Greater Birmingham and Solihull LEP
Birmingham City Centre Enterprise Zone
Investment Plan 2013/14 to 2022/23

July 2014
Contact

Economy Directorate
Birmingham City Council

Click:
Email: planningandregenerationenquiries@birmingham.gov.uk
Web: www.birminghamenterprisezone.org

Call:
Telephone: (0121) 303 3075

Visit:
Office: 1 Lancaster Circus
Birmingham
B4 7DJ

Post: PO Box 28
Birmingham
B1 1TU

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The Birmingham City Centre Enterprise Zone (EZ) is truly exciting. It is enabling us to deliver significant growth and jobs for the benefit of the whole of the Greater Birmingham and Solihull area.

One of the major benefits of the EZ designation is the ability for the Local Enterprise Partnership (LEP) to retain all of the uplift in business rates in the Zone for 25 years from April 2013. This is providing opportunities to support the delivery of the EZ and achieve our wider objectives for the LEP area.

Since we launched the EZ in April 2011 we have turned this transformational initiative into reality. We have published a Business Case, Implementation Plan and Prospectus setting the scene for the EZ, explaining how it operates and detailing the strength of our offer. We have approved two Local Development Orders for the Digbeth and Birmingham Science Park Aston areas which streamline the planning system. Real progress has also been made in securing the type of world class digital infrastructure businesses need. Developments are starting to be delivered on the ground and extensive marketing to promote the opportunities in the EZ is building momentum. Importantly we are on course to have created 2,500 jobs by the end of 2015.

This updated Investment Plan is a key piece of the jigsaw that will enable us to continue to drive forward development and growth in the EZ. It will also support the delivery of the Strategic Economic Plan and enable the area to maximise the benefits of HS2. While the opportunity that the EZ presents for generating new jobs is considerable, some key interventions are needed to enable development to get off the ground quickly and maintain delivery. These projects respond to the needs of the private sector community and the desire to create truly long term economic growth.

We are confident that the programme of investments set out in this plan, funded with the resources generated by the EZ, will have a catalytic impact on driving forward the delivery of this groundbreaking initiative.

Andy Street
Chair of the Greater Birmingham and Solihull Local Enterprise Partnership
This Investment Plan sets out how the uplift in business rates will be used to deliver the investment in infrastructure to unlock development and growth in the City Centre EZ.

It has been prepared by Birmingham City Council (BCC), as Accountable Body for the EZ, on behalf of the Greater Birmingham & Solihull LEP (GBSLEP).

The strategy contained of the Investment Plan supports the Business Case, submitted to Government in July 2011, and an Implementation Plan submitted in November 2011. These documents set the direction for the development of the EZ project.

The Business Case specifically outlined the barriers to growth and how the EZ could begin to remove these and act as a catalyst to the delivery of development. The 26 sites included in the EZ are those identified in the Big City Plan (BCP) where the greatest opportunities for growth currently exist, but where successful redevelopment and occupation is currently constrained by infrastructure limitations. The focus on those key sectors (Business and Professional Services, Financial Services, Digital Media, Creative Industries and ICT) in which the City has a competitive advantage in conjunction with intelligent targeting of site marketing, will minimise displacement and maximise real growth.

The process and timescales for the establishment of the EZ, as well as the structures required to deliver the operational elements have been set, with the LEP as strategic lead and BCC as the Accountable Body.

Over its lifetime the Birmingham City Centre Enterprise Zone (EZ) will have delivered 1.4 million sq.m of new floorspace, created over 40,000 new jobs, contributed nearly £2bn to the economy in GVA per annum and generated in excess of £1,700 million in additional business rates.
The approach to investment builds upon the recognition that early intervention is required to accelerate growth in the City Centre - an area which has both the capacity and characteristics to accommodate significant new employment-creating business activity in key sectors, and for which a strategic framework for growth is in place in the form of the BCP.

The Investment Plan
The original Investment Plan was published in July 2012. It set out an initial programme of projects valued at £128 million targeted at kick starting the delivery of the EZ. It covered a five year investment programme period. Positive progress has been made in delivering these projects and the EZ.

The Investment Plan has now been updated to provide a longer term approach to investment (to 2022/23) to drive forward economic growth.

Since the original Investment Plan was prepared, further details are now known about the Government's High Speed 2 (HS2) proposals and the infrastructure required locally to maximise the level of growth that this opportunity will bring.

The EZ and HS2 are also key parts of the GBSLEP Strategic Economic Plan (SEP) (published in March 2014), which identifies four investment programmes to support the economic growth of the area. The financial resources identified in the Investment Plan will support the implementation of the SEP through the delivery of the EZ and other projects.

Since the introduction of the EZ over two years ago, there is now more certainty about the levels of income from the business rates uplift that EZ sites will generate. A number of developments have already been completed, with a pipeline of new accommodation under construction or with planning permission. This certainty gives the LEP more confidence to develop a longer term investment strategy to support our growth aspirations.

This update reflects the progress and decisions that have been made on projects which formed part of the initial Investment Plan. It also identifies the interventions that need to be made in the longer term to attract inward investment, engage potential occupiers and act as the catalyst for change in the City Centre and beyond.

Set out within this Investment Plan is the programme of projects worth up to £275 million to be delivered by 2022/23. The projects cover nine key themes:

- Site Development and Access.
- Infrastructure.
- HS2 Growth Strategy.
- LEP Investment Fund.
- Digital Connectivity.
- Business Development and Support.
- Skills Development.
- Simplified Planning.
- Marketing.

The headline investments within the programme are the redevelopment of Paradise Circus and Southern Gateway, extension of the Metro to Centenary Square, funding to maximise the benefits of HS2 and support growth in the LEP area and the provision of high quality and safe connections to economic opportunities for SME’s in Digbeth and the Jewellery Quarter.

The programme of investments, set out in this plan, will unlock the growth potential in the EZ and support the delivery of the LEP’s objectives for the region. This will have a crucial role in strengthening the region’s economy drawing in private sector investment and stimulating job creation.
Progress

This section sets out the progress that has been in delivering the EZ since 2011. It sets out the decisions that have been made to support and attract investment, as well as the progress made in delivering development sites and creating accommodation in the City Centre for businesses.

**Investment Programme**

Since its inception, there has been significant progress made on one of the most ambitious and complex EZs in the UK. This includes financial commitments that will support and enable sites within the EZ to come forward for development. This investment is also being matched by the delivery of new development on EZ sites.

The following progress has been made:

**Site access and development**

**Paradise Circus**

Paradise Circus is a major proposed intervention for the LEP and BCC, and formed a critical part of the Investment Plan utilising £61.3 million. A number of key milestones have been achieved since this initial investment was identified.

At the beginning of 2013, outline planning consent was granted for the redevelopment of the area to create a new urban block at the heart of the City Centre including Grade A office accommodation and opportunities for retail and hotel uses set within a high quality environment. At this time, the LEP Board also agreed the investment decision to release the funding to help bring forward the first two phases of the site. This led to the approval of the Joint Venture agreement with BCC, Argent and British Telecoms Pension Fund.

During 2013, BCC made a Compulsory Purchase Order (CPO) to unify land ownership of the site.

A public hearing was held at the end of 2013, and the CPO has now been confirmed.

Excellent progress has been made on this project with a number of key milestones being met, including the delivery of the new Library of Birmingham in September 2013. The development remains on track to start on site in 2014/15, with the first buildings available for occupation from 2017/18.

**Southern Gateway**

In early 2014, BCC Cabinet and the LEP agreed to direct investment into the development of the Southern Gateway EZ site. The £10 million investment will support the relocation of Wholesale Markets from the EZ site to enable the redevelopment of this important City Centre site. Masterplanning will take place in 2014, with site preparation for development to start expected in 2017. Whilst this project did not form part of the original Investment Plan, the opportunity this site offers will significantly benefit the delivery of the EZ programme.

**Direct site investment**

£15 million was identified in the Investment Plan to support property development coming forward on EZ sites (other than Paradise Circus). At the start of 2014, BCC Cabinet approved the business case to take this investment to the development industry, and good progress has been made in delivering this funding.

Expression of interest applications were invited from developers and site owners to bid for funding, which comprised loan and/or grant funding. A healthy amount of interest was received, with the potential to bring some sites forward for development sooner than expected. The first tranche of funding is expected to be awarded in Summer 2014.

**Infrastructure**

**Metro Extension and Centenary Square improvements**

The Metro Extension to Broad Street and refurbishment of Centenary Square were identified as key infrastructure proposals in the Investment Plan (£25 million contribution to a £42.4 million project) which will support the development of Paradise Circus and Arena Central sites.

