



CABINET REPORT

Report Title	Disposal of Land at Westbridge Depot – Waste to Energy plant
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AGENDA STATUS: PUBLIC

Expected Date of Decision:	11 th November 2015
Within Policy:	Yes
Policy Document:	No
Directorate:	Regeneration, Enterprise & Planning
Cabinet Member:	Cllr Tim Hadland, Member for Regeneration, Enterprise and Planning
Ward(s)	St James

1. Purpose

- 1.1 The purpose of this report is to present the risks, costs and benefits and other associated issues in relation to a planned Waste to Energy Centre (W2E) using waste products located at Westbridge Depot, which would be on land owned by the Borough Council and to agree that a conditional option to lease land be agreed.

2. Recommendations

- 2.1 That approval in principle is given to grant a 2 year option for the lease of approximately 5 acres of land within the area identified edged red upon the plan at Appendix 1, subject to the issues outlined below being satisfied during that period:
- 2.1 (a) That the approved Option is conditional upon the Council being satisfied that the Waste to Energy plant land requirement does not result in the remaining Westbridge plot being too small to deliver the safe and efficient operational requirements of the Council's existing waste facility at Westbridge and to cater for further growth of that facility as Northampton grows in size for the duration of the lease.

- 2.1 (b) That the approved Option is subject to the necessary statutory consents being obtained including planning permission within the 2 year period.
- 2.1 (c) That the Waste to Energy facility will provide an avenue for the disposal of all non-recycled domestic waste collected by the Council or its contractors in Northampton.
- 2.1 (d) That the business case for the Waste to Energy plant is robust and helps to bring significant bottom-line financial benefits to the Council's General Fund Budget for waste operations through the disposal of domestic waste within the Council's future Waste Strategy.
- 2.1 (e) The Option Agreement is subject to 6 monthly reports back to the Council to assess progress against the Option conditions.
- 2.1 (f) That the Option Agreement is subject to the Developer undertaking a full consultation with the local community and a full report to the Council on this consultation detailing how it is planned to respond to it at each stage.
- 2.1 (g) That any relocation costs involved in exercising the preferred Option will be met by the developer. Should the development require the Council to re-position or alter waste or environmental services on the Westbridge site the JV will meet those costs.

3. Issues and Choices

3.1 Report Background

- 3.1.1 This Council owns the freehold shown edged red on the plan at Appendix 1, situated at Westbridge Depot. The whole site is made up of a mixture of occupiers including Northampton Partnership Homes to the North of the site, Amey manage the Waste facility to the West and there are a couple of small occupiers to the south. A number of existing buildings are old and becoming functionally obsolescent.
- 3.1.2 Westbridge Depot is located within the Enterprise Zone (EZ) and offers opportunities to support a range of initiatives consistent with promoting investment and innovation. The Waste to Energy plant could help to provide power for a wide range of uses both domestic and commercial.
- 3.1.3 The Council was approached early in 2014 to allow a commercial Joint Venture (JV) to investigate the viability of a power plant supplied by waste materials.
- 3.1.4 To date the JV have conducted initial ground investigations, some consultation with the resident associations and provided documentation showing current progress, technical and financial information.

- 3.1.5 The intention for the JV is to complete an option to purchase or lease the c. 5 acre plot within the Westbridge Depot as identified on Appendix 1. The JV would then conduct more comprehensive site investigation surveys at their cost and ultimately submit a planning application by the New Year of 2016 as well as a window for contracting with the National Grid.

3.2 Issues

3.2.1 There are a number of Issues which the Council would need to be satisfied with before the Option could be exercised:

Technical Issues:

- Flood risk
- Oil storage proximity
- Ground contamination
- Planning
- Traffic impact

There are also a number of wider Issues:

- Impact on the current Waste Operations
- Impact on the local Community
- Potential Financial benefits to the Council

Flood Risk - The proposed development has been forwarded to the Environment Agency by the JV for comment with regard to flood protection and awaiting a response. This will be picked up in any formal planning application.

Oil Storage Proximity - The proposed development has been referred to the HSE. They have responded with demarked blast zones and the latest scheme layout abides by the HSE recommendations.

Ground contamination - Further ground investigations will be undertaken by the JV after any option has been granted. Initial investigations have proven satisfactory to the JV and the satisfaction of future investigations will be bespoke to this particular development. Any further statutory and regulatory consultations must be undertaken by the JV and satisfied at their cost.

