



CABINET REPORT

Report Title	Northampton Waterside Enterprise Zone: Proposed Purchase of Land at St. Peter's Way.
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	October 19 th 2016.
Key Decision:	No
Within Policy:	Yes
Policy Document:	No
Directorate:	Regeneration, Enterprise & Planning
Accountable Cabinet Member:	Councillor Tim Hadland
Ward(s)	Castle

1. Purpose

- 1.1 At a previous meeting of Cabinet the purchase of a site as a strategic acquisition within the Enterprise Zone was agreed (see Plan at Appendix 1). This report updates Cabinet on progress including work commissioned as part of the Council's required due diligence to support the purchase of land and seeks the appropriate authority to advance and conclude the matter.

2. Recommendations

- 2.1 That progress to date in advancing the proposed purchase is noted.
- 2.2 That the various studies commissioned from AMECfw as a part of the Council's environmental due diligence associated with the proposed purchase and the appointment of Nabarro as external legal advisors be endorsed.
- 2.3 That the Director of Planning, Regeneration & Enterprise acting in consultation with the Chief Finance Officer and the Cabinet Members for Planning, Regeneration & Enterprise and Finance, be authorised to complete the due diligence process and to agree appropriate terms in-principle for the purchase of the site from National Grid.

- 2.4 That the Director of Planning, Regeneration & Enterprise be requested to submit a further report, as appropriate, to enable Cabinet to confirm the purchase.

3. Issues and Choices

3.1 Report Background

- 3.1.1 At a previous meeting of Cabinet a report concerning this matter was considered and it was resolved that the site be purchased by the Council, subject to the usual considerations. That resolution, although clearly indicating the will of Cabinet, would benefit from additional resolutions to accord with the Council's enhanced governance framework. Appropriate recommendations are therefore set out for consideration.
- 3.1.2 The site is currently owned by National Grid and is part of a former Gas Works that covered a wider area. The site was subject to remediation between July and December 2014 to a commercial open store use standard. It is irregular in shape and covers an area of approximately 1.5 hectares. The site is located at an elevation of approximately 60m above the ordnance datum and the site is generally flat. The site contains a building known as Horizon House on its northern edge, which is being considered for inclusion on the Local Interest List. This comprises a two storey red-brick building which is currently boarded up and secured. An electricity substation is located in the east of the site, and appears to be in good condition. The remaining structures comprise the floor-slab/foundations of the former Centrica Billing Centre and hard-standing related to associated parking and loading areas, along with a number of lamp posts.
- 3.1.3 Historically, the original Gas Works commenced operation in 1824 and comprised a small works which was thought to be located on the site. The works expanded to the north and west of the site and after 1887 the works extended to the south of the site with production increasing quite rapidly at the time.
- 3.1.4 The Gas Works continued to grow until it covered approximately 11 hectares. In 1920, a sulphate and ammonia plant was developed as part of the works (which was located off-site). Gas production is believed to have stopped in or around 1968, with the gas holders then remaining in use for storage.
- 3.1.5 The Centrica Billing Centre was built on the site in the 1980's. In October 2013, the Centrica Building Centre and workshop buildings were demolished and today the only evidence of their existence is their remaining floor slabs.
- 3.1.6 Records and plans show that historic features located on the site included:
- A Gasholder beneath the former Centrica Billing Centre;
 - A Gasholder predominantly located under an existing National Grid Depot to the south of the site;
 - Tar pumps and tanks;

- Oil tanks (North of the southern Gasholder);
- Railway sidings;
- Carburettor water gas plant and tanks;
- Rectifier house;
- Coke shed;
- Boiler House;
- Garage;
- Workshop;
- Brick store;
- Governor / pressure booster.

3.1.7 These are all features that would typically be found on any former Gas Works site of this age, type and size. The production of town gas first took place in a time when environmental legislation and regulations were somewhat undeveloped compared to the regulatory regime that we have in place today; indeed, it was an industrial process that contaminated the site over a period of years. In these circumstances it is appropriate for any prospective purchaser to undertake environmental due diligence as the purchaser has to satisfy themselves as to the condition of the site and any associated potential or conceptual liabilities before they buy the land.

