

Report to the North Weald Airfield & Asset Management Cabinet Committee



Report reference: **NWA-001-2012/13**
Date of meeting: **5 September 2012**

**Epping Forest
District Council**

Portfolio: **Asset Management & Economic Development**

Subject: **Ernst & Young review of the Halcrow Report**

Responsible Officer: **John Gilbert (01992 564062)**

Democratic Services Officer: **Rebecca Perrin (01992 564532)**

Recommendations/Decisions Required:

- (1) To receive the Ernst and Young overview of North Weald Airfield;**
- (2) To consider the next steps in respect of:**
 - (a) option appraisal for the future; and**
 - (b) current leasing restrictions;**
- (3) To report to Cabinet accordingly.**

Executive Summary:

Halcrow were appointed by the Council in 2010 to undertake a review of aviation intensification at the Airfield, with consideration given to any supporting infrastructure that might be required. They reported to the Cabinet Committee and then to Cabinet in March/April 2011. Subsequent to that time, no further activity has been undertaken, due in significant part to the inter-relationship between development at the Airfield and other estate management issues such as the redevelopment of the Langston Road depot site. In mid 2011, following funding from Improvement East, Ernst and Young (E&Y) were appointed to undertake an overview of the present situation, including the comments and recommendations of the Halcrow report and to recommend to the Council how it should best proceed, taking into consideration both aviation and non-aviation developments at the Airfield. A final version of their report was received towards the end of 2011. This report sets out some of the detail of the E&Y report.

Reasons for Proposed Decision:

To enable the cabinet Committee to give consideration to what the next steps might be in defining potential development options for North Weald Airfield.

Other Options for Action:

The only alternative option is not to consider the report at this stage, which would delay any further consideration of the future development options for the Airfield.

Report:

1. The Ernst and Young (E&Y) review is the third undertaken at the Airfield. The first was undertaken by Drivers Jonas in 1998/99, the second by Halcrow in 2010/2011 and most latterly by E&Y also in 2011. E&Y outlined their objective as:

“...to independently assess the work done to date on the airport (sic) and to outline the work required to determine the optimal use of the site.”

The report has been attached, in view of the fact that E&Y have indicated that they do not believe any information contained therein to be commercially sensitive.

2. Whilst E&Y have highlighted certain limitations in the scope of the Halcrow report, it should be stated that these reflect limits placed on Halcrow's commission by the Council in a number of ways including:

- (a) the report was focussed from the point of view of the Council and not a prospective investor, and therefore the timescales over which the investment returns should be considered were reduced and the manner in which financing costs and risks should be handled and presented were limited;
- (b) Halcrow were specifically prevented by the Council from an open and active soft market testing exercise on the grounds that it might prejudice future procurement exercises; and
- (c) it was always understood that Halcrow's remit was to focus more on the aviation elements and less on the supporting development options.

3. The commission with E&Y should therefore be seen as different to the one undertaken by Halcrow and the comments raised by E&Y reflect the fact that the two consultants undertook their work from a different perspective and with a different overall brief. On that basis, both reports have been helpful, and interestingly, it can be argued that both have concluded similarly in that if the Council wishes to place itself in a position of better understanding the aviation development options and opportunities for the Airfield, alongside non aviation related options, further detailed work will be required, to include:

- (a) the development of a master plan of the construction works required to develop the airfield and a detailed assessment of the capital costs involved in developing a business jet facility;
- (b) the assessment of other potential revenue streams under an aviation intensification option including aviation “add-on” services;
- (c) undertaking a legal review of any proposed development; and
- (d) undertaking a commercial and financial assessment of the potential development to include market sounding.

The above are intended to bring forward a recommendation as to the ultimate option for developing and/or disposing of the site along with a clear transaction strategy for delivering the preferred option and realising value.

4. E&Y suggested that two distinct packages of work would be required to deliver the required vision:

Package 1 (2 to 3 months)

- define the Council's commercial objectives
- define potential options for managing the site
- assess these options against the Council's stated commercial objectives on a qualitative basis
- establish an option shortlist based upon that qualitative assessment
- a detailed qualitative assessment of the short listed options

E&Y consider the second point above to be very important, in that at this stage all options,

whether aviation based or not, are freely considered, to establish what type of development would generate best value.

Package 2 (12 months or more)

- implementation strategy for preferred option and prepare for market
- procurement process

5. The above packages of work would need to be delivered through specialist consultants. E&Y have suggested that the normal process would be the appointment of a lead consultant to act for the Council with the likelihood that specialist sub consultants would be required for particular parts of the commission. Further details of these proposals can be found at pages 14 and 15 of the E&Y report.

