

## Cabinet – 24 October 2012

### Black Country Enterprise Zone- Business Rate Uplift

**Portfolio:** Councillor Adrian Andrew, Deputy Leader, Regeneration

**Related Portfolio:** Councillor Christopher Towe, Finance and Personnel

**Service:** Regeneration, Development and Delivery

**Wards:** Pleck  
Bentley & Darlaston North

**Key Decision:** Yes

**Forward plan:** Yes

#### 1. Summary

- 1.1 In 2011 the Department for Communities and Local Government (DCLG) formally approved the Black Country Enterprise Zone (EZ). Operational since 1 April 2012, the Black Country EZ comprises a portfolio of development sites situated in Darlaston and Wolverhampton North amounting to approximately 120 hectares. The Darlaston part of the Zone comprises a cluster of sites either side of the M6 at Junction 10 providing some 45 hectares of land, whilst the Wolverhampton North part of the Zone is made up of the regionally significant i54 site and four other development opportunities in the immediate surrounding area (see **Appendix A and B**). The purpose of the Black Country EZ is to create sustainable private sector led, economic growth, with the Darlaston EZ area forming part of a wider package of measures designed to regenerate the Darlaston area, namely the Darlaston Area Local Development Order (LDO) and Darlaston Access Project. It is anticipated that the redevelopment of all the EZ sites could ultimately lead to the creation of approximately 6,500 jobs and 287,642sqm of new floor space.
- 1.2 DCLG has provided through its EZ policy a means for Local Authorities and Local Enterprise Partnerships (LEPs) to benefit from the EZ status; by providing LEPs with the ability to retain the business rate uplift/growth generated by the occupation of EZ sites and to utilise this funding to invest in local economic priorities. The current Finance Bill sets out the legislative framework for the retention of business rates within EZs by LEPs when the new Local Government Finance system comes into being on 1 April 2013. The Finance Bill is anticipated to be enacted by December 2012.
- 1.3 This report sets out the ways in which the business rate uplift from the Black Country EZ is intended to be retained by the Black Country LEP and the emerging principles as to how the funds could be deployed to support the delivery of local economic priorities. The EZ is seen as being critical in supporting

the economic growth of the Black Country and is therefore an operational priority for the Black Country LEP and a key priority for the Council as it contributes greatly to the Council's economic objectives. The report therefore supports the principles that the business rates generated by the Black Country EZ should be used to pay for upfront enabling works, such as infrastructure, land reclamation and other development costs, within the Black Country EZ, by enabling Local Authorities to borrow funds that are repayable against the future rate uplift.

## **2. Recommendations**

- 2.1 That Cabinet endorse the initial principles for the retention, management and use of the Black Country Enterprise Zone business rates that are generated from the occupation of sites within the Enterprise Zone by the Black Country Local Enterprise Partnership (LEP).
- 2.2 That Cabinet delegate authority to the Executive Director – Regeneration, in consultation with the Chief Finance Officer and the Regeneration Portfolio Holder, to agree the terms of, and sign, one or more Agreements and any ancillary related documents with the Black Country Local Enterprise Partnership (LEP) and Wolverhampton City Council setting out the local arrangements in relation to the business rate uplift, retention, management and use of the business rate uplift
- 2.3 That Cabinet request the Executive Director – Regeneration, in consultation with the Chief Finance Officer and the Regeneration Portfolio Holder to develop proposals and make future recommendations to the Black Country LEP for the use of business rate uplift to fund priority delivery interventions within the Darlaston element of the Black Country Enterprise Zone;

## **3. Report detail**

- 3.1 DCLG has confirmed to all Local Authorities and LEPs with Enterprise Zones that the business rate retention policy set out briefly in section 1.2 will commence from 1 April 2013 and will be in place for a 25 year period thereafter. All business rate growth generated by EZ designated sites will therefore be initially retained by a designated Local Billing Authority who will have responsibility for ensuring all rates are collected. It will then be for the Billing Authority(s) to put in place arrangements for ensuring that the income generated is spent in accordance with the LEPs economic priorities. In the case of the Black Country EZ, Walsall Council will collect rates generated by the Darlaston sites and transfer these to Wolverhampton City Council, who will act as accountable body for all funding generated from Black Country LEP and manage this fund on behalf of the Black Country LEP. An agreement will therefore be needed and entered into between the parties which will formalise the local arrangements by 1 April 2013: further details of the agreement can be found in paragraph 3.6.
- 3.2 DCLG envisaged through its policy that LEPs and Local Authorities may use the future revenues generated by the uplift to pay for upfront enabling works to assist in the implementation of projects within EZs and Local Authorities would do this by borrowing funds repayable against any future uplift. In the case of the Black