A Full Business Case is currently being prepared for this project following the release of development funding by BCC Cabinet in 2013. The EZ contribution of £25 million is being supported by funding from the Local Transport Board (£8 million), Centro (£5 million) and developer contributions (£4.4 million). A revised Transport and Works Act Order was also submitted to the Department for Transport in December 2013, together with the Land Acquisitions and Variations Order to obtain rights over land to construct the Metro. The scheme is programmed to start on site in 2015/6.

**Connecting economic opportunities**

The Investment Plan identified £17.9 million to fund a range of projects to enhance connectivity and create safe and attractive
routes to EZ sites in the Snowhill, Digbeth, Jewellery Quarter and Eastside areas. Progress has been made on a number of projects, and there has been a strong degree of success in attracting match funding for these schemes, with £3.4 million of EZ funding leveraging in £19.5 million of other funding.

- **City Centre Ring Road**
  To ensure direct access is maintained to the EZ sites via an efficient road network, a set of essential junction capacity enhancements at key locations on the Ring Road were identified. An outline business case was developed for a package of works worth £9.4 million. Funding for the scheme includes £2 million from the EZ and £3.9 million from the Department for Transport Local Pinch Points Fund. Full Business Cases are under development for the project, with the first schemes due on site in 2014/5.

- **EZ Connectivity Programme and Making the Connections Project**
  Work has commenced on developing a programme of works to enhance a number of links between EZ sites, as well as the main transport connections into the City Centre. These enhancements will be delivered through a public realm improvement programme. Early consultation has been carried out and a number of potential routes have been identified, including links to Snow Hill, Jewellery Quarter, New Street, Southside and Digbeth/Eastside. Consultants have been appointed to assess the options available to deliver enhancements to these routes within the budget available. The options assessment will be completed by the end of 2014.

Additional resources to support this programme have also been secured through the Making the Connections (MtC) project, which is for a series of public realm enhancements around New Street Station linking Paradise Circus, Arena Central and Southern Gateway EZ sites. In May 2013, an Outline Business Case for the MtC project was submitted to the Local Transport Board (LTB) for Local Major Scheme Funding. In September 2013 the project was awarded £6.8 million as part of an £8 million programme. EZ funding of £0.4 million was identified as part of the match funding for the scheme. A Full Business Case for the project will be developed by December 2014.

- **One Station**
  In support of the EZ Connectivity Programme, a £5.5 million high quality public realm scheme is being developed for the link between New Street Station and Moor Street Station. This scheme will support the investment that is underway at New Street Gateway, future investment at Birmingham Curzon HS2 Station, and will improve access to EZ sites in Eastside and Digbeth.

The scheme has received programme entry approval for £3.5 million of funding from the LTB Local Major Scheme Fund. EZ funding of £1 million was identified as part of the match funding for the scheme with a further £1

Birmingham City University at Eastside
Digital connectivity
BCC and its partners have developed a package of measures to enhance digital connectivity for EZ sites as part of a wider package for the City. Following BCC Cabinet approval in January 2014 of the Full Business Case, funding has been put in place for the project from the Urban Broadband Funding (£6.75 million), European Regional Development Funding (£2.29 million) and the EZ (£0.4 million). The scheme comprises various elements, including a voucher scheme providing micro grants designed to encourage the uptake of high speed broadband connectivity and demand stimulation activities.

The programme was launched in the City Centre in early 2014, focussing on businesses in the EZ. Early indications show a strong interest in the scheme with the majority of applications originating in the EZ area. A large marketing campaign will follow, and applications to the scheme are expected to accelerate.

Marketing
In early 2013, the EZ Prospectus was successfully launched to 200 property and investment professionals at Birmingham Town Hall. The Prospectus sets out the development opportunities and the benefits the EZ offers across the 26 sites. The launch was attended by the Chancellor of the Exchequer and generated significant local and national media coverage including the Financial Times, the Telegraph, trade press and the BBC.

Since its inception, the EZ has also been extensively marketed at other events, including sales missions and at MIPIM, the international real estate trade fair.

<table>
<thead>
<tr>
<th>Measurement</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new employment positions filled.</td>
<td>215</td>
</tr>
<tr>
<td>Number of new enterprises.</td>
<td>13</td>
</tr>
<tr>
<td>Amount of land developed or redeveloped (ha).</td>
<td>1.5</td>
</tr>
<tr>
<td>New floorspace created (gross internal area in sq.m - new and refurbished).</td>
<td>55,800</td>
</tr>
<tr>
<td>Public sector investment committed (gross, £m).</td>
<td>165.2</td>
</tr>
<tr>
<td>Private sector investment committed (gross, £m).</td>
<td>588.5</td>
</tr>
</tbody>
</table>

Table 1 EZ measure of success to June 2014

Site Delivery
The delivery of the 26 sites within the EZ is crucial to the overall success of the investment programme and the performance of the local economy. New developments are expected to come forward throughout the lifetime of the EZ, reflecting the long lead times that are needed to bring forward large scale developments and the demand in the market for new accommodation.

Encouraging progress has been made on the delivery of new developments in the EZ (see Table 2 opposite), in addition to the progress made on Paradise Circus. This reflects the efforts of BCC and its public and private sector partners in bringing forward development and infrastructure to support the delivery of the EZ, despite the challenging economic conditions.

Completed developments
- Two Snowhill
  Birmingham's largest office development since the onset of the credit crunch was completed at Two Snowhill and launched to the market in 2013. Two Snowhill includes almost 30,000 sq.m of Grade A office accommodation, plus retail floorspace. Occupiers are already in the building (including a serviced offices provider), and Wragge, Lawrence, Graham & Co is expected to move into over half of the available floorspace in Summer 2014.

- Birmingham City University - Phase 1
  The Parkside Building, the landmark first phase of the University's new City Centre campus, opened to students in September 2013. The accommodation brings together the art, design and media departments into a building with state of the art facilities, including the largest broadcast centre in any UK university.

- University College of Birmingham - Phase 1
  This development is the first phase of a wider campus which will be delivered by the University. The building was completed in late Spring 2014, with occupation expected in time for the start of the new academic term in Autumn. The building features a range of teaching rooms and lecture theatres with the latest audio and visual learning technology as well as a café and post graduate and learning centres. The building can accommodate up to 2,500 students.
Other progress

**Site Development**

There has been a significant amount of activity on other EZ sites to bring new development forward. This includes six schemes currently under construction which will deliver a range of commercial floorspace, enhanced education facilities, additional hotel accommodation and car parking in the City Centre. A number of planning permissions have also been granted, signifying the progress that is being made in bringing sites to the market. This includes development sites for office, hotel and other uses on Arena Central, Snowhill Building 3, Eastside Locks and Great Barr Street.

**Other Site Investment**

In addition to the Direct Site Investment fund, Birmingham City Council has agreed to use its own borrowing powers to offer loans to support development at Arena Central and iCentrum (Digital Plaza) EZ sites. This funding will be used to bring forward early phases of development on these sites. These works are expected to start in 2014/15.

The development of the new Assay Office on the St George’s Urban Village site has also been supported with £1.2 million grant from the European Regional Development Fund (ERDF). Additional resources from ERDF are also identified for small scale developments on EZ sites.

**Birmingham Curzon HS2 Masterplan**

The Birmingham Curzon HS2 Masterplan has been prepared to ensure the City Centre makes the most of the investment going into the proposed High Speed 2 terminus. The Masterplan was launched 27th February 2014, and will be finalised in 2014. It will help drive forward the delivery of 12 EZ sites in the Eastside and Digbeth areas.

