Overall the EZ continues to make positive progress delivering development sites and supporting infrastructure:

- Demolition is continuing with Paradise;

- Planning has recently been submitted for Centenary Square;
- Transport for West Midlands have received the approval to the amended Transport and Works Act for the extension of Metro to Centenary Square;
- Site enabling works have started on the Wholesale Market site and a draft masterplan for Birmingham Smithfield has been launched.
- The Garrison Data Centre has achieved practical completion, with an agreement with a major tenant imminent;
- I-Centrum was launched in March 2016 with provision for flexible office space for digital businesses as well as incubator space for startups and collaborations;
- One of the City Centre Pinch Point ring roads schemes; Bordesley Circus, has now been completed and;
- Progress and investment in the Business Development and Support for the EZ is continuing.

4.2 Since the previous progress report in October 2015, the EZ has seen 512 new jobs created and 7,765 sq.m commercial floorspace delivered, thus exceeding its commercial floorspace targets for 2015/16. The output for new jobs created for 15/16 is lower than the 2,508 target at 1,691. This is due to:

- High Speed 2 (HS2) not moving all their staff into their new space at Two Snow Hill at the same time, as had previously been forecast.
- Development has taken longer to come forward than expected (which is why actual business rate income is lower compared to forecast for 15/16),
- The timing between a completion certificate being issued and appearance on the Valuations Office Agency (VOA) list means that evidence on the job numbers can be delayed.

4.3 Projects funded by the EZ continue to make positive progress, and although there was a lower spend compared to forecast from the EZ for 2015/2016 than set out within the Investment Plan, this is complemented by an increase in spend in 2016/17.Some of this reduction in spend is accounted for with the Metro project, including Complimentary Works, which saw £6.8m funding switched between the EZ and Local Growth Fund (LGF) in 2015/16. This was due to the need to prioritise LGF over EZ funding to ensure LGF resources were not lost to the LEP Region. The EZ resource for Metro will be spent in 16/17 and 17/18.

5. Financial Implications

5.1 The investment programme remains affordable within the income forecasts. Maintaining this affordability in future years will be dependent on sites completing and business rates being paid. Whilst the business rate income forecast has seen a reduction in 15/16, to that which was presented in the Investment plan, this was due in part to appeals and slipped build programmes, and as highlighted above, is reflected in a decrease in spend.

5.2 For 2016/2017 and beyond the outputs and business rate income remains optimistic. Current activity in the EZ will see a number of major schemes progress and business rates income increase above the 15/16 level. This is due to an increase in sites being secure and rates paid (for example Two Snow hill is now fully let). For 2016/17, the EZ Programme contains forecast income of £5.1m of which £4.8m is considered to be secured (notwithstanding potential appeals). The recent occupier announcements for Paradise and PWC to take the top four and a half floors of the landmark One Chamberlain Square office building, on a 20-year lease, planning permissions for 3 Arena Central and phase 2 of Beorma and starting on site for Three Snow Hill and the High Speed Rail 2 college all support future business rate growth.

6. Legal Implications

6.1 There are no specific consideration arising from this report

7. Equalities

7.1 There are no specific consideration arising from this report

8. Consultation

8.1 There are no specific consideration arising from this report

9. Conclusion

9.1 The Supervisory Board is asked to note the positive progress made so far in the delivery of the EZIP (2014) which in exceeding its 15/16 target for new floorspace developed is on track to provide a substantial increase in business rate income in 16/17. The EZ Executive board will continue to manager and monitor the affordability of the programme, especially through the years 17/18 to 19/20 where expenditure needs to be controlled within the income generated

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Appendices

1. Enterprise Zone Investment Plan – March 2016 Progress Report.