

Report to the Cabinet



**Epping Forest
District Council**

Report reference: C-031-2014/15
Date of meeting: 6th October 2014

Portfolio: Asset Management & Economic Development

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

Responsible Officer: Chris Pasterfield (01992 564124).

Democratic Services Officer: Gary Woodhall (01992 564470).

Decisions Required:

- (1) To agree to seek an operational partner to work with the Council to produce a business plan for aviation at North Weald Airfield;**
- (2) To approve the procurement and appointment of agents up to an estimated cost of £60,000 and to delegate the terms of the appointment of agents to the Portfolio Holder for Asset Management and Economic Development;**
- (3) To recommend to the Council for approval, subject to (2) above, a supplementary District Development Fund estimate in the sum of £60,000; and**
- (4) To receive a further report on the outcome of the exercise.**

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.

Reasons for Proposed Decision:

To progress Cabinet’s previous decision to try and secure a sustainable 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 the 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 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. As the operator would not be required to inject a large amount of capital 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 offering 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 proposal would however not exclude other types of private sector involvement such as leasing, if interest was shown. There is no present intention of any outright sale of land at the airfield. 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 preparation of the proposal 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. Whilst this exercise is looking to concentrate on the aviation related businesses at the airfield the future development of the airfield and adjoining land is likely to include a wide range of uses including business space, leisure and residential. Future development in the area is being considered in detail by the Council as part of the North Weald Master Plan which itself will be evidence for the Local Plan to be adopted by the Council in due course.

Resource Implications:

The cost of employing agents to conduct the marketing will require allocation of funds which cannot be recouped immediately as the Council does not expect to receive a capital receipt but hopefully if the proposal is successful then additional income will be created in due course..

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 exercise 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 exercise will not produce a proposition acceptable to the Council has to be accepted. However the enquiries already made indicate there should be interest.