Country EZ the ability to borrow funds against a 'guaranteed' means to repay the funding will be essential to ensure delivery of the EZ; the principles for the repayment of any borrow funds to be repaid by future business rate uplift will need to be a set out in any future MoU. Sites within the Darlaston element of the EZ are known to have infrastructure needs and ground condition problems that make development projects in the current market unviable. The i54 site in Wolverhampton North and Staffordshire will need significant road infrastructure investment in the form of a new motorway junction from the M54 to unlock this sites full development potential. In both cases it is considered that the capital funding needed for such works is not available unless secured through a form of borrowing.

- 3.3 Both Walsall and Wolverhampton Councils have commenced a process of indentifying what the funding requirements for such enabling works may be and are refining this through further due diligence activity. In the case of Darlaston this is being supported by the site investigation programme funded by the Growing Places Fund that will provide land owners and the Council with detailed ground conditions information and a proposed costed reclamation strategy, which will allow development appraisals to be completed to understand land values. On receipt of this information, and with the benefit of expert advice on appropriate development and financial models, the Council will be in a better position to understand the amounts of borrowing that may be required to support a series of possible interventions for the Darlaston EZ sites.
- 3.4 Such interventions may well include land acquisition (with Cabinet asked in a separate report on the same agenda to approve the Compulsory Purchase of sites within the Darlaston elements of the EZ should this become necessary); the costs of reclaiming Council owned assets; providing the finance to support a Joint Venture with the private sector to enable the reclamation and development of sites; funding the costs of on-site infrastructure works such as utility provisions including superfast broadband and highway access works; along with associated administrative costs. Wolverhampton City Council have already concluded that they will need to borrow funds to invest in a new motorway junction for the M54 to service i54 and its surrounding sites which is estimated to cost £36million. This will be borrowed jointly by Wolverhampton City Council and Staffordshire County Council and paid back accordingly using the future business rate uplift from i54 specifically.
- 3.5 Prior to a report being taken to the BC LEP Board On 26 September 2012, ABCA endorsed the overall approach to the ways in which the business rate uplift would be collected and managed, and the approach to the expenditure of this income; in turns these same recommendations were made to the LEP and it resolved to agree the recommendations presented to it:

*“ 2.1: That the recommendations set out in the report [to the LEP] be supported and that the Secretariat officers be authorised to take all necessary steps to enter into the two memorandum of understanding concerning i54 and non-i54 sites as detailed in the ABCA report;*

*2.2 That a further report be submitted to a future meeting on the criteria for the application of a Zone Investment Fund.”*

For the Wolverhampton (non i54) and Walsall sites it is recommended to the LEP that all the business rates generated should be pooled into a 'Zone Investment Fund' and a series of criteria be developed to ensure that it is deployed to support the Black Country's economic priorities. It has also been recommended that the uplift should be used to release key sites for further business development where investment in infrastructure is required to do so: The first priority should be the development of any EZ site requiring infrastructure to 'kick start' its development. The sites in Darlaston would inevitably be a top priority, as their early development is essential to achieving the rate uplift. Without their development the estimated income figures cannot be achieved and funding for other job creation/private investment projects across the Black Country will not be available. With this resolution in place, this now sets out the principles as to how the LEP will view any future proposals for the use of the business rate uplift, providing Walsall Council with a means to make future recommendations for the explicit use of funding in support of the Darlaston EZ sites.

