



CABINET REPORT

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| Report Title | Disposal of land at Westbridge Depot |
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AGENDA STATUS: PUBLIC

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| Cabinet Meeting Date: | 12 November 2014 |
| Key Decision: | YES |
| Within Policy: | YES |
| Policy Document: | NO |
| Directorate: | Regeneration, Enterprise & Planning |
| Accountable Cabinet Member: | Regeneration Enterprise and Planning - Cllr Tim Hadland |
| Ward(s) | St James |

1. Purpose

- 1.1 The purpose of this report is to seek the authority of Cabinet to enter into contractually binding arrangements that could lead to the disposal of land and buildings at Westbridge Depot for use in connection with a 'waste to energy' installation, subject to planning permission and all necessary approvals having been obtained before any transfer of land.

2. Recommendations

- 2.1 That Cabinet approve (subject to 2.2 below) the principle of this Council entering into agreements that could lead to the disposal of parts of Westbridge Depot, situated within the total area identified edged red upon the plan at Appendix 1.
- 2.2 That Cabinet directs the Director of Regeneration Enterprise and Planning, working with other relevant professional officers, to prepare a report for the Cabinet Member for Regeneration Enterprise and Planning detailing the benefits, risks, costs & savings and other associated issues connected with a 'waste to energy' installation being located at Westbridge Depot.

- 2.3 That subject to the approval of the Cabinet Member (detailed at 2.2) of the general principle of supporting a waste to energy operation at Westbridge, Cabinet delegates to the Director of Regeneration Enterprise and Planning the authority to agree the terms of any contractual arrangements for the grant of a land option (in consultation with the Cabinet Member for Regeneration Enterprise and Planning).

3. Issues and Choices

3.1 Report Background

- 3.1.1 This Council owns the freehold interest in Westbridge Depot shown edged red at Appendix 1. The property is presently partly used to accommodate Council staff in delivering housing services, a further significant part is let to Amey (formerly Enterprise) for use in the delivery of various Environmental Services to this Council and the balance is let to a number of local businesses.
- 3.1.2 From January 2015 Northampton Partnership Homes (“NPH”) will have a formal lease of part of the Depot and is likely to prepare its own medium term plans concerning its future accommodation needs. These may well include occupation of premises outside of Council ownership.
- 3.1.3 Westbridge Depot is located within the Northampton Waterside Enterprise Zone (“NWEZ”) and offers opportunities to support a range of initiatives that are consistent with promoting investment and innovation. A number of the existing buildings within the Depot complex are old and some are becoming functionally obsolescent.
- 3.1.4 The Council has been approached concerning a significant proposal, supported by Northamptonshire Enterprise Partnership and Northamptonshire County Council (NCC), which would involve the generation of power from waste materials. There could be important synergies from such an operation with existing waste management arrangements arising from Amey’s existing contract with this Council and with NCC. These could both generate savings connected to waste costs and supply heat and power to homes and businesses. It could provide additional operational and financial benefits for companies wanting to locate within NWEZ.
- 3.1.5 To establish the detailed suitability and viability of such an ‘energy to waste’ scheme at this location, would require a substantial amount of further expensive investigations and a range of statutory consents to be obtained. The company concerned consequently wish to enter into a binding option to enable them to purchase part of the Depot, to justify the high initial (and potentially abortive) expenditure that would be necessary on their part to get all necessary consents. The discretion to exercise the option to buy would be conditional upon the company first obtaining all necessary approvals and consents including planning permission.

3.2 Issues

- 3.2.1 The proposed use at 3.1.4 above would need to take full account of the existing restrictions affecting the site. These include flood risk and the proximity of oil storage installations. A full and detailed evaluation of these issues would be necessary, involving all relevant statutory agencies, as part of the company seeking planning permission and other important regulatory approvals.
- 3.2.2 If part of the property were to be sold for this proposed use, then premises presently used in the delivery of housing services and occupied by local businesses would be displaced. The timing of giving up vacant possession of relevant land, if an option were to be granted, would need to have specific regard to the timing of alternative accommodation arrangements coming on stream for NPH. Local businesses with tenancy agreements at the Depot are typically subject to provisions that would allow their arrangements to be terminated upon short notice. Nevertheless, the Council would clearly wish to support them to identify suitable alternative facilities and to manage any moves with as little impact on their businesses as is reasonably possible. Any impacts of changes to occupational arrangements with Amey would similarly need to be agreed. The design of any scheme would be required to make the most effective use of the overall Depot.
- 3.2.3 Westbridge Depot presently forms part of the business continuity arrangements for various Council services and equipment located there forms an important part of its ICT network and resilience. Alternative arrangements would need to be put in place if certain parts of the Depot were transferred and re-developed.
- 3.2.4 The grant of an option agreement for a period of perhaps two years, would inhibit the Council's flexibility to consider certain other proposals for the future of the Depot and could lead indirectly to this Council incurring new costs and giving up incomes, when an option granted may not in practice be exercised.
- 3.2.5 The potential impacts of the proposed operations on the wider local environment would need to be fully considered as part of an evaluation process, prior to this Council entering into a binding option. There may be concerns expressed by local residents and businesses about potential public health and property value issues which should be addressed.
- 3.2.6 The property has not been marketed and any provisions within a purchase option agreement would need to ensure that, if exercised, the buyer would pay the full market value of any land and buildings acquired.