<table>
<thead>
<tr>
<th>Development</th>
<th>Floorspace created/ refurbished (GIA)</th>
<th>Type of accommodation</th>
<th>Jobs estimate</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Two Snowhill.</td>
<td>30,500 sq.m</td>
<td>Grade A offices, plus retail.</td>
<td>1,750</td>
<td>Completed, awaiting occupation.</td>
</tr>
<tr>
<td>BCU (Phase 1).</td>
<td>18,300 sq.m</td>
<td>Education facilities.</td>
<td>200</td>
<td>Completed and occupied.</td>
</tr>
<tr>
<td>Former Post and Mail Building (Phase 1).</td>
<td>22,390 sq.m</td>
<td>Car park and retail.</td>
<td>100</td>
<td>Under construction.</td>
</tr>
<tr>
<td>University College of Birmingham (Phase 1).</td>
<td>7,000 sq.m</td>
<td>Education facilities.</td>
<td>25</td>
<td>Completed, awaiting occupation.</td>
</tr>
<tr>
<td>BCU Phase 2, Eastside Locks.</td>
<td>24,300 sq.m</td>
<td>Education facilities.</td>
<td>265</td>
<td>Under construction.</td>
</tr>
<tr>
<td>Ladbrook House, Typhoo Wharf.</td>
<td>2,100 sq.m</td>
<td>Hotel.</td>
<td>15</td>
<td>Under construction.</td>
</tr>
<tr>
<td>Assay Office, St George’s Urban Village.</td>
<td>5,700 sq.m</td>
<td>Office and light industrial.</td>
<td>150</td>
<td>Under construction.</td>
</tr>
<tr>
<td>Beorma (Phase 1).</td>
<td>8,700 sq.m</td>
<td>Mixed use comprising offices, hotel, retail and leisure.</td>
<td>250</td>
<td>Under construction.</td>
</tr>
<tr>
<td>109-111 Pope Street, St George’s Urban Village.</td>
<td>640 sq.m</td>
<td>Offices.</td>
<td>5</td>
<td>Due to start on site 2014.</td>
</tr>
<tr>
<td>Garrison Data Centre 1, Great Barr Street.</td>
<td>7,500 sq.m</td>
<td>Data centre.</td>
<td>30</td>
<td>Due to start on site 2014.</td>
</tr>
<tr>
<td>Extensions to existing businesses, Warwick Bar.</td>
<td>480 sq.m</td>
<td>Offices.</td>
<td>65</td>
<td>Due to start on site 2014.</td>
</tr>
<tr>
<td>Hotel, Newhall Square.</td>
<td>7,770 sq.m</td>
<td>Hotel.</td>
<td>35</td>
<td>Under construction</td>
</tr>
</tbody>
</table>

**Table 2** Based on present activity, developments in the EZ expected to have been completed by 2015.
Investment strategy

The Strategy of the Investment Plan has been developed in direct response to the needs of businesses, landowners and developers within the EZ by identifying the key interventions necessary to help unlock growth and enable development. This strategy forms the basis of the Investment Programme which sets out a series of projects and interventions.

Following the launch of the EZ, BCC engaged with developers/landowners that have a direct interest in one or more of the sites within the EZ. This engagement was initiated through an introductory presentation in December 2011 and followed up by one to one meetings with each developer/landowner in January 2012. The purpose was to communicate the aims of the EZ, with the follow up meetings providing the opportunity to discuss individual sites and the constraints to development.

This allowed a clear understanding of the obstacles to growth and how the EZ could enable development. Of the 21 separate discussions that took place 85% of the developers/landowners identified that investment was needed in infrastructure and general access to their specific site. In particular the public transport and pedestrian routes were of concern with the need to create safe environments attractive to investors and business.

Whilst many acknowledged that investment is already being made in infrastructure, such as New Street Station, this was cited as addressing past deficiencies and more was needed to deliver the aspirations for the City and help unlock EZ sites for development.

More site specific issues affecting the ability to get development moving was access to funding, with 53% identifying that funding, be it gap or building specific, was required. In all cases planning was not seen as a direct barrier to growth however 76% stated that a project champion with the capacity to help champion individual schemes would be of significant benefit to the speed of delivery. The final issue that many saw as a direct restriction to starting development was the availability of tenants and the promotion of the City as a place to invest. This would be partially aided by the EZ designation but targeted marketing would be needed to promote the overall offer.

It is clear that from both the developer/landowner community and existing strategy work through the BCP that there is significant growth potential but also constraints to delivery which if targeted and unlocked will spur development. The messages are clear that if the EZ and the local economy are to be successful, then upfront action is required to kickstart development activity, support the implementation of the LEP Strategic Economic Plan and maximise the benefits of HS2.

On this basis, the Investment Plan sets out a strategy to address the following key issues:

**Site Access and Development**

Businesses need space to establish and grow. This ranges from Grade A office space in prime locations focused on the corporate sector to cheap flexible space for newly established creative industries. The EZ has to maintain and develop a range of opportunities for business and promote them to appropriate markets.

To deliver significant growth will require increasing the pace of business space provision for the key economic sectors which entails over-coming site specific and market constraints. These include:

**Supply of business floorspace in key sectors**

In respect of Grade A office space for the financial and business services sector post 2013 there is limited supply in the Central Birmingham office market. Based upon long term trends of demand the market will reach a shortfall position in 2015/16 (see Graph 1 opposite).

This is a key issue as it will:

- Limit the potential to attract inward investment in key opportunity areas such as back office, shared services and headquarters functions.
- Disadvantage the LEP in respect of restructuring of major international and UK players in the financial services sector as they respond to global factors.
- Limit the LEP’s ability to meet indigenous demand focused around lease events between 2013-2022, which may lead to functions in these businesses leaving Birmingham and the West Midlands.

**Responding to the economic growth potential of key sectors**

The EZ focuses on those sectors that are already clustered in the City Centre and where there is...
a competitive advantage to aid future growth. Of these, Financial & Business Services is expected to represent the highest proportion of total Gross Value Added growth in both Birmingham and the wider LEP area, with associated employment growth, as shown in the Table 3 below. This growth potential needs to be supported by investment to ensure it is delivered in the Birmingham and LEP area.

**Supply of creative industries business space**

This a growing and vibrant sector particularly in Eastside, Digbeth and the Jewellery Quarter with 1000’s of firms.

Typically this sectors space needs are met through the refurbishment of existing buildings (for instance the Custard Factory) or Science Parks. Both of these are challenging in investment terms in the current economic climate and require commitment by specialist developers supported by long term commitments and investment.

**Supply of sites**

A key barrier to the delivery of sites for development is infrastructure provision. This is particularly important in shaping new environments responsive to modern business needs which can mean reducing highway impact as a barrier to investor and occupier perceptions.

The City also needs to achieve a step change in green infrastructure provision to complement its activity in digital infrastructure.

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### Graph 1
Supply of business floorspace - Birmingham City Centre office market ‘tipping point’

### Table 3
Economic growth potential in key sector

<table>
<thead>
<tr>
<th><strong>Sectors/sub-sectors</strong></th>
<th><strong>Birmingham</strong></th>
<th><strong>LEP</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GVA growth 2012-2025.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial and Business Services.</td>
<td>+60.0%</td>
<td>+64.0%</td>
</tr>
<tr>
<td>- Computing Services.</td>
<td>+106.5%</td>
<td>+122.9%</td>
</tr>
<tr>
<td>- Banking and Finance.</td>
<td>+74.2%</td>
<td>+68.2%</td>
</tr>
<tr>
<td><strong>Sectoral employment change 2012-2025.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial and Business Services.</td>
<td>+16.1%</td>
<td>+18.0%</td>
</tr>
<tr>
<td>- Insurance</td>
<td>+35.8%</td>
<td>+27.0%</td>
</tr>
</tbody>
</table>
Green infrastructure provision such as combined heat and power are important to convincing occupiers that they can achieve corporate credentials in environmental impact which are now a major location factor.

**Availability of access to development finance**

The availability of commercial funding had been severely curtailed during the recession and only high quality schemes with strong covenants and significant pre-lets had been able to secure funding for new development. As the national economic picture has improved, there is now more confidence in the investment market with banks and funders offering improved terms on access to development finance. Whilst these changes are positive, there are still challenges to securing appropriate levels of investment to deliver development.

**Infrastructure**

As an economic entity the EZ needs to provide fast and reliable connectivity into regional, national and international labour and product markets. In this respect connectivity is not simply physical but also digital.

Alongside this is the growing importance of the quality and safety of the pedestrian environment to connectivity and impressions of place quality, which in turn support labour market retention and investor confidence.

To underpin the importance of infrastructure to economic growth the Vision for Movement was produced in 2011 in support of the principles set out in the BCP. This is a vision shared and prompted jointly by the City Council, Centro and the four City Centre Business Improvement Districts representing the importance this agenda has for the business community in the City. More recently, the Birmingham Mobility Action Plan (BMAP) Green Paper (2013) sets out the overall transport vision and priorities for action in the City Centre.

The emphasis that these plans place on high quality connections recognises the important contribution this makes to the economic performance and success of an area alongside the public transport offer. This has been identified through considerable research conducted by CABE, ECOTEC, Gensler and by Professor Michael Parkinson CBE. The key proposals for improving the connections within and beyond the City Centre are set out in the BCP and BMAP.

This research acknowledges that improvements to the quality of connections plays a vital role in maintaining a competitive edge fundamental to the ability of urban areas to compete successfully with other major cities. There is a strong correlation between the ability of businesses to build a good quality image and reputation, which provides a basis for growth, with the existence of high quality connections.

**High Speed 2**

HS2 is a once in a century opportunity to radically enhance the LEP area’s national rail connectivity and accelerate its economic growth potential. For Phase 1 of HS2, London and Birmingham will be linked reducing journey times from 1 hour 24 minutes to 49 minutes. The line will also facilitate the scope for future improvements to local and regional rail services on the existing network. The programme will bring significant numbers of new jobs and visitors to the City and help promote investment.

