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

March 2016

Birmingham City Centre Enterprise Zone

Progress Report

October 2015 to March 2016.

1. Executive summary

- 1.1 The Birmingham City Centre Enterprise Zone (EZ) was founded in 2011 to encourage business growth, investment and the creation of jobs. It is a mix of 26 designated sites across the centre that allows for the pro-active development of these sites; unlocking key development opportunities, consolidating infrastructure, with potential to attract and create new businesses and new jobs quickly. This is in addition to supporting existing businesses in the EZ, removing barriers to private sector investment and growth through supporting businesses with reduced burdens, particularly in terms of lower tax levels, planning and other regulatory and administrative burdens.
- 1.2 In addition all business rates growth generated by the EZ is kept by the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) and Birmingham City Council (BCC) for 25 years to reinvest in local economic growth.
- 1.3 To support this EZ aspiration in 2012, and updated in July 2014, the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) approved the EZ Investment Plan (EZIP) to support early intervention in the City Centre infrastructure to accelerate growth and help unlock EZ sites for development. The 2014 EZIP covers the period 2013/14 to 2022/23 with an allocation of £275m.
- 1.4 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. The update for the period October 2015 to March 2016 is set out in this document.
- 1.5 Since October 2015 the EZ has continued to make effective progress delivering development sites and supporting infrastructure. Demolition is continuing with Paradise; planning has recently been submitted for Centenary Square; Centro 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 start-ups 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.

2. Delivery summary

- 2.1 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.

2.2 The target for new jobs created for 15/16 is lower than forecast for the following reasons.

- 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.

2.3 Whilst there remains some challenges in bringing a number of the projects forward as forecast, the overall affordability position remains positive. Progress is continuing and close monitoring and management will remain for business rate forecasts against that which is secured. 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 now being secure and rates paid (for example Two Snowhill is now fully let). The recent occupier announcements for Paradise and PWC, 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.

3. Investment Programme Progress

3.1 Since the Progress report published in October 2015 there has been important progress made in delivering the Enterprise Zone investment programme, which is seeing jobs and development attributing to supporting the GBSLEP Strategic Economic Plan.

3.2 The following updates can be provided:

Paradise Circus

In March 2016 Paradise announced their first occupier to be PwC, taking the top four and a half floors of the landmark One Chamberlain Square office building.

The demolition works on the exterior of the former library building commenced in November 2015 and continues into 2016/17, before preparatory and site enabling works will commence. The delivery of the first Phase buildings currently remains on programme for 2018.

New Wholesale Market

In October 2015 the relocation and planning permission was secured for the Wholesale Market Site enabling work started on the new site in January 2016 with the new market expected to open in March 2017.

Birmingham Smithfield

The delivery of this site is dependent on the relocation and delivery the new Wholesale Market.

In March 2016 a draft masterplan for Birmingham Smithfield was launched for public consultation for an 8 week period.

In order to support the delivery of the masterplan, the EZ have funded a number of feasibility and technical studies in regard to: alleviating flooding challenges, the retail markets, stakeholder engagement, development viability, funding and delivery, highway design and infrastructure delivery. This work will continue into 2016/2017.

In 2016/17 following the public consultation, the masterplan will be adopted by the Council as its framework to guide future investment and planning decisions on the site. A delivery partner will then be sought for the scheme.

Direct Site Investment

- This year has seen a number of projects progressing well. The Garrison Data Centre, a new data centre facility in Digbeth, has achieving practical completion, with an agreement with a major tenant imminent. Plans are in place by the owners for the second phase of the data centre with the intention for the development of an incubator-type facility in the former Argyle Works.
- On the Innovation Birmingham campus, i-Centrum was launched in March 2016. Whilst direct site investment funding was not in the end required, it provides flexible office space for digital businesses as well as the Serendip Smart City incubator for start-ups and collaborations in the EZ.
- The refurbishment of the Grade II listed Belmont Works at Eastside Locks has been progressing and will commence on site in summer 2016.
- In 2016 the Masshouse Developments Ltd confirmed that they were withdrawing their application for funding for a 4-storey office building, public realm and car parking. This was due to the decision by the developer to apply for planning for further residential development on this site for flats and retail space. An application may be made in the future to support the retail element.
- The Junction Works scheme (the refurbishment of the Grade II listed Junction Works building to provide office space for creative businesses in Digbeth) is currently on hold, due to the wider Warwick Bar site being sold to the HCA and a masterplan being developed.

