



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

October 2016

# Birmingham City Centre Enterprise Zone

## Progress Report

**April 2016 to September 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. In December 2015 the West Midlands Devolution Deal was announced, which secured a major extension of the Enterprise Zone (EZ). In September 2016 the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) and Birmingham City Council (BCC), acting as Accountable Body, approved the additional Curzon Investment Plan and the extended EZ boundary to include a further 13 sites of 45.5 ha across the Curzon/High Speed 2 growth area. The EZ is now mix of 39 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 the private sector particularly in terms of reduced business rates (applicable to the existing 26 EZ sites only), planning and other regulatory and administrative burdens.
- 1.2 To support the EZ aspirations, in 2012, and updated in July 2014, the GBSLEP approved the first EZ Investment Plan (EZIP) to support early intervention in the City Centre infrastructure to accelerate growth and help unlock EZ sites for development. This covered the period 2013/2014 to 2022/2023 with £275m of investment. 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 31<sup>st</sup> 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.
- 1.3 As part of the approved EZ Governance arrangements, there is a requirement to provide the LEP Board and the Supervisory Board with reports on the progress of delivering the EZIP every 6 months. The update for the period March 2016 to September 2016 is set out in this document. As the Curzon EZIP was only adopted in September 2016 there is no reference to Curzon EZIP sites in this update report. These will commence for the end of financial year report for 2016/17.
- 1.4 Since March 2016 the original EZ has continued to make effective progress delivering development sites and supporting infrastructure. Demolition has continued with Paradise, with piling for the foundation works for building 1 commencing; full business case and planning has been approved for Centenary Square; the new Wholesale Market site is nearing completion with planning permission granted for the demolition of the existing market, supporting the now adopted Masterplan for Birmingham Smithfield. Progress and investment in 'Business Development and Support' for the EZ, is continuing. New funding approvals have been granted for a Connecting Economic Opportunities project which sees 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.

## **2. Delivery summary**

- 2.1 Since the previous progress report in March 2016, the EZ has seen 694 new jobs created and 702 sq.m commercial floorspace delivered. The key sites these new jobs have come from are: Birmingham City University Campus (459), Typhoo Wharf (58) and Digital Plaza iCentrum (20).
- 2.2 Progress is continuing on major development sites 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 and on target with the EZ currently forecast to have an income for 2016/2017 of £5.4m.

## **3. Investment Programme Progress**

- 3.1 Since the Progress report published in March 2016 there has been important progress made in delivering the EZIP, which is seeing jobs and development attributing to supporting the GBSLEP Strategic Economic Plan.

- 3.2 The following updates can be provided:

### **3.3 Paradise Circus**

- 3.4 The delivery of the first Phase buildings currently remains on programme for 2018. The 2016/2017 financial year will see demolition continuing 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.

### **3.5 New Wholesale Market**

- 3.6 In September 2016 planning approval was granted for the demolition of the existing wholesale market with practical completion expected for the new market in November 2016 and tenant uptake starting in 2017. The anticipated demolition contract is expected to go out to tender in early 2017 with the aim for a start date for demolition of April 2017, once the markets are vacated.

### **3.7 Birmingham Smithfield**

- 3.8 The delivery of this site is dependent on the relocation and delivery the new Wholesale Market.
- 3.9 Following a successful public consultation the Smithfield Masterplan was adopted in September 2016. The Masterplan sets the vision for the site that will form the basis for the procurement of a development partner and a guide for the detailed planning and delivery phases that follow. It is expected a delivery partner will be procured in November 2016.

### **3.10 Direct Site Investment**

- 3.11 The overall the Site Development and Access Fund (SDAF) programme has undergone a review in 2016 and will be re-launched in 2017, combining it with the requirements of the new Curzon Site Enabling works programme. This will provide new impetus to attracting investment to key

EZ sites. The SDAF is a fund that was established to provide capital and loan grant funding to prospective developers who have encountered barriers in bringing forward developments in the Enterprise Zone. The fund is intended to support developments that will generate and accelerate business rate growth and employment opportunities as well as bring in significant private sector investment.

### **3.12 Metro Extension and Centenary Square improvements**

3.13 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.

