

Report to the Cabinet

Report reference: C-021-2012/13
Date of meeting: 10 September 2012



**Epping Forest
District Council**

Portfolio: Asset Management
Subject: Ernst & Young review of North Weald Airfield
Responsible Officer: John Gilbert (01992 564062)
Democratic Services Officer: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

- (1) To receive the Ernst and Young overview of North Weald Airfield;**
- (2) To note the comments of the North Weald Airfield & Asset Management Cabinet Committee; and**
- (3) To consider:**
 - (a) the appointment of consultants to advise on the future potential development of the Airfield;**
 - (b) subject to (a) above, to recommend a supplementary District Development Fund estimate in the sum of £150,000 to the Council for approval, to enable the consultancy exercise to be undertaken; and**
 - (c) subject to (a) and (b) above, the use of the Government Procurement Service Framework Agreement, or similar suitable framework, for the appointment of consultants.**

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 was considered by the North Weald Airfield and Asset Management Cabinet Committee at its meeting on 5 September 2012.

In view of the need to align consideration of the future of the Airfield with the ongoing review of the local plan, early consideration is now required in respect of seeking consultancy advice

on the future development options for the Airfield.

Reasons for Proposed Decision:

To enable the Cabinet to give consideration to what the next steps might be in defining potential development options for North Weald Airfield, taking into consideration the views of the North Weald Airfield and Asset Management Cabinet Committee and aligning those steps with the ongoing review of the local plan.

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 and may possibly prejudice the validity of the local plan at enquiry.

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 is attached to this agenda in full since E&Y have indicated that they do not believe any information contained therein to be commercially sensitive. Their report was also considered by the North Weald Airfield and Asset Management Cabinet Committee at their meeting on the 5th of September. The Chairman of the Committee will report orally on the views of their views (**Recommendations (1) and (2)**).

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 focused 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.

4. 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.

5. 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

6. 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

7. 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.

8. 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 is 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.

9. 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 world wars. In order to ensure that the consultancy exercise dovetails with the local plan process, the initial exercise (set out as package 1 above), will need to be undertaken, reported on and

considered by Cabinet / Council, by April next year to enable the outcome to inform the preferred options paper due to be published in July / August 2013. To achieve this requires a speedy procurement process for the lead consultants, and it is therefore suggested, if Cabinet wishes to proceed, to make use of Government Procurement Service Framework Agreements, which will avoid the need for a full scale EU procurement exercise (**Recommendations 3(a) and (c)**).

10. 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.

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 estimated costs of a consultancy exercise to undertake this role is £150,000. The final figure will of course be subject to the final outcome of the tendering process. If the Cabinet wishes to proceed it will need to seek Council's approval for a supplementary DDF estimate in that sum (**Recommendation 3(b)**).

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

Use of the Government Procurement Service Framework Agreements absolves the Council from the need to undertake an EU procurement exercise for the appointment of a consultant. The use of such frameworks is in accordance with Contract Standing Orders.

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

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.