3.3 Choices

- 3.3.1 The Council could choose to not engage further with the company promoting this opportunity. Alternatively, the company could be invited to make further investigations at their own risk, without any obligation on the Council to agree to sell land - if the Council decides it does not wish to proceed. The company

concerned are very unlikely to do this and the possible benefits of a waste to energy scheme would be lost.

- 3.3.2 The Council could choose to engage with a wider range of potential operators of this type of facility and to market the property for that use accordingly. Whilst this might generate additional interest and, ultimately, extra value from any land that was sold or leased, there is no certainty of that. It would be necessary to ensure that there are sufficient provisions inserted in any option agreement, if completed with the present interested party without further marketing, to ensure that the full market value is achieved if any land is sold.
- 3.3.3 The Council could choose to undertake an initial evaluation of the benefits and the risks of a waste to energy operation at this location together with an analysis of the resultant net revenue and capital consequences that would flow from supporting the proposal. Subject to first concluding that such an operation would, overall, be a beneficial use and that the consequential financial costs and benefits for the Council were understood and considered viable, to then grant a conditional option to purchase the relevant property at full market value. This is the recommended course of action.

4. Implications (including financial implications)

4.1 Policy

- 4.1.1 There are none.

4.2 Resources and Risk

- 4.2.1 **Capital:** A significant capital receipt would be realised by disposal of property, pursuant to an option – if exercised.

There may be capital expenditure required to meet the costs of re-location of Council owned equipment presently installed at the Depot, before or after an option to purchase was exercised. The possible costs of that cannot be quantified at this stage.

The Council would need to consider the consequence of NPHs displacement by the scheme. This would include an appraisal of all potential options to relocate NPH. The financial impact, both capital and revenue, of the options would be assessed to ensure value for money is delivered for council tax and rent payers.

The total costs of potential capital expenditure, compared with the level of capital receipt achievable from a disposal, would need to be fully considered prior to a decision to grant an option.

The capital considerations arising from this report will be considered as part of the capital governance process in place.

4.2.2 **Revenue:** In the short term there would be no revenue implications from granting an option to purchase. However, there would be a need to terminate lettings before or after an option was exercised. Business tenants may, in the knowledge of uncertainty about the future, choose to take early opportunities to locate elsewhere. The Council presently receives revenue income (rent and service charges) from local business tenants at this Depot.

The income received from NPH would also be lost if they were required to relocate, although this is a position that could arise in any event - if they chose to exercise a tenant break option under a new lease of parts of the Depot. Nevertheless, the net costs of alternative suitable accommodation might be greater for NPH than the charges payable to the Council in respect of Westbridge. Thus in the event of a requirement for NPH to move, specifically to facilitate the 'waste to energy' operation, the Council may need to provide some level of revenue financial support to NPH. If new freehold premises were acquired by NPH with Council support, there could be a new revenue income for this Council, to set against the costs of servicing any capital employed.

If there were impacts on the areas used by Amey, this could potentially affect the delivery of their contract services with possible cost consequences for the Council. However, the existing lease with Amey does provide for early break opportunities for parts of the Depot, in favour of this Council.

There may be significant positive revenue consequence from a waste to energy operation for this Council, for instance from savings made on payments linked to the disposal of non-recyclable waste.

Overall, an evaluation of the total likely consequential revenue costs and savings would need to be made - prior to a final decision to grant an option.

The implications for this Council's General Fund and Housing Revenue Account will be considered as part of the detailed review to be undertaken (pursuant to 2.2 above).

4.2.3. **Risk:** An evaluation of the likely risk issues associated with a waste to energy operation would be assessed prior to entering into an option agreement. The grant of an option would, during its term, 'sterilise' parts of the site with the risk of loss of alternative opportunities ('opportunity cost'). Other risk related issues are addressed elsewhere in this report – these include existing Council business continuity arrangements.

4.3 Legal

4.3.1 Local authorities are generally under a duty to comply with Section 123(2) of the Local Government Act 1972 which requires that "Except with the consent of the Secretary of State a Council shall not dispose of land under this section, otherwise than by way of a short tenancy, for a consideration less than the best that can reasonably be obtained." Section 123 issues are addressed in the body of this report – where it is noted that any sale pursuant to an option would have to be at full market value.

4.4 Equality and Health

- 4.4.1 There are no identified equality issues. The Depot is not a suitable environment for the general public to visit and public callers are discouraged. There is not considered to be any adverse impact on any particular section of the community from a disposal of land at this location.
- 4.4.2 Any concerns regarding public health or safety issues arising from a waste to energy operation would be considered as part of an initial evaluation by the Council, prior to entering into an option agreement. The construction of any such facility on the land, pursuant to the exercise of an option that was granted, would be subject to a wide range of stringent regulatory consents and permissions.

4.5 Consultees (Internal and External)

- 4.5.1 Amey have already had initial discussions with the interested company. Local businesses based at the Depot have been made aware of the proposals.

4.6 How the Proposals deliver Priority Outcomes

- 4.6.1 The grant of an option to purchase land could help support an important new development within NWEZ, help to manage waste streams more effectively and generate capital receipts to support wider corporate objectives.

4.7 Other Implications

- 4.7.1 There are none specifically.

5. Background Papers

None

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