The overall SDAF programme is currently being reviewed with a view to a re-launch in autumn 2016, providing new impetus to attracting investment to key EZ sites.

Metro Extension and Centenary Square improvements

Transport for the West Midlands (TfWM, formally Centro) are continuing to lead the delivery of the Metro Extension to Centenary Square. Design and utility diversions works are continuing as well as the progression of the Midland Metro Alliance Procurement appointment of a preferred Contractor. The approval for the Transport and Works Act Variation Order has now been given and TfWM will be expected to start on site in 2017.

In March 2016 The EZ board approved the full business case for the Centenary Square project and planning has recently been submitted. Section 9 of this report addresses the funding for the scheme and the changes to the financial profiles to align with this.

Connecting Economic Opportunities

The Making the Connection programme has seen submission of the option appraisal in March 2016. In 16/17 progress will be made on the detailed design. The One station project

is currently procuring a contractor to undertake detailed site investigation works on the tunnel structures in order to inform the next stage of the project.

The City Centre Ring Road works has now seen the Bordesley Circus works completed on site which has received positive feedback from the public.

Delivery Team

In 2016, the intake for the next round of the Birmingham Graduate Hub commenced. As with recruitment in the first year of the programme, there was strong interest in the opportunities with over 130 applications made. The selected candidates are expected to start in autumn 2016 to help the City continue to deliver its growth agenda.

The EZ funded Principal Urban designer role has been re-advertised and expected to be filled in summer 2016..

Business Development and Support, Skills and Marketing

In the reporting period funding was approved for; a Relocation Services Pilot, an Occupier Proposition Development and Activation Programme and an EZ Sector Sales Team, to be provided by Marketing Birmingham.

The relocations services pilot has already seen a successful acquisition of the HSBC UK HQ to Arena Central. The team are now building on this with the support of the sector sales team. This team will focus on attracting investment and development towards the EZ. The team will be actively securing occupiers into the EZ in the Business, Professional and Financial Services, tech. digital media and creative sectors (the target sectors for the EZ). It will include lead generation, company data intelligence and may include a number of targeted seminars and events and attracting occupiers to the EZ.

4.0 EZ Site Delivery Progress

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

4.2 Since October 2015, in addition to the EZIP sites and the Direct Site Investment and as detailed in section 3, there has been significant progress made on:

- **Birmingham City University (BCU).** Work continues with the second phase of the BCU campus in the Eastside Locks area, with works now completed on the new office block for BCU occupation in the coming months
- **Venture Way.** In January 2016 planning permission was granted for the new HS2 College on Venture Way with construction starting in April 2016. It is expected to be open to students in September 2017.

5.0 Measures of Success and Site Delivery

5.1 The table below provides data on the non-financial performance indicators provided to the EZ board and the Department for Government and Communities on a quarterly basis, updated to March 2016.

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Table 1 – EZ Measures of Success (March 2016)

Measurement	Cumulative Total (as at March 2016)	Target
Number of new employment positions filled	1,691	2015/16 - 2,508 2022/23 - 21,800 2037/38 - 40,000
Number of new enterprises	16	-
Amount of land developed or redeveloped (ha)	6.64ha	2037/38 - 68ha
New floorspace created (gross internal area in sq.m - new and refurbished)	124,934sq.m	2015/16 - 102,843sq.m 2022/23 - 618,000sq.m 2037/38 - 1,385,000sq.m
Uplift in Business Rates (per annum – forecast for 2022/23)	£49.97	2022/23 - £51.7m 2037/38 - £134.7m
Private Sector Capital Investment	£326.6m	2022/23 - £1,039m 2037/38 - £2,205m
EZ Investment Programme Capital Expenditure (forecast)	45.069m	2022/23 - £261.1m

5.2 The table below provides an update on the developments that were expected to come forward for delivery in 15/16. This was a forecast reported in the March 15 report and updated in October 15.