- 3.6 In the case of the Black Country, two Agreements will be entered into with the first being specific to i54 and the second being for the non-i54 sites. The Agreement for the non-i54 sites will be between three parties: Wolverhampton City Council, Walsall Metropolitan Borough Council and the Black Country LEP and will reflect the distribution of business rates receipts that will be determined by the Black Country LEP against eligible projects both within the EZ, and across the four Black Country Local Authority areas. In order to prepare this Agreement, an officer group with representatives from all parties above, will need to meet to discuss the proposed way forward- as set out above- and will take their lead from senior officers and Members. Any agreements reached by that officers group will need to be reported and endorsed by the EZ Management Steering Group and the Black Country LEP. The officers group, with representatives from all 3 parties above, will work together to produce and agree the required Agreement, with Wolverhampton City Council taking the leading on this. Legal Services, Finance and Benefits and Revenues colleagues will be fully engaged in this process and already participate in other EZ related work streams. Walsall Council will not however be a party of the agreement for the i54 site which is subject to a different arrangement between Wolverhampton City Council, Staffordshire County Council, the Black Country LEP and the Stoke and Staffordshire LEP- Walsall Council's involvement in a drafting of this particular agreement will only be through the representation on the Black Country LEP.

#### **4. Council priorities**

- 4.1 Delivery of the Darlaston element of the Black Country EZ will support inward investment and business retention and employment growth in Walsall. The EZ therefore contributes positively towards the Council's 'Economic' priority as set out in the Corporate Plan 2011/12 – 2014/15.
- 4.2 The delivery of the Black Country is line with the following objectives as set out in the Marmot Review:
- Give every child the best start in life
  - Enable all children, young people and adults to maximise their capabilities and have control over their lives

- Create fair employment and good work for all
- Ensure a healthy standard of living for all
- Create and develop healthy and sustainable communities
- Strengthen the role and impact of ill-health prevention

Creating the conditions for investment and growth in the Black Country EZ- through the interventions that could be made possible by the business rate uplift- would have a positive impact on the lives of local people by creating new job opportunities that support a reduction in health and well being inequalities.

## 5. Risk management

### 5.1 Risk 1 – Failure to generate the necessary Business Rate uplift to pay back the loan. (Risk Level Medium)

If the profiled Business Rate uplift for the Black Country EZ is not achieved then there will be a deficit between the agreed borrowing against the uplift projection and the actual uplift realised. Subsequently alternative funding would be required to pay back the loan difference. To mitigate against this risk the profiling of business rate projections are to be continually updated and monitored based on latest knowledge of proposed developments and timescales to ensure realistic deliverable projections. Business rate projections and this risk will be monitored and managed as part of the Black Country programme management arrangements.

### 5.2 Risk 2 – Council has to borrow money for which there is no guaranteed way of recouping the funds should schemes be unviable (Risk Level Low)

The Council may not take a financial payment in return for its upfront investment into the delivery of sites, especially in cases where site viability is low. Alternatively the Council will need to consider the “benefits realisation” value – the cost savings and benefits to the Authority which is generated by job creation within the EZ as a direct result of capital investment by the Authority into the EZ development and delivery. This value will be calculated to understand the value of EZ job creation to the Council.

## 6. Financial implications

### 6.1 Work has been carried out to project the estimated business rate income over the 25 year period, retention of which will commence from 1 April 2013 for the 25 year period up to 2038, with an estimated income per year as follows:

	Darlaston £000	Wolverhampton North (excluding i54) £000	i54 £000
2012/13	0	0	0
2013/14	0	0	530
2014/15	396	0	2,424
2015/16	1,220	156	2,620
2016/17	2,051	528	2,816

2017/18	2,554	528	3,159
2018/19	2,716	1,053	3,355
2019/20 – 2022/23	2,716	1,336	5,128
2023/24	2,716	1,523	5,128
2024/25 – 2028/29	2,716	1,679	5,128
2029/30 – 2033/34	2,716	1,835	5,128
2034/35 – 2037/38	2,716	1,991	5,128
<b>TOTAL</b>	<b>60,541</b>	<b>33,866</b>	<b>112,336</b>

The figures provided have been calculated on a number of assumptions including whether planning consent has been awarded for a particular size and use class; or an assumption has been made of the appropriate use class for each site and the floorspace each site may be capable of hosting; and current rateable values for these types of development. The yearly profile of income generated from the business rate uplift has also been made on assumptions over the estimated development period and completion dates; in the case of many sites this is not yet known and therefore all the figures presented are subject to further change. For this reason more work will be required to refine the business rate uplift estimates and will change as development opportunities are known, and after each business rate re-evaluation of rateable values is completed by the Valuation Office (on a five year cycle).

