

Report to Cabinet

13 March 2024

Subject:	Sandwell Levelling Up Zone
Cabinet Member:	Regeneration & West Midlands Combined Authority, Councillor Peter Hughes
Director:	Tammy Stokes Assistant Director Spatial Planning and Growth
Key Decision:	Yes – To result in the Council incurring expenditure, the making of savings or the generation of income amounting to - £1m; and Significant in terms of its effect on communities living or working in an area comprising two or more wards of the Borough.
Contact Officer:	Assistant Director Spatial Planning and Growth – Tammy Stokes tammy_stokes@sandwell.gov.uk Senior Planning Policy Officer - Bart Shirm bart_shirm@sandwell.gov.uk

1 Recommendations

- 1.1 That Cabinet approve the geographical boundary of the Sandwell Levelling Up Zone as shown on the Sandwell Levelling Up Zone Map at Appendix 1.
- 1.2 That Cabinet approve the boundary of the Growth Zone as shown on the Sandwell Levelling Up Zone Map at Appendix 1, which subject to Government compliance checks and enactment of secondary legislation, will allow the council to retain business rates generated within the Zone over a 25-year period above a baseline figure.



- 1.3 That delegated authority be given to the Section 151 Officer in consultation with Assistant Director - Spatial Planning and Growth and the Cabinet Member Regeneration & WMCA to undertake the necessary actions required by Government for Growth Zone business rates to be retained with a start date 1 April 2024.
- 1.4 That delegated authority be given to the Assistant Director - Spatial Planning and Growth, Assistant Director - Legal and Assurance and the Section 151 Officer in consultation with the Cabinet Member Regeneration & WMCA to undertake the necessary legal, policy and procedural actions to establish, manage and monitor the Levelling Up Zone.
- 1.5 That Cabinet approve the use of Regeneration Reserves to fund the establishment, management, and monitoring of the Levelling Up Zone up to a value of £300,000 over a period of up to three years. Following this period, the effectiveness of the Levelling Up Zone will be reviewed including the amount of receipts from business rate uplift that have been realised.
- 1.6 That Cabinet approve that first consideration is given to the use of retained business rates generated in the Growth Zone to fund the costs associated with the establishment, management, and monitoring of the Levelling Up Zone over its lifetime.

2 Reasons for Recommendations

- 2.1 The establishment of the Sandwell Levelling Up Zone is a unique opportunity to take full advantage of the benefits created by the completion of the Wednesbury to Brierley Hill Metro Extension. The designation of a Growth Zone will allow the retention of business rate growth on selected sites within the Metro corridor and reinvestment in regeneration and economic growth.
- 2.2 Eight development sites within the Levelling Up Zone have been identified for business rate retention above a baseline for 25-years and collectively form the Growth Zone. Twenty-seven other development sites have been identified as regeneration opportunities within the Levelling Up Zone. The



amount of business rates that could be retained is difficult to estimate because of uncertainty about the deliverability of development and subsequent business rate growth within the Growth Zone. Due diligence and high-level financial modelling work undertaken by consultants on behalf of the Council and WMCA suggest that the Growth Zone could generate up to £42 million over a 25-year period. This figure assumes that all the sites within the Growth Zone will come forward for business rate generating uses. Site B – Rattlechain is expected to mostly deliver new homes and possibly a limited amount of business rate generating uses. Additional technical work is required to understand the deliverability and viability challenges at each site.

- 2.3 The Growth Zone rules set by Government include that business rate growth can only be retained above a baseline figure.
- 2.4 Authority is sought for the use of Regeneration Reserves to fund the establishment, management, and monitoring of the Levelling Up Zone up to a value of £300,000 over a period of up to three years. It is expected that this could fund, for example, a fixed-term Programme Manager post and a budget for technical feasibility studies. It is anticipated that the Levelling Up Zone could become self-funded, and authority is sought for first consideration to be given to the use of retained business rates generated in the Growth Zone to fund the costs associated with the establishment, management, and monitoring of the Levelling Up Zone over its lifetime.