The new line and stations in the LEP area will provide a catalyst to transform areas of the City Centre and unlock major development sites, including sites in the EZ.

However local investment will be required to maximise the potential of the scheme. HS2 will not be able to deliver all of its benefits without actions within the local area to deliver supporting infrastructure and to coordinate the delivery of development. The City Council, the LEP and Centro will produce a HS2 Growth Strategy by April 2015, with local resources required to implement its proposals.

**LEP Strategic Economic Plan**

In March 2014, the LEP published its Strategic Economic Plan (SEP) which sets out the actions needed to re-establish Greater Birmingham’s role as the major driver of the UK economy outside London. Five ‘game changes’ are identified which are fundamental to drive growth, which are supported by four programmes to deliver the overall strategy.

The EZ is a key objective for the delivery programme for the SEP as part of strengthening Birmingham City Centre as the regional hub for economic activity. The early success of the EZ is already helping to deliver against the objectives of the SEP.

Following the submission of the SEP, the LEP has been allocated £357.3 million from the Local Growth Fund for 2015-2021. This includes £38.7 million of new funding for 2015/16. Further resources will be required from the public and private sectors to achieve the overall strategy.

With the EZ firmly established, the approach set out in the Investment Plan of borrowing against future business rates uplift offers an important local funding resource which can help support the delivery of projects in the SEP.
Digital Connectivity

To be successful cities must function as smart cities with connectivity to customers, markets and collaborative businesses being of the highest quality. Those cities which secure competitive advantage in this field will be the ones with the greatest proposals for economic growth.

The Digital District area of Digbeth, Eastside and Jewellery Quarter, which lies at the heart of the EZ, is constrained by the absence of affordable ultrafast broadband services and commercial communications operators do not wish to deploy ultrafast infrastructure in regeneration areas where a commercial return is some years away.

- At present there is limited access to the fibre infrastructure needed.
- Competition, innovation and choice are extremely limited in the retail supply market so costs of accessing ultrafast broadband speeds are often unaffordable to the SMEs upon whose competitive growth the city depends.
- There are substantial coordination challenges involved in aggregating demand from SMEs to encourage a step-change in investment to deliver the longterm high speed solution needed.

Unless these issues are addressed, the EZ and wider LEP economy will miss out on the positive spillover externalities which competitor areas in the UK and European cities will be able to capitalise upon due to their commitment to investing in this infrastructure.

Business Development

Generating economic growth through a supportive business environment will require a coordinated package of financial incentives tailored to growth sectors.

As part of the approval of the EZ it is a key requirement from DCLG that the LEP provide measures to reduce displacement of economic activity. Displacement will occur by firms moving into the locality to take advantage of EZ business rate discounts who would otherwise have located elsewhere in the local economy.

In order to achieve the wider objectives of economic growth the EZ will need to support businesses that have the potential to grow. This will provide balanced investments to support and compliment site development and infrastructure activity.

To reduce both of these, a broader business support package will act as a counter weight to location decisions in those areas particularly exposed to displacement such as Digbeth, Jewellery Quarter and Eastside. In these areas high numbers of small businesses on short or flexible leases are more exposed to marginal changes in costs and more able to move freely in the property market.
Skills Development

To ensure that jobs are secured by local people from within the LEP area we need to ensure access to these opportunities are promoted and channelled to a LEP wide audience.

Supporting skills development will both maximise the impact of the EZ and support growth businesses.

The EZ has the potential to significantly increase the number of jobs, both within the EZ and the broader supply chain across the LEP. The development of the EZ and the consequential change in the business make-up and occupational profile of the area will result in an increased demand for particular skills at all levels, attracting highly qualified staff and potentially supporting the retention of graduates within the City and wider area.

For the EZ to succeed and attract and grow businesses, employers will need to have access to the right people with the relevant skills. There is also a vital role in delivering the EZ for supporting work with the Universities, Colleges and other providers linking people to jobs.

Simplified Planning

A critical success factor for the EZ is a supportive regulatory regime for delivering economic growth.

A key objective of the EZ is to streamline the planning process to enable proposals for development to be dealt with in a timely and efficient manner whilst removing unnecessary burdens. BCC is supportive of this principle and has already committed available resources to delivering this, however the scale of the Zone and nature of development activity will require dedicated resources.

With the loss of the major projects team, ongoing delivery will require additional capacity to ensure that the Local Planning Authority can respond and progress major schemes rapidly through the system.

Project champions with the capacity to champion schemes will play a key role in supporting delivery as identified by the private sector community.

Marketing

To be successful the EZ will need to market its potential encompassing both the corporate sector and smaller creative industries demonstrating its potential and successes.

The EZ offers an opportunity to promote economic growth and enterprise to both inward investment and indigenous markets. To maximise impact these opportunities need to be marketed to their fullest.

EZ Delivery Team

The Investment Programme identified in this Plan will need to be implemented by BCC which will require effective management. Dedicated project managers will be necessary to ensure funds are spent and projects progressed quickly to enable the associated development of EZ sites.
The Investment Programme has been designed, on the basis of the Investment Strategy, to target funds to a range of projects that will help unlock sites for development and enable the delivery of the growth, jobs and uplift in business rates. The investments will focus on those sites with the highest potential to deliver development in the early years and so kickstart the success of the EZ.

The investment of EZ resources into the City Centre will be used to draw in match funding from other sources, including some public sector and significant private sector resources. Crucially this Investment Programme will enable the EZ to start generating the significant levels of business rates which will enable the GBSLEP to support wider priorities once the EZ resources have supported the City Centre.

Table 4 below sets out the total Investment Programme worth £275 million.

The investment programme comprises:

- An Approved Programme worth £128 million, based on investments identified in the original Investment Plan.
- An Additional Programme worth £147 million, as set out in Table 5, to be brought forward when business rates income resources allow.

| TABLE 4 EZ Investment Programme - capital and revenue projects 2013/14 to 2022/23 |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| CAPITAL |
| Site Development and access |
| - Paradise Circus Phases 1, 2 and 3 | 16.97 | 27.27 | 16.23 | 1.86 | 10.07 | 3.88 | 7.39 | 4.12 | - | 87.79 |
| - Direct investment into other 25 sites | 1.23 | 3.72 | 10.00 | - | - | - | - | - | - | 14.95 |
| - New Wholesale Markets | - | - | 10.00 | - | - | - | - | - | - | 10.00 |
| - Southern Gateway site remediation | - | - | 2.00 | 6.14 | 11.35 | 1.34 | 7.23 | 7.41 | - | 35.47 |
| Infrastructure |
| - Metro extension and Centenary Square improvements | 0.14 | 7.16 | 8.85 | 8.85 | - | - | - | - | - | 25.00 |
| - Connecting economic opportunities | 2.26 | 5.00 | 8.00 | 2.40 | - | - | - | - | - | 17.66 |
| LEP Investment Fund |
| - Curzon Station | - | - | - | - | - | 7.50 | 7.50 | 7.50 | 7.50 | 30.00 |
| - Interchange site | - | - | - | - | - | 5.00 | 5.00 | 5.00 | 5.00 | 20.00 |
| HS2 Growth Strategy |
| REVENUE |
| Direct investment into 25 other sites | - | 0.05 | - | - | - | - | - | - | - | 0.05 |
| Connecting economic opportunities | - | 0.21 | - | - | - | - | - | - | - | 0.21 |
| Digital connectivity | - | 0.36 | 0.04 | - | - | - | - | - | - | 0.40 |
| Business development and support | - | 0.77 | 0.79 | 0.80 | 0.82 | - | - | - | - | 3.18 |
| Skills development | - | - | 0.33 | 0.33 | 0.34 | 0.35 | 0.46 | - | - | 1.81 |
| Simplified planning | - | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 |
| Marketing | - | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 |
| Delivery Team | - | 0.45 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 | 0.35 |
| Accountable body | - | 0.25 | 0.21 | 0.21 | 0.21 | 0.21 | 0.21 | 0.21 | 0.21 | 0.21 |
| Sub-total | 0.39 | 29.83 | 58.72 | 51.07 | 17.49 | 12.48 | 29.79 | 33.02 | 22.34 | 18.22 | 273.35 |
| Inflation allowance | - | 0.06 | 0.09 | 0.14 | 0.19 | 0.13 | 0.18 | 0.13 | 0.14 | 0.16 | 1.22 |
| TOTAL | 0.39 | 29.89 | 58.81 | 51.21 | 17.68 | 12.61 | 29.97 | 33.15 | 22.48 | 18.38 | 274.57 |
Site Access and Development

To facilitate the delivery of key sites within the EZ £148.3 million of funding is required for site access and development. The focus for this investment will be on Paradise Circus, which has a well progressed business case, and the Southern Gateway, which has an upfront investment requirement to bring the site forward. The remaining investment is targeted at a number of other sites requiring smaller interventions in line with emerging business cases.