3.1.8 Assuming that the Council will, through the process of due diligence, be able to satisfy itself as to the condition of the site, the intention would be to use it to provide new office accommodation for Northampton Partnership Homes (NPH).

3.1.9 The Northampton Central Area Action Plan, approved in January 2013, states that 'the provision of office stock within the Central Area is weak' and that 'this long-standing trend needs to be reversed'. Moreover, it seeks to encourage the provision of an adequate supply of office floorspace. In relation to this particular site it says that 'development should be primarily focused on commercial office space'. Horizon House is also identified as a building to be retained. The use of the site for office space for NPH would therefore be acceptable 'in principle'.

3.2 Issues

3.2.1 Given the above, the Council has employed specialist consultants, AMEC Foster Wheeler (AMECfw), to examine various matters so that the Council can make an informed decision on the purchase that it has resolved to make.

3.2.2 AMEC Foster Wheeler have been commissioned to undertake a number of studies. These include:

- A Desk Top Study and Review of Existing Geotechnical Information;
- A Review of Controlled Waters Risk Assessment;
- A Human Health Risk Assessment;
- Ecology;
- Utilities Survey;
- Flood Risk Assessment;
- Geotechnical Constraints;

3.2.3 When completed these studies will, in summary, provide the Council with information about the following matters:

- The history of the site, how it was remediated, and what other previous studies reveal about its condition and characteristics;
- The risks to controlled waters as assessed by a previous Detailed Quantitative Risk assessment (DQRA); this will, amongst other things, inform judgement about any potential or conceptual off-site risks;
- Risks to human health, to confirm whether remediation has adequately addressed the risk for future commercial use of the site, including Horizon House, should it be brought back into beneficial use;
- Ecological issues that need to be addressed like the presence of, for example, Japanese Knotweed or whether there are any protected species on the site, such as Bats, Badgers or Great Crested Newts;
- Where utilities are located on the site as they are not always where historic records would indicate, can be a development constraint and costly to relocate;
- The likelihood and risks to development posed by potential flooding. Clearly this can only be an appraisal at this stage because the Council does not have an actual development foot-print to consider;
- Where it may be difficult to build, where any new buildings may best be located and indeed, what building techniques, at a level of principle, it may be appropriate to employ.

3.2.4 Once due diligence has been completed a further external valuation, which has been commissioned, will be obtained to inform the final negotiations with National Grid.

3.3 Choices (Options)

- 3.3.1 Cabinet can endorse the due diligence work currently underway, enabling officers to negotiate and agree the proposed terms for the prospective purchase of the site from National Grid on an informed basis. This is the recommended option.
- 3.3.2 Cabinet could choose not to endorse the work being undertaken on environmental due diligence and simply purchase the land as seen, but this would potentially increase the risk profile of the proposed transaction, as the Council would then be purchasing without a satisfactory level of information and advice.

4. Implications (including financial implications)

4.1 Policy

- 4.1 The site of the former Gasworks lies within the Northampton Waterside Enterprise Zone (NWEZ). The NWEZ comprises 122 hectares of land and runs adjacent to the River Nene from Sixfields in the West to the western edge of the new University of Northampton Campus. The Zone is predominantly made up of established business estates, but still includes some dormant sites that, for a variety of reasons, have not been delivered by the market. The site off St Peter's Way is an example of this. The acquisition of this site, should that be agreed by Cabinet, and its subsequent development would therefore regenerate the site and promote the economic well-being of the area.
- 4.2 Beyond that there are no specific policy implications arising from this report. Should the land be purchased and developed then any development would need to accord with the extant Development Plan for Northampton, including the Central Area Action Plan.

