

Report to the Cabinet



Report reference: C-013-2014/15

Date of meeting: 21 July 2014

**Epping Forest
District Council**

Portfolio: Asset Management & Economic Development

Subject: Marketing of an Operational Management Agreement for North Weald Airfield

Responsible Officer: Chris Pasterfield (01992 564124).

Democratic Services: Gary Woodhall (01992 564470).

Decisions Required:

- (1) To agree to seek an operational partner for the aviation business at North Weald Airfield;**
- (2) To approve the procurement and appointment of marketing agents and to delegate the terms of the appointment of agents to the Portfolio Holder for asset management and economic development;**
- (3) To receive a further report on the outcome of the marketing exercise; and**
- (4) To note that there are no plans to sell the Airfield at the current time.**

Executive Summary:

The Council has received a number of reports on the options for the future of the Airfield. The Cabinet on 22 July 2013 resolved that the future should be the "mixed aviation/development option", subject to the Local Plan. These development options are now being considered in detail as part of the Local Plan review. In order to inform that process and assess the aviation potential, it is suggested that bringing in a private sector operating partner could be beneficial. Hence marketing a contract for the day to day operation of the Airfield is recommended.

This report was considered by the Asset Management & Economic Development Cabinet Committee at its recent meeting on 14 July 2014. The three recommendations on the report were agreed and the Cabinet Committee agreed a further recommendation to note that there were no plans to dispose of the Airfield at the current time. Further details of the discussion at the Cabinet Committee will be provided by the Portfolio Holder at the meeting. This report is before the Cabinet as the Cabinet Committee does not have the authority within its terms of reference to approve these recommendations.

Reasons for Proposed Decision:

To progress Cabinet's previous decision to try and secure a viable future for aviation it is suggested that an existing commercial airfield operator be sought to provide the expertise to increase income, improve efficiency and help guide future plans.

Other Options for Action:

The only option is to try and improve the airfield operations in-house without potential private sector expertise and operational risk transfer.

To sell or lease a longer term interest in the Airfield for aviation use, which would mean less control and choice of options for the future for the Council.

Report:

1. Property consultants Savills, were appointed to review the current position and undertake a soft marketing exercise to obtain the views of companies operating in this sector of the aviation industry. Due to the considerable amount of unknown factors as to how the aviation operation could be improved, especially Civil Aviation Authority approvals and significant capital investment required, there was a clear preference from the private sector for a management agreement rather than a long lease.

2. A management agreement involves the Council paying a fee to an operator who takes all responsibility for running the aviation business. The Council then receives the income generated by the business. Targets and incentives are built into the arrangement so both parties benefit from increases in net profit due to lower costs and higher income generation. Any short term capital investment has also to be agreed. A term of 5-10 years is envisaged. This would allow the Council to retain a high level of control over the running of the aviation side of the airfield.

3. A formal marketing of this opportunity is now needed to try and ensure that the aviation business works towards becoming profitable in its own right, exclusive of the outdoor market income, which is currently in decline. The marketing would however not exclude other types of private sector involvement such as leasing, if interest was shown. An outright sale would be ruled out. It is hoped that a successful management agreement will show how the aviation business can be expanded and point the way for longer term improvement and investment to create a viable future.

4. It will take a month to engage the agents. The marketing preparation and activity will take a further 3 months. Timescales thereafter will very much depend on the type and level of response.

5. It is considered likely that aviation will initially be restricted to the west side of main runway but including operational buildings such as the control tower.

6. Existing staff will be needed to carry on existing or similar roles. By improving revenue generated by further aviation it is thought that this will help to guarantee jobs for the future.

Resource Implications:

The cost of employing agents to conduct the marketing will require allocation of funds which cannot be recouped as the Council does not expect to receive a capital receipt. Given the uncertain nature of what the market will find attractive, any agent is likely to require a fixed fee for marketing and a further success based fee if a proposed contract brought forward for Cabinet approval. Discussions will be required with Savills to ascertain the likely fee structure or if the work has to be tendered which will be at the discretion of the Portfolio Holder.

Legal and Governance Implications:

There are no specific legal or governance arrangements at this stage in the process. The appointment of the agent will comply with Contract Standing Orders.

Safer, Cleaner and Greener Implications:

There are no implications at this stage. The future use of the Airfield does and will continue to have a significant impact on the local environment. The environmental impact will be part of detailed negotiations with a future operator.

Consultation Undertaken:

No community consultation is required for the marketing but Airfield staff will be consulted both for their professional expertise but also as their terms of employment could be affected in the future.

Background Papers:

Savills Report (January 2014) contains exempt information.

Risk Management:

The risk that the marketing exercise will not produce a proposition acceptable to the Council has to be accepted. However the soft marketing exercise indicates there should be interest and potential agents will be tested for their assessment of the success of this proposal.