3 How does this deliver objectives of the Corporate Plan?

	<p>A Strong and Inclusive Economy</p> <p>The Levelling Up Zone will allow wealth generated in Sandwell to remain in Sandwell through the retention of business rate receipts in the borough for reinvestment in regeneration and economic growth. It will make the most of the new Wednesbury to Brierley Hill Metro Extension acting as a powerful tool to help grow and strengthen the Sandwell economy and regenerate brownfield land.</p>
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4 Context and Key Issues

- 4.1 In the Autumn Statement 2022 the Chancellor announced that the Government would be launching a new Investment Zone programme with the aim of catalysing a small number of high-potential innovation clusters in areas in need of levelling up to boost productivity and growth. Sandwell Council submitted an Expression of Interest for the establishment of an Investment Zone along the Wednesbury to Brierley Hill Metro Corridor. The original programme was promptly scrapped following a change of Prime Minister and Chancellor.
- 4.2 In Spring 2023 Government confirmed that eight areas in England had been identified to develop proposals for an Investment Zone. This includes the area covered by the West Midlands Mayoral Combined Authority.
- 4.3 The Investment Zone rules set out by Government mean that no more than 3 sites within the Combined Authority area totalling 600 hectares may benefit from tax incentives. A further 2 areas may be selected as business rates retention sites where 100% of the growth in business rates above a baseline may be retained for 25 years.
- 4.4 A working group of senior officers from the West Midlands Combined Authority and constituent local authority members have identified three sites to benefit from Investment Zone tax incentive and/or business rate retention powers (WMCA Board 17/11/2023 item 9 refers):
- Coventry – Warwick Gigapark (including land in Warwick District which is neither a WMCA constituent nor a non-constituent member)
 - Birmingham Innovation and Knowledge Quarter
 - Wolverhampton Green Innovation Corridor
- 4.5 Land in Sandwell was considered inappropriate as the borough does not have a large area of undeveloped or underdeveloped land that could accommodate an innovation cluster, and the borough does not have a university or higher education institution driving research and development.



- 4.5 Concurrently, Government has agreed a Deeper Devolution Deal with the West Midlands region that secures additional powers including to establish a series of Levelling Up Zones that could operate as a local form of Investment Zones. The secured powers include the designation of three ‘Growth Zones’ in the region where businesses rates above an agreed baseline can be retained by local authorities for 25-years. Receipts generated by a Growth Zone can be used at the local authority’s discretion including to support regeneration and economic growth. The Investment Zone and Levelling Up Zone initiatives have been developed by the region simultaneously as they both cover growth and tax incentives for specific sites in the West Midlands.
- 4.6 The Sandwell portion of the Wednesbury to Brierley Hill Metro Extension corridor is proposed as the location of the Sandwell Levelling Up Zone. The new Metro will vastly improve accessibility to and from the area by public transport and will act as a catalyst for the regeneration of several housing and employment development sites.
- 4.7 The purpose of the Levelling Up Zone is to retain wealth in Sandwell by capturing business rate growth along the Metro corridor and reinvesting this back into regeneration and economic growth activity. The Levelling Up Zone will also act as an inward investment tool by raising awareness of the development opportunities that are being created along the Metro corridor.
- 4.8 The Sandwell Levelling Up Zone broadly extends to 1.5-2km either side of the Midland Metro Extension and includes the whole of the town of Tipton and parts of Wednesbury, Oldbury, and West Bromwich. The boundary has been drawn to replicate Middle Layer Super Output Areas (MSOA) to aid monitoring and reporting. The Sandwell Levelling Up Zone Map is included at Appendix 1.
- 4.9 Eight development sites within the Levelling Up Zone have been identified as the Growth Zone where business rates would be retained. Business rates are charged on most non-domestic properties including factories, warehouses, shops and some schools, nurseries and community facilities. The number of development sites proposed for inclusion within the Growth



Zone has been refined following feedback from Government Civil Servants. The eight development sites that comprise the Growth Zone are:

- A – Coneygre, Tipton
- B – Rattlechain, Dudley Port,
- C – Land east of Whitehall Road, Great Bridge
- D – Land south of Great Bridge Street and west of Ryder Street, Great Bridge
- E – Land west of Danks Way and north of Bagnall Street, Great Bridge
- F – Land north of Harvills Hawthorn, Great Bridge
- G – Land north of Bilport Lane, Wednesbury
- H - Land north of Smith Road, Wednesbury

4.10 The development sites which comprise the Growth Zone have been approved in principle by Government subject to further compliance checks. Government must enact secondary legislation for Sandwell Council to retain business rates within the Growth Zone under paragraph 39 of Schedule 7B to the Local Government Finance Act 1988.