4.2 Resources and Risks

Financial

- 4.2.1 As previously reported the proposed purchase price previously for this strategic acquisition is approximately £1.5 million. Were the site to be used for say retail or housing use however, although this is not proposed, then overage provisions may apply such that the Council could be obliged to make a further payment to National Grid based upon a percentage of the uplift in site value at the point of the grant of permission; these are currently under discussion. Whilst, as stated above, such uses are not being promoted by the Council, Cabinet should nonetheless be aware that overage may apply under certain circumstances. This is not an unusual obligation and is often sought by sellers to ensure that they can obtain a reasonable share of any appropriate uplift in value, should that actually materialise. Such clauses are almost always time-limited and that would be the case here were such clauses to be appropriate and agreed.
- 4.2.2 The purchase of this site is currently included in the Council's Capital Programme at £1.5 million. The funding for the scheme is provided by £772k

from external contributions and £778k from the Council's Strategic Investment Reserve.

4.2.3 The cost of consultants and a specialist firm of lawyers to support the Councils proposed purchase of the site, is currently less than £73,000 and is very unlikely to fall outside of a level that can be approved under the scheme of delegation. Expenditure is being met from within approved budgets.

4.2.4 Should the Council purchase the site, it would incur revenue costs in managing the site and in keeping it secure. These costs are currently being estimated but preliminary work suggests that they should be relatively modest.

4.3 Legal

4.3.1 In the light of the historic use of this site, the key considerations in relation to this proposed purchase will include the environmental risks which are inevitably involved in owning such property. These include both the statutory control regimes and the risk of third party actions. It is important to bear in mind that there is no suggestion at this stage of risk of damage or loss arising from these issues. Sites with a past history or this sort of use are not inevitably either dangerous or incapable of beneficial use. But due diligence needs to be carefully applied given the history of the site, irrespective of any intended end use or potential occupier.

4.3.2 Officers are addressing these issues through the commissioning of specialist advice on the physical condition of the site and by consulting with external lawyers, Nabarro, which have national experience in dealing with this type of transaction. Options are being explored both in terms concerning the allocation of any historic liabilities and on the possible availability of insurance as a mitigating factor for any residual risk. The outcome of both of these strands of work is awaited and final advice from external advisors will be weighted in determining whether to proceed with the acquisition.

4.3.3 This acquisition also gives rise to more conventional legal issues relating to the conveyancing process and the terms of any 'overage' provisions which are referred to elsewhere in the report. There are also residual matters from the agreements entered into by the former West Northamptonshire Development Corporation (WNDC) with National Grid in 2014 for investment in an initial clean-up of the site, where the Council are WNDC's successors. These will provide for the return to NBC at completion of any purchase of some of the money invested by WNDC in the preliminary remediation. These are being reviewed by LGSS Law.

4.4 Equality and Health

4.4.1 Work has been commissioned from AMECfw to provide information about if there are any risks to Human Health arising from the commercial use of the site. This is currently being assessed and is the usual approach when dealing with sites of this type.

4.4.2 Work has also been commissioned to review any risks that there may be to controlled waters associated with the site. This will also consider if there are

any issues arising from the way the site was remediated. This is currently being assessed and this is also the usual approach when dealing with sites of this type.

4.5 Consultees (Internal and External)

4.5.1 As would be expected National Grid and their professional advisors have been consulted, as has a potential end user of the site, should it be purchased. The Environment Agency and the Utilities have also been consulted on appropriate issues. Internally, Legal, Finance, Property and Environmental Health have all been involved in the development of this proposal. They will continue to be involved until such time as the matter is concluded.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The purchase of the site and its subsequent development for commercial use would bring this dormant site in the Enterprise Zone back into productive use.

4.7 Other Implications

None identified.

5. Background Papers

- 5.1 Cabinet Report, September 2015: Finance (to 31st July) and Performance Report, 30th June 2015.
- 5.2 West Northamptonshire, Joint Core Strategy Local Plan, December 2014.
- 5.3 Northampton Central Area Action Plan, January 2013.

Steve Boyes, Director Regeneration, Enterprise and Planning.