

Housing & Land Delivery Board

Date	16 th November 2022
Report title	Investment Zones & Trailblazer Devolution Deal: Update
Portfolio Lead	Housing & Land – Councillor Mike Bird
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Previous reports	Update received by Housing & Land Delivery Steering Group on 02.11.2022

Recommendation(s) for action or decision:

Housing & Land Delivery Board is recommended to:

- a) **Note** the submission of the WMCA Expression of Interest for Investment Zones on behalf of the region, submitted via the Government's online portal by the deadline of 14th October 2022;
- b) **Note** the collaborative approach and collective effort of local authority teams and WMCA in developing the Investment Zone proposals; and
- c) **Note** the next steps for Investment Zone proposals and the Trailblazer Devolution Deal outlined in Section 5 of the report.

1.0 Purpose

- 1.1 The "*Growth Plan 2022*" speech made by the Chancellor of Exchequer on Friday 23 September 2022 included HM Government's proposals for local areas to express interest in the development of "Investment Zones", subsequently described by Government as areas that were intended to "*drive growth and unlock housing, with sites benefiting from tax incentives, planning liberalisation, and wider support for the local economy.*" The government pledged to work with the devolved administrations and local partners to introduce investment zones across the UK.
- 1.2 The purpose of this paper is to provide the Housing & Land Delivery Board with an **update** on the **development of Investment Zone proposals** in the West Midlands,

and the subsequent progress made following the submission of Expressions of Interest on 14th October 2022.

2.0 Background

- 2.1 Following the announcement of “Investment Zones” in the speech made on 23rd September, further guidance was issued by Government on 2nd October, with the formal process for submitting/assessing proposals confirmed with a deadline of noon 14th October 2022.
- 2.2 WMCA was instructed by the Department for Levelling Up, Housing & Communities (DLUHC) to co-ordinate, on behalf of the region, the developing proposals for Investment Zones. This built on the work that WMCA had been undertaking with local partners throughout 2022 as part of producing the Investment Prospectus 2022, the Plan for Growth and through developing the Trailblazer Devolution Deal which included Levelling Up Investment Zones. The comprehensive approach proposed through the Levelling Up Investment Zones seeks to maximise the range of devolution asks – including funding simplification, public land reforms and an enhanced affordable housing allocation – while ensuring wider social and economic outcomes. Levelling Up Investment Zones were one of the critical “devolution asks” under the Housing and Land Portfolio agreed by the Housing & Land Delivery Board.
- 2.3 Guidance issued by DLUHC on 2nd October set out the main areas of opportunity for Government’s newly proposed Investment Zones as being:
- **Lower taxes** – businesses in designated sites will benefit from time-limited tax benefits
 - **Accelerated development** – there will be designated planning sites to build for growth and housing. Where planning applications remain necessary, they will be radically streamlined. Planning sites may be co-located with, or separate to, tax sites, depending on what makes most sense for the local economy and accelerating delivery.
 - **Wider support for local growth** – for example, through greater control over local growth funding for areas with appropriate governance.
- 2.4 More detailed guidance on the potential benefits and flexibilities for Investment Zones as proposed by the Government are detailed in the box overleaf:

Business Rates – 100% relief from business rates on newly occupied business premises, and certain existing businesses where they expand in English Investment Zone tax sites. Councils hosting Investment Zones will receive 100% of the business rates growth in designated sites above an agreed baseline for 25 years.

Enhanced Capital Allowance – 100% first year allowance for companies' qualifying expenditure on plant and machinery assets for use in tax sites.

Enhanced Structures and Buildings Allowance – accelerated relief to allow businesses to reduce their taxable profits by 20% of the cost of qualifying non-residential investment per year, relieving 100% of their cost of investment over 5 years.

Employer National Insurance contributions relief – zero-rate Employer NICs on salaries of any new employee working in the tax site for at least 60% of their time, on earnings up to £50,270 per year, with Employer NICs being charged at the usual rate above this level.

Stamp Duty Land Tax – a full SDLT relief for land and buildings bought for use or development for commercial purposes, and for purchases of land or buildings for residential developers

3.0 Expressions of Interest

- 3.1 Following the announcements, a project group was established within WMCA to co-ordinate and support the development of Expressions of Interest (EOIs) from local authorities in the region. The project group worked in partnership with Local Authority Partners and other regional stakeholders to co-develop the submission of selected sites in the West Midlands and liaison with Whitehall officials.
- 3.2 On 5th October 2022, the Housing & Land Delivery Board was updated on the latest state of play and supported the broad Investment Zone areas, and the approach to engagement with local authorities and Whitehall.
- 3.3 The information provided by Local Authority teams included site specific details as requested by Government such as enabling infrastructure requirements and barriers to delivery, scheme details, wider benefits and dependencies for each site. For each potential Investment Zone (a collection of sites across a broader geographic area), additional information was provided such as the overall investment strategy for the proposed zone, mapping of each potential zone, key details (indicative cost, timings, benefits), governance arrangements and financial requirements.
- 3.4 In their submissions, all West Midlands local authorities stressed to Government that the introduction of Investment Zones must **not** be to the detriment of the financial resources that would have otherwise been available to them and WMCA.