Paradise Circus

Paradise Circus is a major proposed intervention for the initial phase of the Investment Plan utilising £87.8 million. This site is a strategic location on the edge of the Central Business District (CBD) representing a major opportunity in economic terms to expand the financial and business services sector but also in place making terms create a transformed environment between the City Core, Jewellery Quarter, and Westside including the Library of Birmingham, National Indoor Arena and ICC.

The amount of funding that will be directed to Paradise Circus from the EZ has been increased by £26.5 million over the extended Investment Plan period to provide resources to complete the scheme and realise its full potential.

This development scheme has capacity to deliver 10,000 jobs and provide approximately 180,000 sq.m of development floorspace focused upon approximately 150,000 sq.m Grade A office floorspace. The scheme will also fundamentally restructure the highway network in the immediate area creating better linkages for pedestrians and transforming the wider business environment.

From a financial perspective the Paradise Circus development will over the life of the EZ generate £319 million of additional business rates.

Southern Gateway

The Southern Gateway represents the other major development site intervention and is a key proposal introduced as part of the update to the Investment Plan. The site is a strategic location to the south of the City Centre and represents a major opportunity to expand the City Centre Core through comprehensive redevelopment to deliver a vibrant new destination. It offers the opportunity to diversify Birmingham’s leisure, retail and cultural offer, including niche retail, improved markets, family entertainment, residential and space for creative industries.

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connecting Economic Opportunities</td>
<td>10.00</td>
</tr>
<tr>
<td>HS2 Growth Strategy - Curzon Station</td>
<td>30.00</td>
</tr>
<tr>
<td>HS2 Growth Strategy - Interchange Site</td>
<td>20.00</td>
</tr>
<tr>
<td>LEP Investment Fund</td>
<td>20.00</td>
</tr>
<tr>
<td>Paradise Circus Phase 1 and 2 Additional Resources</td>
<td>4.40</td>
</tr>
<tr>
<td>Paradise Circus Phase 3</td>
<td>22.10</td>
</tr>
<tr>
<td>Southern Gateway Site Infrastructure and Remediation</td>
<td>35.47</td>
</tr>
<tr>
<td>Simplified Planning and Marketing (additional resources for 10 year programme)</td>
<td>0.74</td>
</tr>
<tr>
<td>Delivery Team (additional resources for 10 year programme)</td>
<td>1.69</td>
</tr>
<tr>
<td>Accountable Body Costs (additional resources for 10 year programme)</td>
<td>1.93</td>
</tr>
<tr>
<td>General Inflation to Revenue @2.5%</td>
<td>1.21</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>147.54</strong></td>
</tr>
</tbody>
</table>
Funding will be directed at two key elements of the project to enable delivery. The first contribution will be towards the development of the new Wholesale Markets site at the Hub, Witton (not in the EZ but supporting the City Council’s Economic Zones programme) to enable the Southern Gateway site to be redeveloped. The second contribution will be on the Southern Gateway EZ site to create developable and commercially viable building plots. £45.5 million of EZ investment will be utilised in total to bring the site forward.

The development has the potential to generate £139.5 million of additional business rates over the life of the EZ.

**Other sites**

While Paradise Circus and the Southern Gateway require intervention that will unlock their growth potential generating significant business rates uplift, a number of other sites identified through dialogue with developers and landowners require smaller but equally important interventions. To facilitate the delivery of other sites, £15 million will be utilised.

**Infrastructure**

To enable the delivery of key sites £42.9 million of EZ funding will be utilised to improve public transport infrastructure and connections. The focus for this investment will be on extending the Metro to Broad Street supporting the expansion of the CBD. Other funds will be utilised to provide safe and direct access to sites supporting growth of SMEs and ensuring road network capacity in the future.

**Metro extension and Centenary Square improvements**

A key focus for investment will be for the extension of the Metro line to Broad Street, improvements to Centenary Square and complimentary highway works. The total funding in place for the project is £42.4 million, with £25 million coming from the EZ.

A sum of £16.65 million will be utilised from the EZ, to bring the Metro line into the expanded CBD in Westside, building upon the existing £129 million committed to delivering the new Metro line from Snow Hill to New Street Station.

This element will provide the vital transport capacity linking those EZ sites in Westside with the existing rail network.

In conjunction with the Metro extension, £8.35 million of EZ investment will be used to turn Centenary Square into a key gateway for the expanded CBD, building on improvements put in place as part of the Library of Birmingham development and complementing the Metro extension. The additional highway works in the area will be funded by other partners.

These projects will improve connectivity for commuters, visitors and others and will have a major beneficial impact upon this part of the City Centre. The investment will directly support EZ site delivery by complementing investment at Paradise Circus and accelerating the delivery of Arena Central. Over the life of the EZ, Arena Central will generate £112.5 million of additional business rates and approximately 4,000 jobs, in addition to those generated at Paradise Circus.

**Connecting economic opportunities**

In order to create the environment that is attractive to occupiers £17.9 million is required to create safe and attractive routes to EZ sites in the Snowhill, Digbeth, Jewellery Quarter and Eastside areas. The existing routes from the City Core and main arrival points have been cited as a direct impediment to attracting new businesses to these areas that have significant potential to support growth in the digital, creative industries, ICT and business services sectors.

Specific projects will include:

**EZ Connectivity Programme**

• Creating a business corridor in the Snowhill area to support the expansion of the CBD eastwards providing the environment commensurate with the Grade A office floorspace for the business service sector.
• Addressing the lack of direct and easy connections from the CBD across Great Charles Street at the Newhall Street crossing and Ludgate Hill. This will provide seamless links supporting the expansion of the CBD north and opening access from the City Core to growth opportunities for SME’s.

• The One Station project connecting Moor Street and New Street Stations through a transformation of the area’s connections, will enable a direct link between the City Core and the City Park to open up Eastside and Digbeth for SME growth.

• Transforming the quality of Fazeley Street and Park Street as key connections to Eastside will enable safe and accessible routes to be created linking the university campuses with opportunities for creative industries, ICT and digital media.

City Centre Ring Road
• The A4540 Ring Road provides vital vehicular access to development sites within the EZ, linking the City Core with the main radial routes serving the City and the Strategic Road Network. The Ring Road currently experiences significant volumes of congestion during peak hours, with further pressure forecast to be placed on this infrastructure due to an increase in development trips generated by the EZ (40,000 new jobs) and network changes/highway reconfiguration relating to specific development sites.

To ensure direct access is maintained to the EZ sites via an efficient road network an initial package of essential junction capacity enhancements at key locations on the Ring Road are required. These locations comprise:
- Bordesley Circus.
- Ashford Circus.
- Curzon Circle.
- Haden Circus.
- Holloway Circus.

These investments will ensure the road network has capacity to accommodate growth and provide efficient access for business.

HS2 Growth Strategy - Curzon Station and the Interchange

To maximise the benefits of HS2 in the LEP area, up to £50 million of capital funding will be made available from the EZ to bring forward infrastructure and commercial development. The focus for this investment will be around the proposed HS2 stations in the LEP area where there are significant development opportunities. This investment will be part of the local resources required to support the delivery of HS2 in line with the SEP growth strategy.

Detailed proposals are already in place for the Birmingham Curzon Station area, with a masterplan due to be agreed in 2014. These proposals will support the delivery of over 600,000 sq.m of commercial floorspace as well as 2,000 homes. A number of key infrastructure projects have also been identified in the masterplan to connect and integrate the station into the City Centre. Capital funding of £30 million will be made available for this project. EZ sites in this area will contribute towards this growth and have the potential to generate £497 million of additional business rates over the life of the EZ.

Detailed proposals for Birmingham Airport/HS2 Interchange are expected to be brought forward later in 2014/15.

The funding for these projects is expected to be available from 2019/20 onwards, subject to securing the necessary business rates income. Governance arrangements will be established by the LEP to manage funding for the Interchange, including the responsibilities for the individual LA.
LEP Investment Fund

Up to £20 million of capital funding will be made available to support the implementation of the SEP and its four delivery programmes. This investment is part of the local resources that are aligned to support the delivery of the SEP vision and growth strategy.

The SEP contains a number of projects for delivery between 2015/16 to 2020/21. These are estimated to be able to create 19,200 jobs, 6,100 new dwellings, 641,300 sq.m of commercial/industrial space and infrastructure to support growth.

As with the HS2 Growth Strategy investment, funding from the EZ is expected to be available from 2019/20 onwards. Therefore this will be able to support projects which require funding towards the end of the SEP period. The LEP will put appropriate arrangements in place to for the Governance of this fund.