Table 2 – Major EZ Site Delivery in 2015/16

Development	Description	Floorspace created / refurbished (GIA)	Business Rates status	Business Rates income as at March 2016 (2015/2016)	Reported or forecast in October 2015	Commentary
Two Snow hill	Office	35,200sq.m	Secured	£0.92m	£1.17m	All floors occupied with the exception of two retail units on ground floor.
Former Post and Mail	Car Parking	20,000sq.m	Secured	£0.20m	£0.57m	Car Parking secured, but

Building (Phase 1)						less than expected due to fewer floors being completed. Unit 2 ready to be let, 15 remaining units are work in progress.
BCU Phase 2	University	24,287sq.m	Committed	£0m	£0.04m	Awaiting Valuation Office RV. Business Rates team chasing. Income will be shown in 16/17.
Assay Office - St. George's Urban Village	Office	5,713sq.m	Secured	£0m	£0.17m	Now confirmed - added to ratings list income will be shown in 16/17
Beorma (Phase 1)	Hotel	5,835sq.m	Committed	£0m	£0.16m	The hotel as part of phase 1 is awaiting the Valuation Office Rating. Business Rates team chasing. Waiting to be occupied. Income will be shown in 16/17. The remainder of phase 1 is expected to come forward in 16/17
Pope Street St George's Urban Village	Office	644sq.m	Committed	£0m	£0.005m	Awaiting Valuation Office. Business Rates team chasing. Income will be

						shown in 16/17
Junction Works - Warwick Barr	Office	725sq.m	Uncommitted	£0m	£0m	Sold to HCA therefore scheme is on hold pending completion of Masterplan for the site
Aparthotel, Newhall Square	Aparthotel	7,765sq.m	Secured	£0m	£0m	Occupied by Staycity. Now confirmed - on Ratings List. Income will be shown in 16/17
iCentrum, Digital Plaza	Commercial: Incubator Space	4,097sq.m	Secured	£0m	£0m	Completion notice served April 2016. Ground and First Floor occupied. Income forecast for 16/17
Garrison Data Centre, Great Barr Street	Refurbished industrial building to provide data centre	7,514sq.m	Committed	£0m	£0m	Completed May 16. Awaiting Occupation. Income forecast for 16/17
K4 Architects (Warwick Barr)	Office Extension	190sq.m	Secured	£0.004m	0m	This site was not on the original site development list for 15/16 and has come forward earlier than forecast
Total				£0.94m		

Please note the site data captured above is for the development in the year 15/16 and not just new business rate income for the year. For example the information above does not include the Birmingham City University phase 1 income as this site was completed in 14/15 and some of Two Snow Hill income was already being received prior to 15/16.

6.0 Future delivery

6.1 The EZ remains on programme to deliver into 16/17. In addition to that which is already secured and providing business rate income (as confirmed in table 2), new business rate income is expected from the following committed projects:

Table 3: Major EZ Site Delivery in 2016/17

Development	Floorspace created / refurbished (GIA)	Business Rates status	Business Rates forecast income (2016/2017)	Commentary
BCU Phase 2	20,644sq.m	Committed	£222,719	Awaiting Valuation Office. Business Rates team chasing.
Garrison Data Centre, Great Barr Street	7,514sq.m	Committed	£248,910	Completed May 16. Awaiting Occupation.
Beorma (Phase 1) Aparthotel	4,960sq.m	Committed	£180,971	Awaiting Valuation Office. Business Rates team chasing. Waiting to be occupied.
Beorma (Phase 1) Offices	1,632sq.m	Committed	£158,795	As above
Beorma (Phase 1) Restaurant/Nightclub	479sq.m	Committed	£29,102	As above
Beorma (Phase 1) Retail	335sq.m	Committed	£20,366	As above
Eastside Locks - Retail	343sq.m	Committed	£4,177	Practical completion estimated for September 2016.
Eastside Locks - Office	177sq.m	Committed	£3,978	As above.
Total			£869,018	

6.2 Beyond 16/17: New Future committed sites

In addition, to those schemes listed in tables 2 and 3, since October 2015 the following additions to the forecast EZ income are expected to come forward:

Three Snow hill (updated from October 15)

Planning permission was granted in May 2015 for grade A office space, retail, leisure and associated parking. The preferred contractor has been secured and early enabling works have commenced in Spring 2016 with completion remaining on target for 2018

Beorma

Planning permission has been granted in December 2015 for phase 2 of £200m scheme for the Beorma Quarter including proposals for Birmingham's tallest office-led building.

