

**Report of the Heads of Regeneration Working Group
to the Black Country Executive Joint Committee
on 13 January 2025**

**Black Country Enterprise Zone (BCEZ)
Gasholders (Walsall) Project approval recommendation**

Key Decision:	Yes
Forward Plan:	Yes

1. Purpose of the report

- 1.1 To request that Heads of Regeneration Working Group recommends to the Black Country Joint Committee (BCJC) the approval of the Gasholders project due diligence work to be funded from Black Country Enterprise Zone (BCEZ) business rates surpluses. BCEZ funds are one of the Black Country Local Enterprise Partnership (BCLEP) Legacy Funds as defined in the Collaboration Agreement (2023).
- 1.2 This recommendation was considered by the Heads of Regeneration Working Group on 11th November 2024.
- 1.3 BCJC approval is also sought to deviate from the Collaboration Agreement so that future funding decisions for the balance of the Gasholders project continue to be made by BCJC (rather than reverting to the local authorities post 1 April 2025 as per current agreement).

2. Recommendations

That the Working Group recommends to the Black Country Joint Committee:

- 2.1 To approve up to £400,000 grant funding to Walsall Council from BCEZ business rate surpluses to deliver the Gasholders project due diligence work to further develop the full funding business case to secure BCEZ funding up to £14.898m.
- 2.2 To approve Walsall Council to withhold the grant of up to £400,000 from BCEZ surpluses prior to being repaid to Wolverhampton Council in September 2025 (see paragraph 3.13).
- 2.3 To approve an exception to the Collaboration Agreement (2023) whereby funding decisions after 1 April 2025 in relation to the balance of the BCEZ business rate surpluses for the Gasholders project continue to be taken by BCJC.

3. Report detail

- 3.1 Following the abolition of the Black Country Local Enterprise Partnership (BCLEP) and voluntary winding down of Black Country Consortium Ltd (BCC Ltd) from the 31 March 2023, the four Black Country Local Authorities (BCLAs) updated the Black Country Executive Joint Committee Collaboration Agreement (Collaboration Agreement) which sets out the governance and operational arrangements for continued Black Country ways of working. The Collaboration Agreement sets out how the BCLEP Legacy Funds are managed, including BCEZ, with the BCLAs responsible for the continued management and monitoring. The BCEZ will be managed locally by Walsall Council as the BCLEP's Single Accountable Body (SAB) until 31 March 2025, after which (following a close down and reconciliation process) Enterprise Zones (EZ) will revert to the BCLA of origin to manage and monitor.
- 3.2 As part of the North BCEZ settlement (comprising the Wolverhampton and Walsall geographical areas) it was agreed in the Collaboration Agreement (schedule 6) that the following investments would be prioritised for funding from the forecast Wolverhampton surpluses:
- (a) £5m for Wolverhampton "project investment"
 - (b) up to £14.898m contribution to Walsall Council's Gasholders project
- 3.3 The approved governance arrangements mean that, if funding is required prior to 31 March 2025, these funding decisions need to be approved at Heads of Regeneration Working Group and Joint Committee, subject to a Green Book (5 case model) compliant business case and appraisal by the SABs independent technical advisors. Wolverhampton Council are preparing proposals to drawdown the £5m investment to support delivery of their priority city development projects, which will be subject to the protocols and governance in the Collaboration Agreement.
- 3.4 As a designated EZ site, Gasholders is a strategic project on the employment development pipeline and is of strategic importance to Walsall's and the sub-regions employment land supply. The site is located near to M6 Junction 10 and the under construction Darlaston railway station. The 9ha brownfield site has the potential to deliver up to circa 18,715sqm high-quality employment floorspace, comprised of mid- range sized units suitable for the local market and complimentary to adjacent EZ schemes at Parallel 113 and SPARK. The end development at Gasholders will support economic growth and an estimated 212 new jobs. The project has strong strategic fit with local, sub-regional and national priorities and policies.

- 3.5 The development of brownfield sites like Gasholders are complex because of previous site uses and constraints. Due diligence work carried out for the site to date has identified technical site considerations, issues and mitigations that will be required to bring forward redevelopment. The resulting indicative layout options, costings and development appraisals show that public sector grant funding is needed to address site abnormalities and below-ground constraints for a future high-quality multi-unit employment scheme. In addition, the current development appraisals demonstrate genuine market failure (on a 'clean & green' basis) because of site specific considerations (e.g. constraints and mitigations guiding the maximum developable area) and current market factors following the impact of major external influences on development costs and values.
- 3.6 External property advice (Avison Young), informed by engagement with developers, recommended the need for the council to de-risk and present the site to the market in the most attractive form. It is therefore the current intention to deliver the Gasholders site through a phased approach that will de-risk and provide a "clean & green" development opportunity to the market. This approach will provide a significant step towards the provision of much needed employment floorspace. The completion of phase 1 will provide a readily available and developable site to the market and the ability to react quickly to positive changes in the market and opportunities to secure future funding for phase 2, to deliver the build-out of units on site.
- 3.7 Walsall Council have prepared a Green Book compliant business case that seeks to secure the BCEZ funds (up to £14.898m) to carry out the phase 1 site preparation works to address site abnormalities and prepare the site for a future phase 2 build-out. For phase 1, the only direct output will be hectares of land remediated, and the economic benefits realised through future phase 2 delivery being outcomes of phase 1, including sqm of new employment floorspace and jobs. The phase 1 site preparation works are summarised as follows:
- Hybrid planning application (full for site preparation and outline for end use) with supporting documentation and technical surveys and reports
 - Land acquisitions including potential CPO if required (to create a new vehicle access suitable for a high-quality intensified employment use)
 - New site access from Darlaston Road
 - Site remediation
 - Ecology mitigation
 - Utility diversions
 - Site levels/ civils/ development platforms
- 3.8 Post the proposed investment in the phase 1 works, the business case sets out that the current appraisal for the preferred layout option shows a viability gap for