### **3.14 Connecting Economic Opportunities**

3.15 There has been a new approval 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.

### **3.16 Business Development and Support, Skills and Marketing**

3.17 Work is progressing within the Relocation Services Pilot project and the EZ sector sales team recruitment. The relocations Services Pilot provides after-care relocation support to organisations moving to the Birmingham area as part of a three year pilot project. In 2016 the pilot established HSBC as 'testing partner' and focused on the relocation of its UK Head Quarter to Birmingham to Arena Central and will employ approximately 1,300 people. In addition the relocation services project 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). It will include lead generation, company data intelligence and may include a number of targeted seminars and events and attracting occupiers to the EZ.

3.18 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.

### **3.19 Delivery Team**

3.20 In July 2016, approval was granted by the EZ Executive board for funding to support an EZ Monitoring and Performance Officer to assist the Programme Manager in the day to day delivery of the EZ programme. This person is now in post.

## **4. Measure of Success and Site Delivery**

4.1 The table below provides data on the non-financial performance indicators provided to the EZ Executive Board and the Department of Communities and Local Government on a quarterly basis, updated to September 2016.

**Table 1 - EZ Measures of Success**

Measurement	Cumulative Total (as at September 2016)	Target
Number of new employment positions filled	2,385	2015/16 - 2,508 2022/23 - 21,800 2037/38 - 40,000
Number of new enterprises	29	-
Amount of land developed or redeveloped (ha)	8.52ha	2037/38 - 68ha
New floorspace created (gross internal area in sq.m - new and refurbished)	125,636sq.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	£388,459,092	2022/23 - £1,039m 2037/38 - £2,205m
EZ Investment Programme Capital Expenditure (forecast)	45.069m	2022/23 - £261.1m

4.2 The programme faces a number of challenges in collating the measures of success in relation to jobs and enterprises. The achievements outlined in table 1 are recorded from our communication with businesses who are either receiving business rates relief or who are hoping to. As a result, the view is that they underestimate the impact of the EZ. Take up of the EZ business rates relief is relatively low, to demonstrate the programmes current records please refer to **table 2** below;

**Table 2 – Business Rate Relief**

Businesses	Count
Currently in receipt of business rates relief and completing forms	42
Previously receiving business rates relief;	
Have since dissolved	3
Ceased to communicate	2
Moved on	4
Located on EZ sites that are ineligible for business rates relief, of which only 1 business has completed the form to date. Of the 39, 30 are indoor market businesses.	39
Currently communicating with to obtain forms and ascertain if they are eligible for relief, businesses are slow to respond.	14
Businesses that have never responded despite a number of attempts to engage	4

4.3 Actions to address these challenges include a further leaflet drop and the commissioning of an independent company to ascertain the real impact on jobs and enterprises within the EZ and provide an associated report. The outcome of which would see the EZ programme then formally claim the outputs declared in the report. In addition the profiles originally set locally need to be reviewed and profiled across the life of the programme using a firm methodology and included within the revised EZ Investment Plan for 2017.

## 5.0 Financial management

5.1 The financial strategy for the EZ is set out in the EZIP 2016.

### 5.2 EZ Income

5.3 Since reporting the outturn position in March 2016 update, the business rates income for 2016/17 was forecast at £5.5m at the start of the financial year. In September 2016, the income forecast remains largely on target at £5.4m<sup>1</sup> of which £3.69m is considered to be secured (notwithstanding potential appeals).

5.4 The income comes from the following sites:

**Table 3: Secured EZ Site Income in 2016/17**

<b>Development</b>	<b>Business Rates Actual income (2016/17)</b>
Two Snowhill	£3,232,942
BCU Phase 1	£85,782
Post and mail Phase 1	£321,392
UCB Phase 1	£36,554
K4 Architects Warwick Barr	£15,941
<b>Total</b>	<b>£3,692,611</b>

5.5 The EZ remains on programme to deliver into 16/17. In addition to that which is already secured and providing business rate income of £3.69m, in March 2016 a number of development sites were detailed which provided committed business rate income due in 2016/17. This table (table 4 below) is now updated six months on, to show a further £404,909 of income, where three of these projects have moved from committed to secured.

