

Report to the Greater Birmingham and Solihull Supervisory Board

6 October 2016

ENTERPRISE ZONE EXTENSION AND CURZON INVESTMENT PLAN

1. Purpose of the Report

- 1.1. To endorse the decisions of GBSLEP and Birmingham City Council regarding the Enterprise Zone Extension and Curzon Investment Plan.

2. Recommendations

That Members are asked to:

- 2.1. Note the extension of the Enterprise Zone (EZ) area from 69.8 hectares to 113.5 hectares, and the extended time period for the retention of business rates income uplift from 31 March 2038 to 31 March 2046.
- 2.2. Note the current EZ Investment Plan (2014) of £275m, which includes a £30m allocation towards the Curzon Investment Package and £40m towards wider LEP priorities.
- 2.3. Note the allocation of additional EZ funding of £556.8m for the Curzon Investment Package
- 2.4. Note the ring-fencing of a further £183.3m of EZ funding towards the cost of the Metro extension from Adderley Street, Birmingham to the HS2 Interchange Solihull, subject to a full business case and securing additional match funding.
- 2.5. Note the total EZ funding for the EZ Investment Plan (2014) and Curzon Investment Plan is now £1015.1m.
- 2.6. Note the Curzon Investment Plan, attached in Appendix 1, which sets out the framework for investment priorities and programme for the period 2016/17 to 2045/46, with a total funding package of £724m. This is comprised of the following funding contributions;

£30m – EZ Investment Plan Curzon Contribution (2014)

£556.8m –

- 2.11 Note that the Government will be revaluing business rates with effect from 1 April 2017 and the LEP Board will be updated once the impact on the EZ is known.
- 2.12 Note that Birmingham City Council approved the Enterprise Zone Extension and Curzon Investment Plan at its Cabinet meeting on the 20th September 2016.

3. Background

3.1

phase of the eastern extension that will see the line go out through East Birmingham - Solihull to UK Central/Airport.

The growth potential across the Curzon area, identifying opportunities for development linking into the wider city centre growth agenda set out in the Big City Plan and city wide Birmingham Development Plan.

4.3 In order to unlock the full growth potential across the Curzon area and beyond and so

Street through East Birmingham to the HS2 Interchange, Solihull, subject to the preparation of a full business case and additional match funding.

- 5.3 To ensure the EZ maintains stringent financial practices, Birmingham City Council, as the Accountable Body, established a set of financial principles for the Enterprise Zone in 2012. To reflect the extension of the EZ and the Curzon Investment Programme these principles have been updated to ensure that the financial management is robust, and that projected expenditure, including borrowing and establishment costs, is affordable. The City Council will continue to apply a safety margin whereby 15% of business rate income is held in reserve and not committed against investment proposals until there is greater surety of future uplift in business rate income. In addition total expenditure by the EZ will be capped at 65% of the unreserved 85% of business rate income. Projects will only be brought forward when the cost implications can be contained within the committed business rate revenue resources. Details of these principles are set out in the Enterprise Zone Governance and Financial Strategy (Appendix 2). This was approved by Birmingham City Council at its Cabinet meeting on the 20th September 2016.
- 5.4 The Enterprise Zone Executive Board will have delegated powers from the LEP to approve projects and will make decisions on the priority order for the Curzon investment. The Terms of Reference for the Enterprise Zone Boards will be updated following the approval of the Enterprise Zone Governance and Financial Strategy. Individual projects requiring funding from the Enterprise Zone will follow Birmingham City Council governance processes, being managed and monitored through the Directors Board, with regular reporting to the LEP Board by the LEP Champion.
- 5.5 Capital projects contained within the Curzon Investment Plan will be resourced by Birmingham City Council (in its Accountable Body role for the Enterprise Zone). The costs associated with this, along with revenue project costs, will be funded by the resources raised through the projected uplift in business rates that the EZ will generate.
- 5.6 To support the EZ's operational arrangements an agreement between DCLG and BCC is proposed. This MOU (Appendix 3) sets out the responsibilities and requirements the

- 5.11 The revaluation is identified in the risk register and is kept under review. The impact of any revaluation will need to be assessed in terms of affordability of the programme and individual business cases.
- 5.12 As the Accountable Body, Birmingham City Council will require individual full business cases for Enterprise Zone projects, which will follow the City Council's normal gateway procedures for capital, and revenue projects, as well as requiring approval by the Enterprise Zone Executive Board. The ongoing revenue impacts of Enterprise Zone funded capital projects will be met by Enterprise Zone resources through this process. The investment strategy is focussed upon delivering a programme that will support business growth in order to provide an investment source for wider LEP investment. The City Council's Accountable Body costs, as well as other costs associated with programme delivery, will be reimbursed by the Enterprise Zone. This revenue investment will be funded as the first call against Enterprise Zone business rate resources.
- 5.13 Delivery of the EZ and the Curzon Investment Plan will be supported by a robust risk management strategy that will form an integral part of the performance management arrangements. The key risk for the Curzon programme is that the HS2 Hybrid Bill does not receive Royal Assent. Other principle risks within the programme are;

Business rate collection is not sufficient to meet the borrowing commitments.

The costs of projects increase and become unviable.

The need for up-front investment to unlock the future uplift in business rate income.

Both the GBSLEP and BCC will be responsible for monitoring and managing these, and all other risks, through continued assessment of their probability and impact. A programme risk register will be maintained and monitored on a monthly basis, with regular reporting at each EZ Executive meeting.

6. Legal Implications

- 6.1. In compliance with the powers of general competence set out in Section 1 of the Localism Act 2011, Birmingham City Council has agreed to act as the Accountable Body for the funds.

7. Equalities

- 7.1. There are no particular considerations arising from this report.
- 7.2. However, the EZ has been assessed as leading to a positive effect through the promotion of economic activity, job creation and improving skills that will benefit local people. It has been assessed that the EZ will advance equality of opportunity as a result of its promotion of development and regeneration activity. Since the 2014 Investment Plan was approved, no equality issues have been raised on the broad approach taken. The Curzon Investment Plan forms part of the delivery of the EZ initiative and as such will help secure the delivery of the objectives and contribute to the positive impacts. Individual projects have and will be subject to equality analysis.

8. Consultation

- 8.1 The Curzon Investment Plan was approved by the GBSLEP Board on the 15th July 2016. On the 14th September, the Prime Minister announced the launch of the Curzon

Investment Plan, which was approved by Birmingham City Council's Cabinet on the 20th