6. As can be seen, this is a potentially lengthy procedure, and this does not allow for the time required to actually procure a lead consultant. Overall costs are also uncertain, but based upon previous exercises, a consultancy exercise of this complexity are very likely to cost in the region of £150,000. However, this cost should be seen in the context of what the Council may be looking to achieve in unlocking the financial potential of its largest landholding.

7. The outcome of any such exercise will also play a material part in the Council's on-going local plan development process, since the Airfield is currently predominantly Green Belt, and of course has a long and proud history relating to its role in earlier worldwide conflicts.

8. In the meantime the Airfield continues with its mixed uses of aviation, markets and other leisure related activities. The condition of the main runway is beginning to cause concern and Cabinet has provided funding to enable an assessment of its condition to be undertaken. This is a very specialist activity and work is underway to seek out companies with the relevant expertise.

9. The current restrictions upon new leases is also a cause for concern, since the limiting period of no lease beyond 2013 without a 6 monthly review is resulting in interest for additional uses at the Airfield to be curtailed.

Resource Implications:

The costs of the E&Y review were met from moneys provided through Improvement East. There are currently no earmarked resources for undertaking the significant piece of consultancy work which would be required to fulfil the recommendations of E&Y.

The current restrictions upon new leases is potentially constraining income.

A budget of £20,000 has been agreed by Cabinet to procure a structural assessment of the main runway.

Legal and Governance Implications:

When the Halcrow report was considered by the then Cabinet Committee in March 2011, the report was presented in two parts, one in public and one in private. The report was restricted on the basis that it contained financial and legal details of Airfield users. This restriction remains valid and therefore no reference is made in this report to the restricted parts of the Halcrow report.

Any future decisions regarding the development of North Weald Airfield will have to be taken and seen in the context of the on-going review of the Council's Local Plan, which is currently at the "Issues and Options" stage. The consultation document refers specifically to North Weald Airfield.

Safer, Cleaner and Greener Implications:

There are no significant implications at this time, but any decisions made in the future clearly have the potential to impact upon the local environment, and these would have to be considered at that time.

Consultation Undertaken:

Given the comments on the Halcrow study included in the E&Y report, Halcrow were afforded the opportunity to comment upon the E&Y findings. Whilst it has not been considered practical to set out their views in full, this report has been amended to deal with the main points they raised.

Background Papers:

Drivers Jonas Report

Halcrow report (publically available parts only)

Ernst & Young Report

Publically accessible reports to the North Weald Cabinet Committee and Cabinet in March 2011.

Impact Assessments:

Risk Management

As the Council's largest landholding, the future management of the site is key to the future. It is essential that well informed decisions are made, supported by professional consultancy advice where that is considered appropriate. Any decisions made have also to dovetail into the revisions of the Local Plan which are currently underway.

The Airfield is not supported financially by aviation, and if it were not for other non aviation income sources, the Airfield would not generate a surplus. A significant element of the non aviation financial support arises from just one Airfield user, the Saturday and Bank Holiday market operator. This reliance upon one major income source presents a significance risk to the Council's income streams.

Equality and Diversity:

The Council is committed to integrating the consideration of equality and diversity issues into its business, to ensure that it values and promotes equality and diversity and eliminates discrimination. A summary of equality information and implications must therefore be included in all reports to the Cabinet. Some policies or decisions will have obvious equality relevance because they aim to address a discrimination issue or imbalance by providing opportunities or adjustments to specific groups (e.g. specific provision for people with disabilities). In other cases, report authors may be used to considering equality implications (e.g. short listing candidates for a job vacancy).

It may initially appear that many reports/proposals do not have any equality or diversity implications. However, in order to ensure that nothing is missed, the equality implications of every proposed agenda item should be identified as part of the preparation of a report for the Cabinet, to ensure that a proposed policy with a potentially adverse impact can be revised prior to implementation. This will include the 'screening' of all proposals for equality implications before the drafting of the report and its consideration by the Cabinet Agenda Planning Group (APG). For all reports, including new policies and service related decisions, equality impact screening should be completed at an early stage. Where equality implications are identified through the screening process, an Equality Impact Assessment must be

undertaken and the results used to ensure that reports incorporate any actions necessary to avoid discrimination against any particular group.

The APG will not clear any report for consideration by the Cabinet unless the item confirms that it has been screened for relevance and, where an Equality Impact Assessment is required, that this has been completed and the results of the assessment and any necessary actions to avoid discrimination are reflected in the report.

The Council's Equality Impact Assessment toolkit is available from the Performance Improvement Unit.

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process?
None required at this stage

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?
None required at this stage