- 6.2 As set out in para 3.4. it has already been identified that the first call on the business rate uplift will be funding for the new M54 motorway junction, this funding is being borrowed specifically by Staffordshire County Council and Wolverhampton City Council, and once the funds have been paid (after 15 years) the surplus of any business rates for i54 will be split 50:50 between the Black Country LEP and the Stoke and Staffordshire LEP. Any further calls upon the uplift in support of borrowing requirements for interventions in the EZ will need to be identified and the affordability assessed. For the non i54 sites the estimated funds available to borrow against is approximately £94million, however other calls may still be made upon this from none EZ Black Country wide projects, and part of the role of the LEP will be to agree what priority it places against any competing projects.

## 7. Legal implications

As stated, DCLG will require LEPs and Local Billing Authorities to enter into agreements setting out the arrangements for the collection, management and approval of any expenditure of the business rate uplift. Legal Services will advise on the terms of the Agreement(s).

## 8. Property implications

In determining which interventions should be progressed by funding from any business rates uplift, it is likely that the acquisition of strategically important EZ sites and/or the remediation of Council assets will be prioritised ahead of the remediation of privately owned sites within the Darlaston EZ area.

## **9. Staffing implications**

The Darlaston element of the Black Country EZ is managed and implemented by a dedicated resource within the Regeneration Directorate and namely within the Development and Delivery Service. To date colleagues from Finance, Legal Services, and Revenues and Benefits have worked with the dedicated EZ team within Development and Delivery to support the implementation of the project, and specifically advise on the uplift projection figures, and have informed initial discussions around future borrowing capabilities. These officers will be invited to continue to work with Development and Delivery as the EZ programme moves forward.

## **10. Equality implications**

- 10.1 An Equalities Impact Assessment (EqIA) has been undertaken for this report, with the outcome stating that no major change is required to the project.
- 10.2 As part of the Equality Act 2010 officers will be seeking to ensure that wherever possible the project ensures that a positive impact is made on people / communities using the “protected characteristics”:
- Age
  - Disability
  - Gender reassignment
  - Marriage and civil partnership
  - Pregnancy and maternity
  - Race
  - Religion and belief
  - Sex
  - Sexual orientation
- 10.3 The proposal will as a minimum, include conditions which:
- Prohibit the parties from unlawfully discriminating under the Equality Act
  - Require them to take all reasonable steps to ensure that staff, suppliers and agents meet their obligations under the Equality Act.

## **11. Consultation**

- 11.1 Through the Black Country EZ governance structures which includes the Black Country LEP consultation between the parties involved in the entering into a future MoU have already commenced, and these will continue as the projection figures are further refined and recommendations are presented to the LEP for the expenditure of the rate uplift. Cabinet will be invited to make more detailed recommendations to the Black Country LEP at a future date for the use of the business rate uplift to support EZ related interventions and accordingly Members will be consulted during the preparation of these recommendations. At this present time it is felt not necessary to consult with a wider audience than those parties mentioned elsewhere in this report.

## Background papers

Cabinet Report: Black Country Enterprise Zone (EZ) 9 November 2011

Cabinet Report: Growing Places Fund: Black Country Enterprise Zone – Darlaston Site Investigation Programme 20 June 2012

: Darlaston EZ site plan

**Appendix B:** Wolverhampton North EZ site plan

## Author

Simon Tranter  
Head of Regeneration,  
Development & Delivery  
☎ 654723  
✉ [tranter@walsall.gov.uk](mailto:tranter@walsall.gov.uk)

Jo Nugent  
Team Leader: Project Delivery  
☎ 654752  
✉ [nugentj@walsall.gov.uk](mailto:nugentj@walsall.gov.uk)



