

Report to the Greater Birmingham and Solihull Supervisory Board

October 2016

STEAMhouse Phase 2

Purpose of the Report

To update on the decision made by the Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) Board on the 17 October 2016, in relation to the Government grant funding for STEAMhouse, to the value of £14,000,000.

Recommendations

Supervisory Board members are asked to note the agreement to fund the grant and the manner in which the funding will be defrayed.

Background and Key Issues

In its Budget 2016, Government ring-fenced a £14,000,000 grant to the STEAMhouse project, a £48.3m scheme which aims to transform the former Typhoo tea factory in Birmingham into a new form of collaborative innovation centre focused around STEAM (science, technology, engineering, arts and maths). The project will include related teaching and learning space delivered by Birmingham City University (BCU) through the STEAM Academy plus commercial space that is synergistic with other elements of the project (a mix of grow-on space for SMEs and office space for a single user or multiple users – with a potential sub-division of four units).

As agreed with the Department for Business, Energy & Industrial Strategy (formerly Business, Innovation & Skills) the £14,000,000 funding is in addition to the GBSLEP's Growth Deal capital programme and has been allocated to GBSLEP to be defrayed in accordance with the processes set out in the Growth Deal Accountability Framework.

Accordingly, AECOM has been commissioned to act as the Independent Technical Evaluator for the scheme and to appraise the full business case in line with Treasury's Green Book standards and procedures.

The full business case, seeking total public investment of £22,000,000 for the project, was submitted in September 2016. This would in turn lever in £17.5m of private sector match funding, and an £8.8m contribution from BCU.

STEAMHouse is a proposal to redevelop the former Typhoo tea factory in Digbeth, Birmingham as an innovation centre focussed on science, technology, engineering, arts and maths. When complete, the centre will have an internal area of 14,837m² and will include:

- Birmingham City University's STEAM Academy increasing the number of graduates in these areas and improving the university's links with firms in these areas. (2,316m²);
- Space for new and growing firms in digital and creative areas including incubation, collaboration, "making" and innovation space. (6,211m²);
- Commercial space to be rented at market terms to private firms. (4,616m²); and,
- An area set aside as "grow on space" for SMEs. (1,695m²).

The business case proposes refurbishing and fitting out the former Typhoo factory at a cost of approximately £48.3m. The building is currently owned by Gooch Estates. The proposal is for Birmingham City University to fund the refurbishment costs and to then lease the building from Gooch Estates at a rent of £6.40/f per annum.

The key benefits highlighted within the scheme's Full Business Case include:

- direct support for over 700 jobs (130 increased employment due to additional graduates, 392 jobs in the innovation space and 178 jobs in the commercial space), at a cost-per-job of £20,000 based on public sector intervention;
- a further 210 indirect and induced jobs;
- Projected 90% occupancy of 200 workspaces by 2021/22;
- 159 new students per annum ranging from HND to PhD;
- A net uplift in land values of the Typhoo site of £4.7m.

In their report, AECOM found each of the constituent parts of the full business case to be sound and compliant with Green Book standards, noting in conclusion that the proposal "has the potential to be a highly attractive investment of public funds." Accordingly, the scheme was recommended for approval.

The GBSLEP Board approved the £14,000,000 of Government grant by written procedure on 17 October 2016.

Financial & Legal

BEIS will allocate the grant under Section 31 funding over two years (£7,000,000 2016 and £7,000,000 in 2017/18) to Birmingham City Council as the accountable body. A full per annum spending profile has yet to be determined for the project but, as the funding is a direct grant from Government and in addition to GBSLEP's Growth Deal programme, there is no impact on GBSLEP's spend profile.

The Supervisory Board should note that as the total public intervention required is £22,000,000 a further bid of £8,000,000 has been made to GBSLEP for the fit out of the space. This has been submitted to Government as part of the recent Growth Deal 3 bid, the outcome of which is expected to be made public around the Autumn Statement on 23 November. BCU are prepared to continue the project at risk to ensure key milestones are achieved.

Conclusion

The Supervisory Board is asked to note the decision made by the LEP Board on the 17 October, to approve the funding for STEAMhouse to the value of £14,000,000.

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