phase 2 and identifies potential sources of funding as part of a potential blended funding solution.

Table 1. Phase 2: Potential funding sources and modelled funding amounts

Phase 2: Potential funding sources and modelled funding amounts	£
Gasholders standalone EZ business rates retention up to March 2038*	c. £3.7m
Gasholders Growth Zone business rates retention from April 2038 to March 2049*	c. £7.1m
Future WMCA devolved Single Settlement funds to support employment site delivery**	tbc
Council capital through the “Development Investment” budget	tbc

* note that interest costs may have to be deducted from these figures if borrowing was required to fund Phase 2

**part of an on-going ask of WM LAs to government for future integrated settlements

3.9 The business case acknowledges that there is therefore a risk that the viability gap funding cannot be secured for phase 2 construction and the economic outputs may not be realised (i.e. jobs, employment floorspace) following the phase 1 investment. It is highlighted that the phase 2 appraisal includes prudent cost assumptions (e.g. BCIS upper quartile construction costs, interest rates, rents, yields, etc), and risk/contingency reflective of the current design stage. It is anticipated that there will be an improvement in the viability gap as costs and risks are refined through detailed design work and cost value engineering and changes in construction market and financial conditions over future years. The appraisal also includes additional fees for a potential development manager delivery route, which may not be required subject to future work on the preferred delivery route procurement strategy for phase 2. In addition, there are numerous examples in Walsall and the Black Country (for example, Reedswood Business Park and Impact Park) where “clean” sites have been redeveloped without /with limited public sector funding. It is noted that investment decisions taken by the private sector, as well as being informed by the upfront financial costs, also consider the longer-term financial case and business needs when investing in property.

3.10 The full business case was submitted on 25 June 2024 to the Accountable Body’s independent technical advisors. The technical advisors report (dated 21 July 2024) recommended that the appropriate amount of grant funding that could be justified to facilitate the Gasholders phase 1 project delivery is the maximum sum of £14,898,000 and subject to a staged approach being adopted as per the following suggestion, with appropriate budget allowances and programme provided for each stage:

- i. The Economic Case to be presented so as to provide for a BCR calculation that meets with required latest guidance. A BCR in excess 1.0 to be achieved as a minimum.
- ii. Preparation of Planning Consent (hybrid application) with required surveys, investigations and reports.
- iii. Holding a Risk Workshop and preparing a priced Risk Register
- iv. Site acquisitions to be achieved to facilitate adequate site access for the completed scheme, or confirmed CPO, whichever the earlier.
- v. Works procurement (Phase 1) and Procurement and funding strategy (Phase 2) confirmed
- vi. Delivery of works on site (Phase 1)

3.11 It is important to note that the ability to secure funding for phase 1 to bring the site forward to a 'clean and green, development ready' standard will be key to any CPO case that may be required to secure acquisitions for site access. Funding assurance for phase 1, as per the staged recommended approach in 3.10, is therefore essential to unlocking the site. Additionally, Condition 3.10 (v.) requires confirmation of a procurement and funding strategy for phase 2 prior to the delivery for phase 1 works on site. This sequencing of conditions means that updated appraisals and a funding strategy for phase 2 would be set out before much of the phase 1 costs/ funding are incurred (i.e. excluding planning and land acquisitions costs). The staged approach with appropriate budget allowances would enable assurances to be provided to support early land acquisitions whilst continuing work in parallel to identify alternative funding sources for the site build-out phase (subject to a separate future business case for phase 2) and reasonable steps to be taken to ensure that the build-out follows as soon as possible after phase 1.

3.12 The recommended staged approach to funding and programme, as set out in 3.10, was approved by Heads of Regeneration Working Group on 11 November 2024, subject to further discussion between Walsall and Wolverhampton Council's on the proposed approach. As set out in the completed business case, it is acknowledged that funding for the totality of the Gasholders project cannot currently be confirmed. There is therefore a risk (as identified in the phase 1 business case) to funding phase 1 through the BCEZ business rates surpluses without full assurance of phase 2 build-out. Reflecting on this, as an alternative to the technical advisors recommended staged approach to funding phase 1, this report proposes that further due diligence work should be undertaken first to inform and develop the procurement and funding strategy for phase 2, as agreed between Walsall and Wolverhampton Council's. This further work will be funded through the BCEZ business rates surpluses and the outcomes will enable the funding business case to be updated and reassessed to inform a future funding

decision to secure the balance of the BCEZ funding for the Gasholders project (up to £14.898m) and provide the funding assurance.

