

## **Report to the Greater Birmingham and Solihull Supervisory Board**

**8 February 2017**

### **ENTERPRISE ZONE INVESTMENT PLAN PROGRESS REPORT**

#### **Purpose of the report**

To note and discuss the progress with the Enterprise Zone Investment Plan.

#### **Recommendations**

1. The Supervisory Board is asked to:
  - 1.1 To note the progress made in delivering the Enterprise Zone Investment Plan.

#### **Background**

2. 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. 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.
4. In December 2015 the West Midlands Devolution Deal was announced which secured a major extension of the EZ. In September 2016 the Curzon EZIP was adopted, which for the Curzon area covers the period 2016/2017 to 2037/2038 and provides £556.8m of EZ investment for Curzon. In addition as part of the devolution deal there is also a commitment included for capital funding for the £183.3m for the Metro extension to East Birmingham/Solihull. The adoption of the Curzon EZIP also extended the time period for the retention of business rate growth for the whole EZ to 31st March 2046. In total the EZ will now cover 113.5ha of land and over its lifetime the Birmingham City Centre EZ, including the Curzon extension, will have invested over £900m for capital infrastructure, delivered 2.3m sq.m of new floorspace, created over 76,000 new jobs, contributed nearly £4bn to the economy in GVA per annum and generated in excess of £2bn in additional business rates.
5. The LEP Board is represented on the EZ Executive Board by Simon Marks, Pat Hanlon, and Katie Trout. Birmingham City Council representation on the Board includes Waheed Nazir (Acting Strategic Director for Economy) and Richard Cowell (Assistant Director for Development).
6. 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 A 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, and was considered by the LEP Board at its meeting on 27 January 2017.

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

### **Key Issues: EZ Progress March – September 2016**

8. The EZ has seen 694 new jobs created and 702 sq.m commercial floorspace delivered. The key sites where the new jobs have been created are: Birmingham City University Campus (459), Typhoo Wharf (58) and Digital Plaza iCentrum (20).
9. For 2016/2017 and beyond the outputs and business rate income remain on target with the EZ currently forecast to have an income for 2016/2017 of £5.4m, an increase of 3m from the 14/15 income.
10. Overall the EZ continues to make positive progress delivering development sites and supporting infrastructure.
11. Demolition continues with Paradise with works starting on the Adrian Boulton Hall, and piling for the foundation works for building 1 commencing. The start of the structural frame for building 1 will begin in 2017.
12. Both the Metro Extension to Centenary Square and the Centenary Square public realm works remain on programme to commence on site in 2017. The Centenary Square public realm works also received full planning approval in August 2016.
13. The New Wholesale Market achieved practical completion in November 2016.
14. Following a successful public consultation the Smithfield Masterplan was adopted in September 2016.
15. A new approval has been given to support the progress of a permanent Traffic Regulation Order for Ladywell Walk and Hurst Street in the Southside area of Birmingham City Centre to enable further public realm works and a new public square in 2017 and beyond.
16. Work is progressing within the Relocation Services Pilot project and the EZ sector sales team recruitment. In 2016 the pilot established HSBC as 'testing partner' and is now also supporting HS2 Ltd with a bespoke relocation website being delivered and enquiry support as employees of the HS2 (and HSBC) affected by the relocation begin to engage. The EZ sector sales team will focus on 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).
17. In August 2016 approval was given for support towards Investment Promotions for events requiring attendance by Marketing Birmingham and relevant EZ officers to promote the EZ sites and associated on costs and marketing materials. This was approved to cover activity in 2016/17. A Marketing Strategy is now being produced to provide a detailed plan of activity for the period 2017/18 to 2020/21.
18. Projects funded by the EZ continue to make positive progress with spend for 15/16 remaining on forecast.
19. At this stage, the investment programme remains affordable within the income forecasts, with 15/16 seeing a positive increase from 14/15 business rate income.

Maintaining this affordability in future years will be dependent on sites completing and business rates being paid.

20. The forecast contained in the Investment Plan remains on track to be able to see a significant increase in income from 2020/21. Whilst the revised income forecast for 17/18 to 19/20 is lower than the estimate in the Investment Plan, it will provide for an average cumulative surplus for these years of £1m - 5m and therefore an affordable programme. However in October 2016 the financial model for the Curzon extension was incorporated with the existing model and therefore careful monitoring and management will be required in order for the programme to remain affordable.
21. The EZIP Progress Report will be taken to the LEP Supervisory Board on 8 February 2017 following consideration by the LEP Board. This is in accordance with the EZ Governance arrangements.
22. The EZ was established in 2011 with 26 designated sites based on the economic growth strategy of the Big City Plan. Following work with partners, developers and landowners an Investment Plan was launched in June 2012, which set out a £128m programme to kick start development over a five year period up to 2017.
23. In July 2014 the Investment Plan was updated to reflect a longer term approach to development and the emerging plans for HS2. The delivery period was also extended to 2022/2023 and the investment programme increased to £275m, including an allocation of £30m to support the delivery of the HS2 Curzon Station within Birmingham and £40m for wider LEP priorities, including £20m for UK Central.
24. As the Accountable Body for the EZ, Birmingham City Council has undertaken prudential borrowing on behalf of the LEP for approved capital projects and ensures that individual business cases for capital and revenue investments are sound. Prudential borrowing costs will be financed by the revenue resources provided by the uplift in business rates within the EZ.

### **Policy Development/linkages with Existing LEP Strategy or Key Priorities**

25. The approach in the EZIP is consistent with the LEP's overarching strategic pillars of supporting business, people and place and contributing toward the delivery of the targets that the LEP has set including increasing jobs and GVA. The financial resources available through the EZIP are key to the delivery of the LEPs Strategic Economic Plan.
26. A number of the projects identified in the EZIP are also funded by the Growth Deal that the LEP have negotiated with Central Government, including the New Wholesale Markets, Metro Extension to Centenary Square and a number of the Connecting Economic Opportunities projects. There is an opportunity to closer align projects funded by both the EZ and the Growth Deal, to maximise the available spend from the Growth Deal in 2016/17.

### **Conclusion**

27. The Supervisory Board is being asked to note the positive progress made so far in the delivery of the EZIP which has seen 694 new jobs created since March 2016 and an increase of forecasted income of £3m from 14/15. The EZ Executive board will continue to manage and monitor the affordability of the programme, especially with the inclusion of the Curzon EZIP and through the years 17/18 to 19/20 where expenditure needs to be controlled within the income generated.

Prepared by:

Richard Cowell  
Assistant Director of Development  
Planning and Regeneration, Birmingham City Council  
0121 303 9880 / richard.cowell@birmingham.gov.uk

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