4.0 Expression of Interest

- 4.1 The overall Expression of Interest was submitted by WMCA on behalf of local authority partners ahead of the Government deadline of noon on 14th October 2022. The submission totalled six Investment Zones in the region, namely:
 - Birmingham/Solihull
 - Coventry/Warwick/Warwickshire
 - Dudley
 - Sandwell

- Walsall
- Wolverhampton

- 4.2 In addition, the WMCA team worked collaboratively with non-constituent Member local authorities to develop and evidence proposals submitted separately by the respective Upper Tier Local Authorities (namely Telford & Wrekin and Warwickshire County Council).
- 4.3 As set out in the WMCA Press Release of 18th October, the six zones in the WMCA submission comprised a number of high-potential sites within clearly defined growth corridors with over 1,400 hectares of land, with the potential for economic impact of £4.8 billion of additional GVA per year – which indicates a 4-5% increase in total West Midlands economic output per annum. Taken collectively the proposed Zones have the potential to deliver:
- 3,100,000 m2 employment space and the creation of 65,128 jobs (50,620 net)
 - 18,000 new homes in the next 10 years, and regeneration of local areas
 - Strengthening our world-class economic clusters in high-growth sectors, as set out in the WMCA Plan for Growth, such as battery technology, advanced automotive, business & professional services, health innovation, sustainable construction and green manufacturing.
- 4.4 The Expressions of Interest included sign off from respective Council Leaders, Chief Executives and Section 151 Officers, alongside letters of support from MPs for each area within the proposals.

5.0 Next Steps

- 5.1 The submission of the West Midlands proposals was completed prior to the deadline via the DLUHC online portal on 14th October 2022 **with the information produced and submitted by each of the respective LA partners engaged in this process and in the template requested by DLUHC**. DLUHC officials confirmed receipt and indicated that submission would be followed by an assessment period and the next stages of due diligence, appraisal and analysis.
- 5.2 Following the submission date for Investment Zone proposals, the subsequent changes in HM Government on 20th October 2022 and a new administration being confirmed on 25th October, have resulted in a period of uncertainty regarding the next steps for Investment Zones. DLUHC officials have continued to seek clarifications of detail on the Expression of Interest submission from WMCA and have confirmed that the assessments are continuing.
- 5.3 **The “Levelling Up Investment Zone” concept remains a core element of the region’s asks for further devolution to the West Midlands.** It is important to note that the efficient, productive and timely collaboration between local authorities, WMCA and wider partners, which resulted in the Investment Zone proposals to Government in October 2022, has put the region in a strong position for further stages or ongoing development of the agenda. The **strong pipeline of commercial and residential schemes** this work has evidenced will inform the Trailblazer Devolution Deal proposals and supporting evidence base, the pipeline for devolved Housing and Land funds and the development of the next iteration of the West Midlands Investment Prospectus and other business cases to Government.

5.4 As a reminder, alongside the “Levelling Up Investment Zones” proposal, the three other devolution proposals under the Housing and Land Portfolio will continue to be a central part of the WMCA’s Trailblazer Devolution Deal negotiations with HM Government. These three proposals are:

- a **Single West Midlands Regeneration Fund** of £350m (including revenue funding) to unlock and accelerate stalled and challenging residential and commercial brownfield sites, and to support town and city centre regeneration. This would help unlock sites in our regional land and development pipeline, reducing pressure on the Green Belt and supporting local plans, as well as leveraging new private investment and delivering new housing supply and commercial floorspace
- a £500m **Affordable Housing Settlement** over 5 years with further funding flexibilities, to help achieve our collective ambition to double the supply of affordable homes in the West Midlands, increase provision on individual sites to meet local need and bring new products to the market
- a **Land Reform Programme** establishing the West Midlands as a national centre of excellence for public land policy and delivery including being the first vanguard region for the Cabinet Office’s new “place pilots” programme, and securing from Government a series of flexibilities in order to bring public land forward for development at pace, maximise its value, accelerate implementation of the West Midlands Public Land Charter, support the work of the West Midlands Public Land Taskforce and showcase the contribution of public land and buildings to Levelling Up and placemaking.

6.0 Financial Implications

6.1 It is noted that the purpose of this paper is to provide an update on the development of Investment Zone proposals in the West Midlands, and the progress made following the submission of Expressions of Interest.

6.2 There are no immediate financial implications as a result of the points noted within this report. However, there are likely to be costs associated with the development of the pipeline of schemes and of the next iteration of the West Midlands Investment Prospectus, noted within the report, which will be funded from existing resources. Any potential/emerging financial implications will be presented to the Housing & Land Delivery Board at a future date.

7.0 Legal Implications

7.1 It is noted that the purpose of this paper is to update the Housing and Land Delivery Board on the development of Investment Zone proposals in the West Midlands and the subsequent progress following submission of the Expressions of Interest.

7.2 Although there are no immediate legal implications arising from this paper consideration will need to be given to the legal implications arising from any future guidance issued by HM Government in relation to Investment Zones or similar proposals. Legal advice will need to be sought at the appropriate stages with a view to ensuring that appropriate governance systems are established to complement or amend the existing systems within WMCA for the purposes of the implementation and delivery of any such proposals.

8.0 Equalities Implications

- 8.1 There are no immediate equalities implications in relation to this report. However, individual projects will need to take into account local area needs and local stakeholder needs to ensure the schemes benefit local residents, including harder to reach groups. To that effect equality impact assessments will need to be conducted to understand demographics, key inequality issues and how investment can help address key inequality gaps. Engagement and consultation with key equality stakeholders is also crucial.

9.0 Inclusive Growth Implications

- 9.1 There are no immediate inclusive growth implications in relation to this report. Individual projects, however, will need to take into account local area needs and local stakeholder needs to ensure that they benefit local communities.

10.0 Geographical Area of Report's Implications

- 10.1 The recommendations of this report apply to the whole of the WMCA area.

11.0 Other implications

- 11.1 None.

12.0. Schedule of Background Papers

- 12.1 None.