- 3.13 This work will be programmed for 2025/26 financial year, therefore a decision on the balance of the BCEZ funding will occur post 1 April 2025. An exception to the Collaboration Agreement is proposed so that BCJC continue to make decisions in relation to the BCEZ funding for the Gasholders project given the strategic nature of the scheme and funding. A formal variation to the Collaboration Agreement is not proposed, given this would be a variation to a single item within the agreement, for a single project, requiring approval at each BCLA's Cabinet, but legal advice will need to be obtained to confirm that a formal variation is not required.
- 3.14 The recommendation of this report is for Walsall Council to withhold grant of up to £400,000 from BCEZ surpluses, prior to business rate surpluses being repaid to Wolverhampton Council in September 2025. This is due to the BCEZ reverting to the Local Authority of original as at 1 April 2025 as set out in the Collaboration Agreement, following a reconciliation period in August 2025. Walsall Council's Accountable Body team will continue to review and evidence expenditure in line with existing arrangements in relation to this grant, which will be available to Wolverhampton Council on request.

4. Benefit cost ratio (Value for money)

- 4.1 The appraised business case included BCR calculations based on comprehensive delivery of the Gasholders project (i.e. phase 1 site preparation and phase 2 construction). The recommended staged approach to funding (as per paragraph 3.10) proposed that further work on the economic case be undertaken and to achieve a BCR in excess of 1.0. In acknowledging this, Walsall Council subsequently commissioned the additional work on the economic case and BCR to satisfy recommendation 3.10(i), including both a local level assessment of economic benefits and a UK-level Green Book compliant calculation. A summary of the work and outcomes of the BCR calculations will form part of a future report to secure the balance of the BCEZ business rates surpluses.

5. Financial implications

- 5.1 It is proposed that up to £400,000 grant is funded in 2025/26 from the BCEZ business rate surpluses to fund due diligence work to develop the procurement and funding strategy for phase 2. Indicative modelling has been completed which suggests that this can be funded in year from projected surpluses. A recommendation of this report is for Walsall Council to withhold grant of up to

£400,000 from BCEZ surpluses, prior to business rate surpluses being repaid to Wolverhampton Council in September 2025. Walsall and Wolverhampton finance officers will agree a fundable cash-flow and approach to claims/payments for the balance of the grant, subject to approval and a future report.

Table 2: Proposed grant profile

Funding	Collaboration Agreement Investment Amount	2025/26 Funding	Balance
Legacy Funds- BCEZ	£14,898,000	£400,000	£14,498,000

6. Legal implications

- 6.1 The “Governance principles: Enterprise Zones” set out in Schedule 6 of the Collaboration Agreement state (at paragraph 3.4) that, from 1 April 2025, Black Country local authorities will be responsible for the management and decision-making for Enterprise Zones falling in their own geographical region, with decision-making aligned to the local authority’s own governance arrangements. Given the strategic nature of the Gasholders project and funding required, as well as the cross-boundary arrangements (i.e. Wolverhampton Council as the business rates collector and Walsall Council as proposed grant recipient), it is proposed that future funding decisions regarding the project post 1 April 2025 will continue to be considered and agreed by Joint Committee.
- 6.2 “Variation” Clause 18 of the Collaboration Agreement enables Joint Committee to review the operation and implementation of the agreement and make proposals for any changes which the Joint Committee deem to be reasonable and appropriate with changes to be dealt with by a Deed of Variation. A formal variation to the Collaboration Agreement is not proposed, given this would be a variation to a single item within the agreement, for a single project, requiring approval at each BCLA’s Cabinet, but legal advice will need to be obtained to confirm that a formal variation is not required.

7. Risk management

- 7.1 Risk will be managed through Walsall Council’s project management, governance and monitoring processes. The funding sought as part of this report recommendation will enable further work to be undertaken that will help refine the risks and mitigations for the build-out phase of the Gasholders project.
- 7.2 The risk register in the full business case will be updated as part of a future report to BCJC to secure the balance of the BCEZ funding for the Gasholders project.

8. EQUALITY IMPLICATIONS

8.1 An initial equality impact assessment (EqIA) has been prepared for the Gasholders project as part of WMBCs internal process. The EqIA is a 'live' document and will continue to be monitored and updated as part of the project management.

9. Consultation

9.1 Legal and Finance officers at Walsall Council have been consulted as part of the development of this report.

Background papers

- Collaboration Agreement in relation to the Black Country Executive Joint Committee for the Black Country Local Enterprise Partnership Legacy Funds (signed and sealed by BCLAs, 24 May 2023).

Attachments

Not applicable

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