

Council – 10 April 2017

Amendment to the Capital Programme 2017/18 – Black Country Enterprise Zone Land Acquisition

Portfolio: Councillor Jeavons - Regeneration

Service: Economy & Environment

Wards: Pleck

1. Summary

- 1.1 At its meeting on 15 March 2017, Cabinet approved (in private session) the acquisition of land within the Darlaston locality of the Black Country Enterprise Zone (BCEZ) to support the delivery of Walsall's employment land supply and to generate economic growth through investment, floorspace and job creation. Cabinet therefore recommends to Council that the 2017/18 Capital Programme be amended to include a budget for the acquisition. It was proposed to Cabinet that this initial investment in land assembly would be recovered from future business rates generated from the site as per the BCEZ business rates mechanism.
- 1.2 Under the Finance rules of the Constitution (paragraph 4.7, section 2.3), Council approval is required to amend the Capital Programme when adjustments are above £500,000; as in this instance.

2. Recommendations

- 2.1 That Council approve an amendment to the 2017/18 Capital Programme to include a budget for the acquisition of land in the Black Country Enterprise Zone and associated purchase costs of £2,114,500.

3. Report detail

- 3.1 The Black Country Enterprise Zone (BCEZ) is of strategic importance to Walsall's employment land supply and also to the delivery of the Black Country Strategic Economic Plan (BC SEP) economic objectives, and is capable of delivering significant investment, floorspace and job creation. At its meeting on 24 October 2012 Cabinet were advised that it may be appropriate for the Council to seek to acquire land within the BCEZ to enable delivery of remediation and/or infrastructure through the BCEZ business rates mechanism and provide viable sites to the market.
- 3.2 The acquisition of land – circa 5.6ha with the potential to accommodate up to 25,000sqm of development for employment uses - within the Darlaston locality of the BCEZ has been approved by Cabinet (15 March 2017), however the costs of this intervention were not included in the 2017/18 Capital Programme that was agreed by Council on 23 February 2017. At the time, discussions had been

progressing with the private land owner on the potential to acquire the land; however neither draft legal terms nor a valuation had been agreed at the point when the capital programme was considered by Council. In consultation with Finance it was therefore agreed that, subject to Cabinet approval of the acquisition (now obtained), an adjustment to the capital programme would be sought with the decision on financing (e.g. existing or additional borrowing) to be taken by the Chief Finance Officer in year (2017/18), taking into account all available sources of finance. This cost is ultimately expected to be recovered from future business rates generated from this site through the use of the BCEZ mechanism.

4. Council priorities

4.1 The Council has committed to focus on four priorities in the Corporate Plan 2017-2020 and supporting delivery of the Black Country Enterprise Zone sites for employment use will directly address one of these priorities:

- Pursue Inclusive Economic Growth: Walsall people will have appropriate skills and access to jobs so economic benefits are felt in each of our communities.

In particular the development of land within the Black Country Enterprise Zone will meet specific Service Delivery Priorities that have been established for delivery of that overall priority, namely:

- Creating a business environment which supports job creation throughout Walsall – development of land within the Zone has the potential to generate a significant number of jobs.
- Transform our infrastructure to support people's ability to access jobs (wherever they may be) and support company expansion, relocation and competitiveness in Walsall – development of land within the Enterprise Zone will increase the employment land supply in the borough thereby creating opportunities for business growth.

5. Risk management

5.1 The following financial risks should be noted:

- a) That the legal acquisition process/transfer takes longer than anticipated and the purchase is not achieved within 2017/18. This is a remote risk as Heads of Terms have already been agreed with the seller which includes a target date for exchange of contract and completion of the transfer in 2017/18 Q2 (calendar year).
- b) That the BC LEP do not give final approval for the use of business rate uplift to support the investment costs for the site, and therefore there is no ability for the Council to recover the cost of the land acquisition. In this instance the maximum financial exposure to the Council of the purchase is therefore the acquisition cost of the site plus interest costs. This risk is mitigated as the BC LEP Board has already reaffirmed agreement at its meeting on 25 January 2016 for the utilisation of BCEZ business rates to fund, in priority order, i54 infrastructure works, Phoenix 10 project delivery costs and delivery of the

remaining BCEZ sites. The BC LEP Board representative for the BCEZ also continues to receive and discuss regular progress reports on this project.

6. Financial implications

- 6.1 In consultation with Finance it is agreed that, subject to Council approval to adjust the capital programme as requested, the decision on financing this cost (e.g. existing or additional borrowing) will be taken by the Chief Finance Officer in year (2017/18), taking into account all available sources of finance. If additional borrowing is required to be taken out, this would equate to debt and interest charges of £129,000 per annum (a total of £2.7m from 2017-2037 being the remaining period of the Enterprise Zone).
- 6.2 Through the use of the BCEZ business rates mechanism, whilst the Council will need to initially fund the purchase of the land using its own capital resources, this cost is ultimately expected to be recovered from future business rates generated by the site or from the wider BCEZ if necessary. Financial modelling of the land to be acquired suggests that, on a standalone basis, the business rates generated will be sufficient to recover the cost of the land acquisition. The BC LEP Board at its meeting on 25 January 2016 reaffirmed agreement for the utilisation of BCEZ business rates to fund such activity through business rate uplift. BC LEP Board approval of the business case for the land being acquired and associated agreement to utilise the BCEZ business rates mechanism for these costs will be sought at a later time.

7. Legal implications

- 7.1 The Council can acquire sites as it sees fit but it must make sure that it acts reasonably in doing so and that it meets its fiduciary responsibility to the tax payer to ensure best value. The Council's BCEZ consultant, Cushman & Wakefield (C&W), has confirmed that the purchase price compares favourably with the market value of the site and reflects existing site conditions (i.e. ground conditions and access). A RICS valuation ('Red Book') – i.e. the professional standard set for asset valuation – will be completed to provide certification before the site is legally acquired.

8. Property implications

- 8.1 On acquiring the land, there will be ongoing responsibilities for the Council as land owner, such as maintaining existing site security and boundaries, until the site is developed and/or transferred/disposed. These costs are anticipated to be minimal and would be met through existing revenue budgets.

9. Health and wellbeing implications

- 9.1 There are no direct health and wellbeing implications arising from this report.

10. Staffing implications

- 10.1 There are no direct staffing implications arising from this report.

11. Equality implications

11.1 There are no direct equality implications arising from this report.

12. Consultation

12.1 The associated Cabinet report 15 March 2017 was prepared in consultation with internal officers (including Finance) and the Portfolio Holder.

12.2 Officers within the Regeneration & Development provide regular progress and monitoring updates regarding the BCEZ to the Portfolio Holder, Local Enterprise Partnership and Government agencies, as well as ward Member briefings as required.

12.3 The significance of the BCEZ and need to ensure effective engagement with the local community as the project progresses and as part of any future planning application is recognised and will be undertaken as appropriate.

Background papers

- Black Country Enterprise Zone – Use of Compulsory Purchase Powers, Cabinet Report, dated 24 October 2012.
- Black Country Enterprise Zone: Strategic Land Acquisition, Cabinet Report (private session), dated 15 March 2017.

Author

Simon Tranter
Head of Regeneration and
Development
☎ 01922 654723
✉ simon.tranter@walsall.gov.uk

Vicky Buckley
Head of Finance
☎ 01922 652326
✉ vicky.buckley@walsall.gov.uk

James Walsh
Assistant Director
Finance



Simon Neilson
Executive Director

3 April 2017