Digital Infrastructure

To facilitate growth in creative, digital media and ICT sectors in the Digbeth, Jewellery Quarter and Eastside areas £0.4 million of funding will be invested.

The successful bid for Super Connected Cities Urban Broadband funding secured £8.25 million of resources for capital works with an additional £1.89 million from the European Regional Development Fund (ERDF). However revenue costs associated with the main digital infrastructure programme are not supported by Urban Broadband funding, with only a certain amount of funding from ERDF for revenue (£0.4 million). The overall package will:

- Help businesses with the cost of connection.
- Increase competition and innovation in the IT and telecoms services.
- Stimulate investment from media and knowledge based industries.
- Support SMEs to be able to take advantage of the benefits of high speed services.

Skills Development

To enable businesses entering the EZ sites to gain access to the right skills supporting business growth £1.81 million will be utilised to provide a flexible skills development package. This skills package will support the LEP in delivering their objectives through linking opportunities in the EZ to a LEP wide audience. This investment covers the period 2015/16 to 2019/20.

There are three main components designed to maximise impact:

Employer focused recruitment

Extending the current employment access funding focused on brokerage, coordination and recruitment support to EZ Inward Investors and expanding EZ companies. This would provide bespoke support maximising the local impact of employment growth from the EZ.

Single pot for company training

Delivery of 100% funding towards skills training courses, language and technical skills. Available for all businesses within the EZ to bid for. It will form part of the offer for inward locating companies and expanding local businesses in target sectors.

Enhanced apprenticeships

Providing a more developed apprenticeship package to wrap around the core National Apprenticeship City Hub. Schemes providing wage subsidy and mentoring/coaching support for EZ companies to assist in development of apprenticeships.

Foreign direct investment incentive scheme

The EZ presents an opportunity to attract and develop investors and £1.0 million will be utilised to provide incentives, which will allow successful delivery of potential investors Business Birmingham are working with.

Based upon a recognised 20% successful conversion rate of opportunities, it is proposed to set up a £1.0 million FDI grant based fund linked directly to job creation and offering up to £1,000 per job created.
A flexible skills development package is proposed to enable businesses to access the right skills supporting indigenous expansion or attraction to the EZ sites. This will focus on achieving a step change in support to EZ locating businesses and delivering LEP wide objectives.

**Simplified Planning**

To enable the Local Planning Authority to streamline the planning process and fast track decisions within the EZ £0.7 million of additional resources will be invested. This resource will enable the provision of nominated planning support, dedicated pre-application team and early engagement with statutory consultees to facilitate development on those sites benefiting from the investment in site access, development and infrastructure.

**Marketing**

In order to promote the EZ sites to investors and businesses, £0.7 million will be utilised to create a bespoke marketing campaign throughout the Investment Plan period. The marketing campaign will focus on converting enquiries into investments through intelligent targeting that will include:

1. **UK intermediaries outreach** - engage face to face with intermediaries such as foreign chambers and embassies in London to increase our share of inbound investment currently heading to other regions and encourage delegations to visit and experience Birmingham first hand.

2. **Lead generation campaigns** - a predominantly overseas presence will then be based around specific sector focused campaigns and supported by lead generation contracts on an ‘as required’ basis and bolstered by in-house desk research to identify potential targets.

3. **Collateral and targeted communications** - a number of actions will be taken to reach specific audiences to promote and secure investment in the EZ. Funding will be used to increase the awareness of the EZ in the City and produce a marketing strategy to secure occupiers/investment as a result of upcoming major lease events.

4. **Simplified Planning**

To enable the Local Planning Authority to streamline the planning process and fast track decisions within the EZ £0.7 million of additional resources will be invested. This resource will enable the provision of nominated planning support, dedicated pre-application team and early engagement with statutory consultees to facilitate development on those sites benefiting from the investment in site access, development and infrastructure.

5. **Collateral and targeted communications** - a number of actions will be taken to reach specific audiences to promote and secure investment in the EZ. Funding will be used to increase the awareness of the EZ in the City and produce a marketing strategy to secure occupiers/investment as a result of upcoming major lease events.
Financial strategy

This section sets out the Financial Strategy for the EZ to support the proposed level of investment. It sets out projections of revenue and costs for the implementation of the Zone and its investments, as well as the financial principles which will govern its management.

Enterprise Zone income and expenditure
The detailed financial model has been updated for the EZ, reflecting both expected business rates income (revenue) based on modelling of development and take-up, and expenditure associated with the delivery of the investment programme as set out in this document.

EZ income
- Expected business rates income has been categorised by its degree of certainty:
  - Secured
    Business rates paid or legally due.
  - Committed
    Construction on site or guaranteed via legal agreement therefore business rates income reasonably secure.
  - Other Committed
    Paradise Circus Phase 1 and 2 business rates income committed via Joint Venture agreement.
  - Not Committed
    Development not yet started, therefore business rates income not yet secure.
- Categories of EZ income allow for decisions on the investment programme to be managed to ensure expenditure is affordable.

The delivery of new business accommodation on EZ sites is expected to result in a significant increase in business rates income for the LEP to invest. The phasing and delivery of new developments, and consequently the business rates uplift, has been accounted for in the update to the financial model.

The income has been categorised by its degree of certainty, linked to the proposed phasing of the development (including losses of business rates income as sites get cleared), to ensure that the proposed prudential borrowing is sustainable. BCC is monitoring EZ income on this basis.

Buildings on EZ sites that have been completed are deemed to generate ‘secured’ business rates income; sites under construction or where schemes are guaranteed via legal agreement are considered ‘committed’ as business rates uplift is reasonably secure.

Another category has also been identified which specifically relates to Paradise Circus, called ‘other committed’, which reflects the Joint Venture arrangements that are in place to bring the development forward. In total, EZ sites in these categories currently have an anticipated annual income of £5.9 million by 2017/18 and £14.9 million by 2022/23.

The remainder of the EZ sites are considered ‘not committed’, meaning that development has not yet started and business rates income is not currently secure. These sites could deliver an additional annual income of £36.8 million by 2022/23. Whilst these sites include longer term propositions, it also includes schemes which are ready for development (with planning permission in place), although they require a level of guaranteed occupation before developers/investors will commit to building.

Graph 2 Projected EZ income profile by category 2013/14 to 2022/23

birmingham city centre enterprise zone investment plan / financial strategy
the scheme. It is likely to take approximately two years from the start of construction to build developments and for BCC to start collecting business rates.

The delivery of EZ sites which are considered ‘not committed’ is dependent on the strength of the economy and the level of interest in the Birmingham market, particularly for offices which will provide accommodation for the target sectors for the EZ. There are positive indicators that suggest demand for new build or speculative-led office accommodation will come forward over the next 5 to 10 years. Factors include the predicted shortfall in available Grade A office accommodation, significant lease expiry events which are likely to further increase demand for office accommodation (see Graph 3) and the renewed programme of activity by developers on office schemes in the City Centre. The EZ is well placed to take advantage of this.

Until schemes are committed to, the categories of EZ income allow for decisions on the investment programme to be managed based on activity in the development market and certainty of delivery on EZ sites. The EZ income profile by category is set out in Graph 2 opposite, highlighting the importance of delivering ‘not committed’ sites to bring forward additional business rates uplift. Additional projects identified in the Investment Plan will be prioritised where they trigger business rates income, lever in additional public sector sources or where they lead directly to job creation.

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**Graph 3** Birmingham City Centre lease expires (over 20,000sq.ft)

Source: GVA (Spring 2014)
EZ expenditure

- Identification of an Approved Programme and an Additional Programme to reflect status of projects.

- The Approved Programme of £128 million is based on the original Investment Plan.

- Decisions on investment in the Additional Programme (£147 million) will be made when business rates income resources allow.

Resources for the Approved Programme of £128 million are based on the original Investment Plan which was agreed with the LEP and BCC. These projects are considered affordable over the life time of the EZ based on current forecast business rates income.

The Additional Programme, with an investment value of £147 million, is identified to support the delivery of the EZ over the 10 year time frame of the Investment Plan and to support other key LEP priorities, such as the HS2 Growth Strategy and Strategic Economic Plan.

Decisions on the individual elements of the Additional Programme will be made when the cost implications can be contained within ‘secured’, ‘committed’ and ‘other committed’ business rate revenue resources. The Additional Programme will be managed by the EZ Executive Board, who will determine priorities for funding for projects when resources allow.

This approach allows for a like for like analysis of affordability compared to expected income. In this way, the updated Investment Plan provides for more informed strategic decision making in support of the financial strategy and aids the risk management process.

The Approved and Additional Programmes, totalling £275 million, are considered affordable based on the expected income levels that the EZ will generate (Graph 4). Expenditure will be managed to enable projects to come forward as developments start on site to provide the security over this income.