Planning. A planning application has not been made for the development but the JV have declared a need to submit an application before the end of 2015/early 2016. An Planning Application will be considered by the County Council.

Traffic Impact. The site is in a densely populated area on an arterial route and this issue will no doubt be addressed in the planning process. It is a concern that should waste be transferred from further afield this will add to the pressures on infrastructure within the Borough.

Wider Issues:

Operation requirements. A detailed study is underway to ensure that the Council's operational interests on site are not compromised by this proposal. This study will be worked through to the satisfaction of all stakeholders. It is important that the proposed development is at no detriment to our existing operation.

Community. The local community have been consulted initially about this proposal and once an Option is granted, the developer has confirmed they will conduct a full consultation with the community and respond as directed by condition 2.1 (f) above.

Council. The Council's existing local depot is adjacent to the proposed site and there are potential synergies in co-locating, subject to the Council being satisfied that required waste operations will not be compromised by the W2E plant footprint. For the Council it is clearly determining what financial benefits would be gained through co-location for our existing and future waste strategies. This includes certainty that the Council's Domestic Waste will be suitable for this plant, as per 2.1 (d).

Financial viability. A detailed cash flow and IRR forecast has been submitted to Officers from the JV. This shows a c £165m investment consisting of a £113m loan and £48.6m equity.

The cash flow returns are healthy and based upon a certainty of income from several different contracts.

The investment is forecast as being in operation from 2020. The scheme is backed by a blue-chip financial institution. As such Officers have concluded that the proposed facility is institutionally backed and financially sound.

3.3 Choices (Options)

3.3.1 The Council had recommended to await proof of concept of the Energy Plant from this JV under a Cabinet Decision dated 12th November 2014. The JV has forwarded such a report, which outlines the preferred options – a Japanese Gasification plant - and likely operational issues the venture will face and how they will be addressed. Prior to any option to purchase being granted, a detailed site plan would need to be agreed showing how both the JV and NBC could co-locate on site, a valuation report of the land would need to take account of very specific assumptions and feed into the commercial negotiations still to be finalised with the proposal. The proposal would also offer the opportunity to help reduce the Council's revenue costs associated with the waste contract.

3.3.2 The Cabinet could choose to agree to offer pre-emption rights for the purchase of the land with an agreed price based upon a formal valuation, but at no less than £3,000,000 with the proviso of an overage or clawback agreement should the valuation of the freehold be worth more to specialised investors in the future. This option would not realise as much value for the Council as 3.3.3.

3.3.3 The Cabinet could chose to agree to an option for a long term lease of up to 125 years at a minimum starting rental of £400,000 per annum with rent review uplifts, securing revenue which could be sold as a valuable investment in the future. Officers wish to pursue a valuation opinion from a specialist in this market, but nonetheless recommend granting a lease option for a small fee (to cover costs) as the best commercial arrangement for the Council. **This is the recommended option.**

3.3.4 The Cabinet could refuse to offer pre-emption rights to the JV outright and invite interest from other parties.

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are none specifically, but development here would be consistent with the West Northamptonshire Joint Core Strategy and earlier cabinet decisions.

4.2 Resources and Risk

4.2.1 If the Cabinet supports the recommendation made, the Council would guarantee a revenue receipt with potential for a significant capital receipt in the future.

4.2.2 While the Council expects to benefit from savings to its Waste disposal contract with this resource, as it stands the county council will benefit, as they are the disposal authority and therefore meet all of the disposal costs. NBC itself would not benefit from reduced disposal costs.

4.2.3 The proximity of oil storage tanks to the West of the site required HSE consultation in relation to the proposed use, which recommended the main buildings to be located on the Nene tributary side of the site away from the oil depot blast zone.

4.2.4 There may be further opportunity to synergise NBC's waste collection and disposal operations with the proposed facility.

4.2.5 Current tenants would need to be relocated to suitable premises – which the JV has offered to fund reasonable costs.

4.2.6 The Council needs to be satisfied that the Waste to Energy site proposed does not require so much land that the Council is unable to deliver its own waste facility at the Westbridge depot due to insufficient remaining space.

4.3 Legal

4.3.1 There are none specifically identified.

4.4 Equality

4.4.1 There are none specifically identified.

4.5 Consultees (Internal and External)

None.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The sale of this land for the proposed use would deliver employment generation objectives of the EZ, as well as generate a significant revenue receipt.

4.7 Other Implications

4.7.1 None

5. Background Papers

Cabinet Decision 12th November 2014

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