Arena Central

A third building for the Arena Central development was unveiled in March 2016. A nine-floor office building has been revealed for the site, next to the future headquarters of HSBC

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7.0 Financial management

- 7.1 The financial strategy for the EZ is set out in the Enterprise Zone Investment Plan (EZIP)
- 7.2 The principle of the EZ is about investing in projects identified in the EZIP, but which are ultimately funded by the expected income they will generate through the uplift in business rates.
- 7.3 In addition all business rates growth generated by the Enterprise Zone is retained by the GBSLEP and BCC in the areas for 25 years to reinvest in local economic growth.

7.4 EZ Income

Aligning with the update report produced in October 2015, the outturn position in March 2016 showed business rates income being £2.3m¹ which was £3.4m lower than the projected figures in September 2015. As reported at the last update in October 2015 anticipated business rate income still continues to be forecast below the previous estimates from the Investment Plan, with £29.6m projected to be generated over the period 2016/17 to 2019/20.

- 7.5 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. However there is a continuous upward trajectory in income.
- 7.6 The amount of income forecast has been affected by a number of factors; only part of floors coming forward when whole floors were expected, and as noted in section 2, 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. Additionally, over the last six months a number of significant appeals e.g. £0.5m for Snow Hill in 2015/16, have occurred and this has impacted on the level of business rate income which was originally expected. 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.
- 7.7 Whilst officers within Planning and Regeneration and Finance are working closely 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.
- 7.8 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.
- 7.9 For 2016/17, the EZ Programme contains forecast income of £5.1m (as detailed in table 3), of which £4.8m is considered to be secured (notwithstanding potential appeals). Whilst income is projected to increase year on year it is not until 2020/21 that a significant step up in business rate income levels is seen, largely due to the Paradise Circus development.
- 7.10 Whilst the amount of income is less than that forecast in the EZIP, the programme still remains affordable. There are still many sites committed for 2016/17 and beyond that will add to the

¹ This is income for the EZ from all years not just 15/16

secured income e.g. new sites such as Arena Central will come forward to create an increase in business rate income.

- 7.11 A detailed site schedule is maintained on the progress of sites using a key of Secured, Committed and Uncommitted to understand the likelihood of when business rates income can be recorded within the EZ financial model. 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 factor in more lead in time before income is classified as 'secure'.
- 7.12 Whilst the programme remains affordable the important analysis remains for the period through to 2019/20, where expenditure needs to be controlled within the income generated through the business rate uplift.
- 7.13 Maintaining the affordability of the programme for these years is dependent on sites completing. In addition to the investment in the EZ Programme a key task involves 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 closer working with the VOA is in place, it is hoped that communications will improve and our support will be given where necessary.
- 7.14 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.

7.15 EZ Expenditure

There has been progress made with further expenditure on projects committed since October 2015.

- 7.16 Details of EZ Executive Board approvals made since July 2014 are contained in section 8.
- 7.17 Capital outturn of £37m in 2015/16 was around £8m below the projected programme values in October 2015. This variation in expenditure reflects some of the challenges faced on bringing complex schemes forward. As referenced above some EZ projects have inter-dependencies and are reliant on other projects completing first e.g. Pinch Points and in working up projects from within programmed expenditure headings. Also, the Metro project, including Complimentary Works, saw £6.8m funding switched between the EZ and Local Growth Fund in 2015/16 as there was a need to prioritise LGF over EZ funding to ensure LGF resources were not lost to the LEP Region, this also benefited the EZ by reducing borrowing costs due to slippage.
- 7.18 Overall the approved programme still remains affordable and is managed within the Accountable Body's financial principles. At this stage of the EZ Programme's development the amount of surplus business rate income being generated is still in an embryonic stage. Not until 2020/21 do the business rates forecasts show a significant step up. Consequently there still remain may be some risks in bringing forward or identifying further expenditure commitments. Close monitoring and careful management of the Investment Programme will remain into 2016/17. This will continue to include closer alignment on projects funded by both the EZ and Local Growth Deal Fund.