Sensitivity analysis

A sensitivity analysis has been undertaken on the annual revenue cost including forecast borrowing to meet the requirements of the investment programme compared to the categories of business rate forecast growth over the next 10 years. It can be seen in Graph 5 opposite that the annual cost outstrips the business rates growth in 2016/17 and 2017/18, however it is planned that this pressure will be met by annual surpluses generated over the first three years. It is important to note that the affordability of the Additional Programme is predicated on certainty and security of currently ‘uncommitted’ business rates growth.

Financial principles

High level risks associated with the management of EZ resources have been identified, and modelled out through sensitivity testing. The assumed level of business rates income for the EZ is highly sensitive to anticipated levels of development activity. Similarly, increased project costs or borrowing costs would be

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**Graph 4** Investment Plan Approved and Additional Programme and EZ income comparison 2013/14 to 2022/23

- Total NET forecast NNDR growth (including partner income)
- Infrastructure finance costs
- Revenue projects/Accountable Body/establishment costs
- Contingency budget (@15% forecast NNDR)
- Annual surplus/(deficit)
- Cumulative surplus/(deficit)

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**Graph 5** sensitivity analysis of annual revenue cost compared to categories of business rate forecast growth over the next 10 years.
detrimental to the achievement of proposed investment. As such, robust principles for financial and project management are required.

The capital investment set out in the Investment Plan will be funded through Local Authority (LA) Prudential Borrowing. The financial implications of this borrowing, as well as the establishment costs of administering the EZ, and other revenue based projects will be funded through the revenue income stream generated through additional business rates.

Within the EZ, where capital expenditure is to be financed, BCC as the Accountable Body, will facilitate the borrowing. BCC will calculate the borrowing costs using its existing arrangements for recharging costs (i.e. interest and the statutory requirements for debt repayment). These borrowing costs will be funded from EZ revenue resources generated from the additional business rates.

To ensure that the financial management of the Zone is robust, and that projected expenditure including borrowing and establishment costs, is affordable, a series of financial principles have been developed:

1. Income Safety Margins
For reasons of prudence, particularly during the early years of EZ business rate uplift, only a proportion of net business rate income will be taken into account in determining expenditure commitments, including borrowing and operating costs. The intention is to provide a safety margin due to the associated risks of business rate income levels not matching their profiled income levels.

In order to ensure that there are sufficient reserves to meet short term falls in income or increased costs, a sum equivalent to 15% of the annual EZ income will be set aside on a cumulative basis to meet uncertainties. Once EZ business rate income levels start to materialise in line with their forecasts, then consideration will be given to releasing the surplus reserve generated from the application of this approach to support further LEP investment proposals.

2. Borrowing repaid within life of the EZ
The business rates income stream will cease after 25 years (i.e. by 31st March 2038). All associated borrowing must therefore be repaid within this term in order to ensure that the borrowing is prudent, affordable and sustainable. Consequently capital projects commencing in Year 2 of the Programme will be borrowed using an annuity which allows the capital sum borrowed to be repaid over a 24 year term, whilst projects commencing in Year 3 will effectively be borrowed and repaid over a 23 year term, etc.

This means that capital intensive investments which are approved and borrowed for over a longer time frame will have a lesser financial impact in terms of affordability against the annual EZ Programme than if they were undertaken over a shorter period (i.e. the longer the borrowing term the smaller the annuity charge to the revenue account). On-going monitoring of the EZ programme resources and the financial implications resulting from approved projects in the investment programme will provide a valuable tool against which an assessment can be made as to the level of future capital investments that the EZ can support in later Investment Plan periods. All EZ investment decisions are considered and only endorsed by the Accountable Body subject to their being affordable.
3. Utilising Assets under Construction Policy
In accordance with CIPFA guidelines LA can roll up interest charges for assets under construction. For infrastructure and other capital projects this offers the advantage to smooth out cost and income cashflows so that income from business rates arises in the same financial period as the revenue costs of the project which BCC has to account for.

4. Site-by-site business cases as well as LEP-wide business cases
Proposed expenditure commitments for individual developments will be financially appraised against the expected business rates impact arising from that development through individual business cases.

5. Financial commitments aligned to development commitments
For EZ developments, and wherever feasible, financial commitments will only be made following legal agreement with the developer/landowner once development projects have been committed to. This will provide assurance that the business rates income stream is reasonably secure.

6. Prudential Borrowing
In borrowing for LEP EZ funded projects, BCC is subject to legal constraints and statutory guidance in relation to the borrowing. This includes compliance with the Authority’s accounting and debt repayment policies. BCC will consider the financial implications of any LEP EZ proposals, as part of its overall budget (for example, in setting its Prudential Borrowing indicators and limits) and in complying with the CIPFA Prudential Code.

7. Income provided to support wider LEP Investments
Whilst the City Council will support and fund approved EZ investment decisions made by the LEP, both the City Council and other local authority partners will ultimately be responsible for their own projects, associated cost control and other financial risks. In the event that project costs exceed those approved by the LEP then any additional costs incurred or to be incurred above those supported through EZ income will become the financial responsibility of the delivery partner and not the EZ or BCC in its Accountable Body role. This is particularly relevant for the LEP Investment Fund and HS2 Growth Strategy investments which could fund projects outside of the BCC area.

8. Management and monitoring of resources
The delivery of the Approved and Additional Programmes will depend on having robust processes in place to manage and monitor income and expenditure for the EZ. This will be undertaken as part of the regular reporting to the LEP through the Governance arrangements to provide ongoing updates to the financial model and to ensure risks to delivery are highlighted.

Whilst the LEP approves individual capital investment and revenue proposals for EZ support, the Accountable Body will ultimately endorse these projects going forward subject to the viability of the investment proposal in terms of overall affordability. This assessment will be based on the future availability of secured, but uncommitted, EZ business rate income resources. Consequently it may be necessary for the City Council, in its Accountable Body role;

a) to seek a re-profiling of proposed expenditure levels so that accord with available resources, or;

b) to endorse projects for EZ funding only when there are sufficient secured and appropriate levels of business rate income in place.
Metro proposals and HS2 Station at New Canal Street
Economic impact of the EZ investment programme to 2022/23

As a direct result of the delivery of the overall investment programme, development activity across the EZ will generate a range of significant economic impacts.

Key benefits will include:

- Creation of short-term and permanent employment.
- Additional economic activity resulting from supply linkage and income multiplier effects.
- Broader impacts of the projects in relation to generating additional economic activity and other benefits.
- A range of wider impacts such as image and cultural benefits.

By 2022/23 there will have been significant progress made to achieving the overall EZ programme outputs, as summarised in Table 6 below:

**Gross employment**

The development of the EZ will generate employment both through the construction of new infrastructure and premises, and in accommodating business activity within Birmingham’s City Centre.

**Permanent employment**

New employment floorspace delivered through investment across the EZ will create significant employment opportunities. In total, it is estimated that businesses and other organisations located in the EZ will accommodate around 21,060 gross jobs by 2022/23 rising to 40,181 by 2037/38.

In terms of the net additional permanent employment impact, it is estimated that by 2022/23 some 10,810 net additional jobs will have been created at the Birmingham level and around 12,620 at the LEP area level.

**Construction employment**

Significant employment will be generated within the construction and associated sectors through the development of key schemes across the EZ. The overall out-turn cost of development activity associated with the EZ sites has been estimated at £1,040 million to 2022/23 and £2,205 million.

<table>
<thead>
<tr>
<th>Outputs</th>
<th>2022/2023</th>
<th>Total EZ Programme (2037/2038)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of FTE jobs created</td>
<td>21,833</td>
<td>40,818</td>
</tr>
<tr>
<td>Permanent employment (FTE) - Office</td>
<td>18,899</td>
<td>35,786</td>
</tr>
<tr>
<td>Permanent employment (FTE) - Other</td>
<td>2,161</td>
<td>5,032</td>
</tr>
<tr>
<td>Construction employment (FTE)</td>
<td>773</td>
<td></td>
</tr>
<tr>
<td>Area of new business/commercial floorspace (sq.m)</td>
<td>618,065</td>
<td>1,384,598</td>
</tr>
<tr>
<td>Floorspace created (sq.m) - Office</td>
<td>314,989</td>
<td>911,417</td>
</tr>
<tr>
<td>Floorspace created (sq.m) - Other</td>
<td>303,076</td>
<td>473,181</td>
</tr>
<tr>
<td>Gross Value Added (£m) - Birmingham</td>
<td>1,011.5</td>
<td>1,944.8</td>
</tr>
<tr>
<td>Gross Value Added (£m) - LEP</td>
<td>929.3</td>
<td>1,844.4</td>
</tr>
<tr>
<td>Uplift in Business Rates (per annum) (£m)</td>
<td>51,768</td>
<td>134,670,299</td>
</tr>
<tr>
<td>Private Sector Capital Investment (£m)</td>
<td>1,039.4</td>
<td>2,205</td>
</tr>
<tr>
<td>EZ Investment Programme Capital Expenditure (£m)</td>
<td>261.1</td>
<td></td>
</tr>
</tbody>
</table>

Table 6 Birmingham EZ outputs for initial Investment Programme
to 2037/38. Alongside these development projects, a range of other investments associated with the implementation of the Investment Plan (e.g. the delivery of new infrastructure) are expected to result in further capital expenditure both within and outside the EZ.