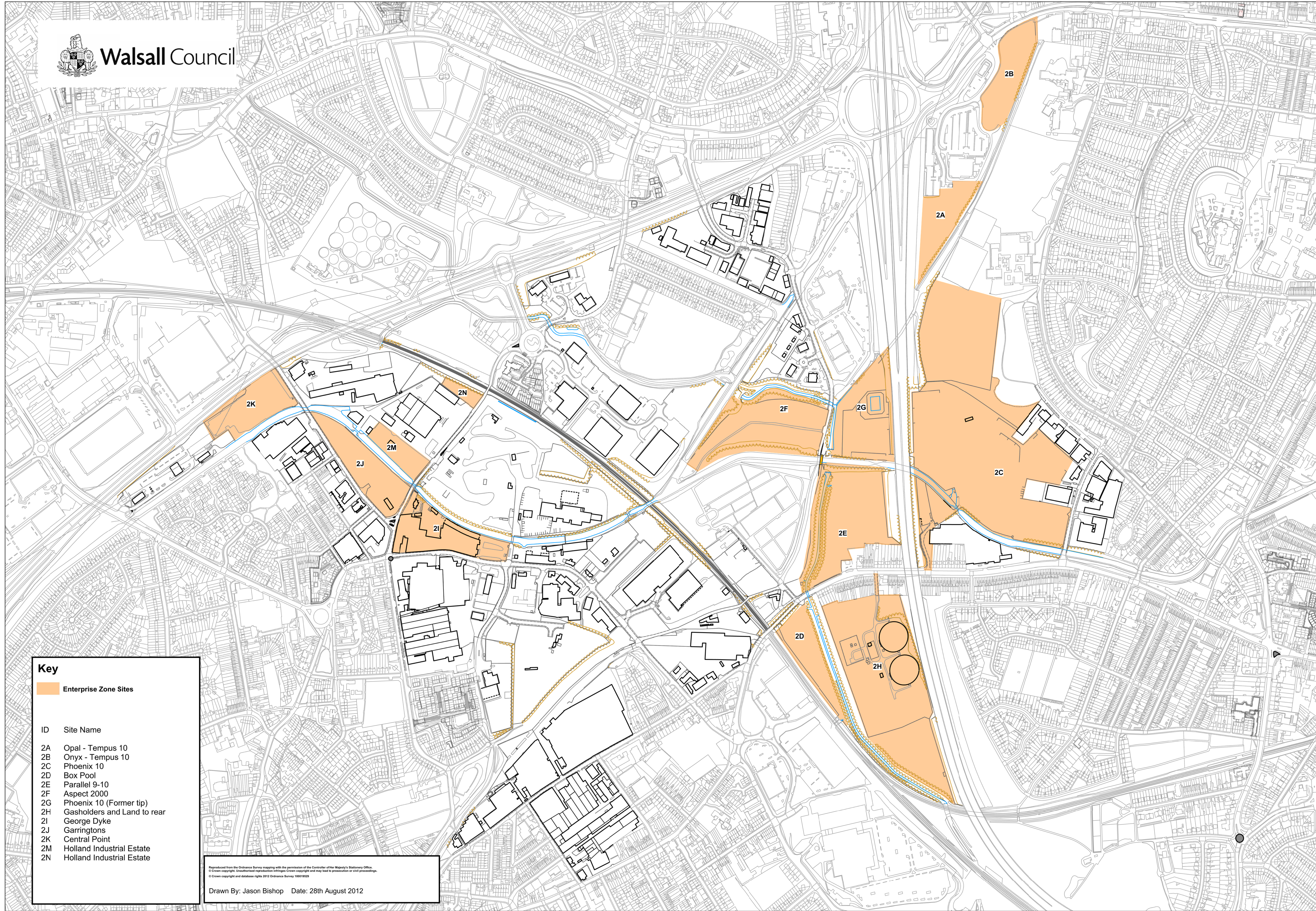
Tim Johnson  
Executive Director  
Regeneration

24 October 2012


Councillor Adrian Andrew  
Deputy Leader  
Portfolio Holder: Regeneration

24 October 2012





**Key**

 Enterprise Zone Sites

ID	Site Name
2A	Opal - Tempus 10
2B	Onyx - Tempus 10
2C	Phoenix 10
2D	Box Pool
2E	Parallel 9-10
2F	Aspect 2000
2G	Phoenix 10 (Former tip)
2H	Gasholders and Land to rear
2I	George Dyke
2J	Garringtons
2K	Central Point
2M	Holland Industrial Estate
2N	Holland Industrial Estate

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# Local Enterprise Portfolio- Wolverhampton North & i54