8.0 EZ Executive Board Approvals since October 2015

Project	EZ funding	EZIP	Exec approval
Pinch Points (FBC for Bordesley Circus, Haden Circus and Holloway Circus, design development for the Ashted Circus Project)	2.0M	Infrastructure	17/12/2015
EZ Sector Sales Team	0.424m	Business Development and Support	25/01/2016
Digital Connectivity: Broadband Delivery (BD) UK Voucher Scheme	0.65m	Digital Connectivity	25/01/2016
Wholesale Market	10m	Site Development and Access	25/01/2016
Centenary Square*	10.55 (however 0.383 has previously been approved as part of the development fees)	Infrastructure	22/02/2015
Connecting Economic Opportunities and Making the Connection	0.55m	Infrastructure	21/03/2016
Ladywell Walk	0.75m	Infrastructure	21/03/2016

*subject to LEP board approval for the changes to the Investment Programme as requested in section 9

9.0 Amendments to Investment Programme Funding

- 9.1 A requirement has been identified to adjust the funding available to parts of the investment programme as set out in the EZIP. A £2.55m funding gap has been identified for the Centenary Square Project, which has £8m identified from the EZ in the Investment Plan. A funding request has been received by the team leading the Centenary Square development for the EZ to contribute £2.55m to the funding gap. The funding cannot be found from elsewhere.
- 9.2 The original Capital budget allocated to the project in the Enterprise Zone (EZ) investment Plan was £8.0m based on provisional estimates only in 2012. This was prior to any detailed brief being prepared.

- 9.3 On completion of the stage 3 design, the scheme was scrutinised in terms of cost, using Thomas Vale Construction (the contracting Partner chosen for the scheme) to give a realistic construction cost estimate. The cost estimate is £10.55m.
- 9.4 The Graeme Massey design (known as the Hall of Columns) not only achieved the quality but was also felt to be one of the better value schemes to construct. However as with all the other schemes submitted, costs were reduced to meet the budget restrictions by reducing the strength of the pavement sub structure.
- 9.5 This was considered by the project team as too limiting for the future use of the square so it was decided to improve and strengthen the substructure resulting in the scheme exceeding the original £8m estimate.
- 9.6 The budget required to deliver the scheme is £10.55m, an increase on the original allocation by £2.55m.
- 9.7 The option for constructing with a lower budget was considered but to remove major elements such as the columns or water feature would have a major impact on the design and even removing both would still require a funding increases beyond the £8m.
- 9.8 A major cost is due to the large area of granite paving with a concrete sub base. Money could be saved by reducing the quality of materials and/or the concrete sub base. However this would have major implications in the surface standing up to heavy goods events vehicles and would very much reduce its life. With the backdrop of some of the city’s most iconic buildings this would be detrimental to both the project and to the quality of the wider square.
- 9.9 The revenue consequence to deliver over and above the existing revenue spend is £60,000pa. This funding is to be identified by BCC.
- 9.10 This issue has been considered at length by the EZ Executive Board, and has also considered the options on how the EZ can fund this requirement within the total amount of funding identified in the Investment Plan. Having scrutinised the funding requirement the Board’s preferred approach to address this funding gap is set out in the table below.
- 9.11 Adjusting the funding available for the Site Development Access Funding profile is considered the most appropriate way forward to ensure the delivery of Centenary Square, and to also maintain significant investment in other key projects.
- 9.12 The EZ Executive Board have recommend to the GBS LEP to approve this adjustment. Subject to approval, a revised funding profile will be agreed with the Executive Board following the end of the 2014/15 financial year.

Capital Project	Total revised funding to 2022/2023	Change
Direct investment into other 25 sites	£11,450m	-£2.55m
Centenary Square	10.55m	+2.55m

Table 4: Amendment to the Investment Programme

Lisa Chaney
Enterprise Zone Programme Manager
June 2016