4.11 The Sandwell Growth Zone would be shared with Dudley MBC for legislative purposes. The Sandwell Levelling Up Zone would be distinct from Dudley. It has been locally designed and would be locally managed and monitored by Sandwell Council.

4.12 Growth Zone receipts generated in Sandwell would be retained by Sandwell Council. The Council would be able to decide how receipts generated from the Levelling Up Zone could be spent to support regeneration and economic growth..

4.13 Other development sites are shown for information purposes on the Sandwell Levelling Up Zone Map. The development sites have been identified as they are either proposed for allocation within the draft Sandwell Local Plan and/or have been identified as suitable for regeneration by Planning Officers. The Levelling Up Zone includes several major projects on the Council's Regeneration Pipeline:

- Tipton Town Centre



- Dudley Port Integrated Transport Hub
- Wednesbury to Brierley Hill Metro Extension and the Metro Depot
- Wednesbury Heritage Action Zone
- Wednesbury Levelling Up Partnership

5 Alternative Options

- 5.1 The Council does not establish the Sandwell Levelling Up Zone and does not benefit from 25-year business rate retention on Growth Zone sites.
- 5.2 The Council approves the designation of the Growth Zone and benefits from 25-year business rate retention without ringfencing receipts for levelling up activity. At the present time neither Government nor the WMCA have set parameters documenting how Growth Zone receipts should be used by the Council. However, the legislative powers have been secured through the Deeper Devolution Deal as part of WMCA objective to level up the region. The Council and WMCA could face reputational risk should the Council reject the spirit of the Deeper Devolution Deal and not ringfence Growth Zone receipts for levelling up activity. Government may choose to undesignate the Growth Zone. Furthermore, by not using initial receipts to unlock the regeneration of further Growth Zone sites the Council may inadvertently reduce the total Growth Zone receipt over the lifetime of the Levelling Up Zone.

6 Implications

<p>Resources:</p>	<p>Approval is sought from Cabinet for the use of Regeneration Reserves to fund the establishment, management and monitoring of the Levelling Up Zone up to a value of £300,000 over a period of up to three years. Following this period, the effectiveness of the Levelling Up Zone will be reviewed including the amount of receipts from business rate uplift that have been realised.</p> <p>The budget could fund, for example, a fixed-term Programme Manager post and a budget for technical feasibility studies.</p>
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	<p>It is anticipated that the Levelling Up Zone could become self-funded, and authority is sought for first consideration to be given to the use of retained business rates generated in the Growth Zone to fund the costs associated with the establishment, management, and monitoring of the Levelling Up Zone over its lifetime.</p>
Legal and Governance:	<p>Following successful completion of further compliance checks by Government, secondary legislation must be enacted to secure business rate retention powers to the Council on rates generated within the Growth Zone above a baseline for 25-years under paragraph 39 of Schedule 7B to the Local Government Finance Act 1988.</p> <p>Governance and oversight of the Levelling Up Zone would be maintained by Cabinet and the Cabinet Member for Regeneration & WMCA.</p> <p>Proposals for standalone capital regeneration and economic growth projects would require assessment by Capital Appraisal Officer and approval from Cabinet as per the Scheme of Delegation.</p>
Risk:	<p>Business rate retention powers within the Growth Zone is subject to further compliance checks from Government and is dependent on secondary legislation being enacted.</p> <p>The Growth Zone rules set by Government include that business rate growth can only be retained above a baseline figure. Consequently, growth in business rate receipts within part of the Growth Zone could be cancelled out by a fall in receipts elsewhere resulting in no net increase above the baseline.</p>
Equality:	Not applicable.
Health and Wellbeing:	Not applicable.



Social Value:	The Levelling Up Zone will support Social Value by retaining wealth generated in Sandwell in the borough for reinvestment in regeneration and economic growth. It will support growth in the economy which will create more and better jobs for residents and contribute to the prosperity of the area.
Climate Change:	Not applicable.
Corporate Parenting:	Not applicable.

7. Appendices

7.1 Sandwell Levelling Up Zone Map

8. Background Papers

8.1 Sandwell Cabinet Report – West Midlands Combined Authority Devolution Deal (13 September 2023, item 6)

8.2 WMCA Board Report – West Midlands Investment Zone and Levelling Up Zones Update (17 November 2023, item 9)