Overall, this level of expenditure has the potential to generate 773 full time equivalent jobs in the construction sector over the Investment Plan period.

Profile of permanent employment
By 2022/23, the majority of employment created through the development of the EZ sites is expected to be within key office based sectors particularly the business and professional services sector (32%) and financial and insurance services (20%). Significant employment growth is also expected within administrative and supporting services (30%). Employment opportunities will also be created in complementary sectors, including retail, arts and entertainment.

Based upon benchmark analysis of the sub-regional labour market, of the 21,060 jobs created by 2022/23 it is anticipated that some 9,700 (46%) will be managerial, professional or associate professional, with a further 19% (3,825) being administrative or secretarial. Significant employment opportunities will also arise in sales and services sectors and in elementary occupational sectors.

Of the total number of jobs created by 2022/23, it is estimated that around 40% will require skills levels equivalent to NVQ Level 4 or above. Only 6% will not require any NVQ equivalent qualifications. A further 30% will require NVQ Level 2 or 3 and the remaining 20% will require skills levels equivalent to NVQ Level 1 or other qualifications. This reflects the relatively high proportion of higher order occupations.

Net additional gross value added
There will be a positive impact on net additional GVA generated as a result of the permanent jobs expected to be created through the development of the EZ sites.

Overall, it is estimated that by 2022/23 the development of the EZ sites will be generating around £1,010 million of GVA per annum at the Birmingham level and £930 million at the LEP area level.

Wider economic impacts
The redevelopment of the Investment Area will generate a range of wider benefits. These include the following:

- Economic - New investment will result in wider economic benefits across the Greater Birmingham and Solihull LEP area. Through bringing development opportunities to the market, stimulating demand and enabling the implementation of new infrastructure and an improved environment, redevelopment has the potential to significantly enhance perceptions of the City Centre and stimulate further investor and occupier interest. New development will also complement wider planned investment, particularly with regard to implementing proposals for HS2 between London and Birmingham.

- Social - Through job creation impacts, redevelopment activity has the potential to help to address pockets of high employment deprivation within the LEP area. Investment will be complemented by appropriate measures to ensure that training is made available for local residents. In addition, local communities will also benefit from the creation of new infrastructure, alongside the development of new educational facilities within the City Centre. New leisure and retail provision will extend the range of services available for residents of the LEP within a highly accessible location. Investment will enhance the overall quality of the City Centre, creating new public realm environments for use by local communities.

- Environmental - Investment will result in the redevelopment of vacant, derelict and under-utilised sites, complementing a range of other interventions to uplift the quality of the wider environment.
The governance structure for the EZ was set out in the Implementation Plan agreed at the LEP Board in November 2011. This section describes how Birmingham City Council (BCC) works with the LEP to best use EZ resources.

**Accountable Body**
BCC will act as the Accountable Body for the EZ on behalf of the LEP. The cost associated with this will be £210,000 per annum.

In its role as the Accountable Body, BCC undertakes the following:

- Project manages the implementation of the EZ site business cases, financial modelling and approvals process to include third party liaison and individual development initiation.
- Administers both the collection of business rates discounts to businesses and the collection of business rates above the baseline and maintain these in a separate account for the benefit of the EZ.
- Provides the treasury management function for ring-fenced EZ funds.
- Prepares and updates the capital and revenue investment strategy for the EZ.
- Prepares necessary reports on the progress within the EZ.
- Prepares and oversees legal agreements to third parties in respect of grants and other funding agreements to safeguard BCC and the LEP.
- Appraises LEP projects to be funded from EZ income in its role as the Accountable Body.

**Governance structure**
To deliver co-ordinated governance over the EZ Investment Plan period, and in future years, a series of key roles have been identified:

- EZ Executive Board - chaired by Chris Webster, LEP Board member with responsibility for the EZ. The EZ Executive Board is the key decision making body for the use of EZ resources and reports directly to the LEP Board on the basis of twice yearly update reports.
- EZ Directors Board - chaired by Waheed Nazir, Birmingham City Council’s Director for Planning and Regeneration. This Board monitors project performance, revenue collection and provides overall programme management. It reviews business cases and forwards these to the EZ Executive Board for decisions. The Chair of the Board works in close co-operation with the EZ Executive Chair.
- EZ Portfolio Board - is made up of the Programme/Project Leads for each of the EZ Programmes. It assesses projects and the management of resources; reporting key issues and opportunities to the EZ Executive Board.
- Each of these Boards meet on a monthly basis.

**EZ project governance**
Investment Plan projects will follow BCC governance processes, being managed and monitored in the first instance through the Portfolio Board. Decisions on the use of EZ resources require approval through the EZ Governance arrangements.

Once approved, projects will be subject to a funding agreement between BCC as the Accountable Body and the beneficiary of EZ finance. Monitoring reports will be regularly presented to the LEP Board. Any support to individual developers/landowners/businesses will need to comply with State Aid requirements and necessary arrangements will be put in place to manage this.

**Prioritisation of EZ projects**
The EZ Executive Board has delegated powers from the LEP Board to approve EZ projects. It undertakes this function in conjunction with the Accountable Body, who provides project appraisal advice. In order to guide
the priority order for the selection of EZ projects, the following criteria are used:

• EZ Investment Plan priority will be for projects which:
  - Trigger business rates income within the EZ (measured in net present value).
  - Lever additional public or direct private sector resources (those projects leveraging the greatest levels of non EZ resources being awarded the highest priority).
  - Lead directly to job creation within the EZ.

The EZ Executive Board will operate these priority assessment criteria on a case by case basis. Affordability assessments will be undertaken by the Accountable Body.

Through this Investment Plan, the City Council will support the LEP deliver its Enterprise Zone and wider growth proposals as set out in the SEP. The success of the Enterprise Zone will help deliver new development and infrastructure to achieve our aspirations for the City Centre.

Waheed Nazir
Director of Planning and Regeneration
Birmingham City Council
## Appendix

### Risk register

<table>
<thead>
<tr>
<th>Risk</th>
<th>Probability</th>
<th>Impact</th>
<th>Mitigation</th>
<th>Lead responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Low</td>
<td>Low</td>
<td>Managed through Financial Reporting System and Contingency allowance.</td>
<td>EZ Executive Board.</td>
</tr>
<tr>
<td>2</td>
<td>Low</td>
<td>Moderate</td>
<td>Resources are devoted to maximising payment. Managed through Financial Reporting System and 15% Contingency Allowance.</td>
<td>BCC - Business Rates Team.</td>
</tr>
<tr>
<td>3</td>
<td>Moderate/High</td>
<td>High</td>
<td>Investment Plan has categorised the business rates growth and a more rigorous management approach has been implemented to align investment decisions with revenue projections. Investment programme financial profile reflects security of revenue income. 15% safety margin also applied to annual EZ income.</td>
<td>EZ Executive Board.</td>
</tr>
<tr>
<td>4</td>
<td>Low</td>
<td>High</td>
<td>Investment Plan has identified the likely date when resources could be available for these projects. The availability of this funding will be subject to appropriate Governance arrangements and Business Case requirements.</td>
<td>EZ Executive Board.</td>
</tr>
<tr>
<td>5</td>
<td>Moderate</td>
<td>High</td>
<td>Robust assessment of business cases will ensure cost estimates are robust. Budgets managed for wider programme to ensure projects are affordable within available resources.</td>
<td>EZ Executive Board.</td>
</tr>
<tr>
<td>Risk</td>
<td>Probability</td>
<td>Impact</td>
<td>Mitigation</td>
<td>Lead responsibility</td>
</tr>
<tr>
<td>------</td>
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<td>---------------------</td>
</tr>
<tr>
<td>7</td>
<td>Low.</td>
<td>High.</td>
<td>Implementation of marketing/promotions in line with resources identified in Investment Plan.</td>
<td>EZ Executive Board.</td>
</tr>
<tr>
<td>8</td>
<td>Moderate.</td>
<td>Moderate.</td>
<td>Some reduction in rateable values is possible during 2017 revaluation exercise impact mitigated by inflation based rises in rating multiplier.</td>
<td>BCC - Financial Services.</td>
</tr>
</tbody>
</table>