<sup>1</sup> This figure includes adjustments and demolitions which are not detailed in Table 2 and 3

**Table 4: Major EZ Site Delivery in 2016/17**

<b>Development</b>	<b>Floorspace created / refurbished (GIA)</b>	<b>Business Rates status</b>	<b>Business Rates income as at October 2016 (2016/17)</b>	<b>Business Rates forecast income (2016/17)</b>	<b>Commentary</b>
BCU Phase 2	20,644sq.m	Secured	£0	£222,719	Awaiting Specialist Valuation Officer. Business Rates team chasing.
Beorma (Phase 1) Aparthotel	4,960sq.m	Secured	£184,759	£180,971	
Beorma (Phase 1) Retail	335sq.m	Secured	£0	£20,366	A request has been submitted to allocate income to the EZ.
Eastside Locks – The Joseph Priestley	6,427sq.m	Secured	£0	£0	Awaiting Specialist Valuation Officer. Business Rates team chasing.
Assay Office -St. George’s Urban Village	5,713sq.m	Secured	£220,150	£170,000	
iCentrum, Digital Plaza	4,097sq.m	Secured	£0	£0	Partially Occupied, request submitted to allocate income to the EZ.
Newhall Square Hotel	7,765sq.m	Secured	£0	£0	Submitted a request for the income to be allocated to the EZ.
Beorma (Phase 1) Offices	1,632sq.m	Committed	£0	£158,795	Awaiting business rates team update
Beorma (Phase 1) Restaurant/Night club	479sq.m	Committed	£0	£29,102	As above
Garrison Data Centre, Great Barr Street	7,514sq.m	Committed	£0	£248,910	Completed May 16. Awaiting Occupation.
Eastside Locks - Retail	343sq.m	Committed	£0	£4,177	Practical completion estimated for

					September 2016.
Eastside Locks - Office	177sq.m	Committed	£0	£3,978	As above.
<b>Total</b>			<b>£404,909</b>	<b>£1,039,018</b>	

## 5.6 EZ Expenditure

- 5.7 There has been progress made with further expenditure on projects committed since March 2016.
- 5.8 Forecast capital expenditure of £51.8m in 2016/17 is around £1m higher than the projected programme values in March 2016. This variation in expenditure reflects the acceleration of funds to the Transport for West Midlands for the Metro scheme to Centenary Square.
- 5.9 Overall the approved programme still remains affordable and is managed within the Accountable Body's financial principles. Close monitoring and careful management of the Investment Programme remains into 2016/17. This will continue to include closer alignment on projects funded by both the EZ and Local Growth Deal Fund.

## 6.0 Amendments to Investment Programme Funding

- 6.1 A requirement has been identified to adjust the funding available to parts of the investment programme as set out in the EZIP (2014).
- 6.2 A request has been made for an additional £1.998m to support the Pinch Point Scheme, namely the works to the Ashted Circus project. This is currently provided with £300,000 of EZ funding for development of the project, allocated within the Connecting Economic Opportunities Programme. The additional £1.998m is to support the delivery of the scheme and resource the current cost pressure associated with Ashted Circus and ensure the scheme can be taken forward to delivery through a design and build contract.
- 6.3 The ongoing project costs to complete the scheme have increased as a result of significant statutory undertakers diversionary costs established at C3 stage where Statutory Undertakers provide a budget estimate for the proposed works. In addition, the constrained working area on the Ring Road and the need to maintain traffic movements at this traffic sensitive location have increased traffic management costs, specifically with a requirement to undertake works at night.
- 6.4 The Pinch Point scheme is a key project both within the existing EZ Investment Plan (2014) and the new Curzon Investment Plan (2016). In addition any of the EZ funding that is not utilised in the delivery of the project, would be returned to the EZ Board.
- 6.5 It has been identified that the increased funding for this project could be moved from the Metro funding profile. The project officer leading on the Complimentary Highway works which are supporting the Metro scheme, has identified that the funding previously approved to fund the Swallow Street works is to now to be funded by Transport for West Midlands as part of their S106 commitments. This provides additional capacity within the Metro funding of £2,235,321.



6.6 Therefore the EZ Executive Board have recommend to the GBS LEP to approve this adjustment and change to the Investment plan and move £1.998m from the Metro funding profile to the Connecting Economic Opportunities programme which funds the Pinch Points scheme. This would leave £237,321 underspent to be used to invest in other EZ schemes.

6.7 Under the governance arrangements for the EZ the LEP are requested to approve this change to the EZIP and for Supervisory Board to endorse it.

**Table 5: Amendment to the Investment Programme**

<b>Capital Project</b>	<b>Total revised funding to 2022/2023</b>	<b>Change</b>
Metro	£27,552m	-£1.998m
Connecting Economic Opportunities	£18,658m	+1.998m

Prepared for: EZ Executive Board

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