

Report to the Cabinet

Report reference: C-018a-2013/14

Date of meeting: 22 July 2013



**Epping Forest
District Council**

Portfolio: Asset Management & Economic Development

Subject: Review of North Weald Airfield

Responsible Officer: John Gilbert (01992 564062)

Democratic Services Officer: Gary Woodhall (01992 564470)

Recommendations/Decisions Required:

PLEASE NOTE: The recommendations below WILL NOT be considered in Part I of this report

(1) To receive the Executive Summary and associated presentation from Deloitte Real Estate setting out their assessment of future development options for North Weald Airfield; and

(2) To determine which options should be further considered as part of the “Preferred Options” stage of the emerging Local Plan .

Executive Summary:

Following a Member appointment panel, Deloitte Real Estate (Drivers Jonas Deloitte) were appointed by Cabinet to undertake the North Weald Airfield development study in early February 2013. Since their appointment Deloitte have undertaken a wide range of stakeholder interviews, including all tenants/users of the Airfield and North Weald Bassett Parish Council and conducted a Cabinet workshop. They have also conducted a range of soft market testing with aviation and development organisations in order to determine the market attractiveness of the various development options, which were:

- (1) an intensification of aviation;
- (2) a non aviation based solution; and
- (3) a mixed aviation/development based option.

Each of the options developed were to be assessed in terms of:

- (a) technical feasibility;
- (b) financial feasibility;
- (c) market attractiveness;
- (d) risk; and
- (e) community value

This report, which is in two parts, one public and one private due to commercial confidentiality, sets out the options developed and assesses each against the criteria (a) to

(e) above. Cabinet is being requested to select which options should go forward for further investigation as part of the next part of the local plan consultation process, known as "Preferred Options", scheduled to commence during 2014.

Representatives of Deloitte will be in attendance to give a presentation of their option assessments in both parts 1 and 2 of the Cabinet meeting.

The recommendations above will not be considered in this part of the report.

Reasons for Proposed Decision:

To enable Cabinet to consider the development options presented by Deloitte and to recommend which options should be included within the "Preferred Options" consultation of the local plan process.

Other Options for Action:

The only alternative action is to reject all of the development options put forward by Deloitte and then to either:

- (1) request Deloitte to reconsider and bring forward alternative options for assessment;
- (2) appoint another consultant to review and/or develop alternative options; or
- (3) put forward no recommended option or options for consideration as part of the local plan "Preferred Option" consultation process.

Report:

PART 1 REPORT

1. In March 2011, the North Weald Airfield and Asset Management Cabinet Committee received a report commissioned from Halcrow, on the opportunities for aviation intensification at North Weald Airfield. The report to the Cabinet Committee had a number of recommendations including:

- (i) to receive the report; and
 - (ii) to consider which, if any, of the intensification options to pursue.
2. The Cabinet Committee resolved:
- (1) *That the North Weald Aviation Intensification Study Final Report be noted; and*
 - (2) *That the following recommendations be made to Cabinet:*
 - (a) *that the option of active development be pursued;*
 - (b) *that market testing be undertaken with fixed base operators in order to provide more information on potential risks, investments and benefits*
3. During the course of 2012, Ernst and Young were appointed to undertake, amongst

other things, a review of the Halcrow report with a view to the Council establishing how best it should proceed, not just in terms of aviation intensification but also non aviation based development. The outcome of the Ernst & Young report was reported to Cabinet at its meeting on 10 September 2012. Ernst & Young recommended that there were two distinct stages to determine the longer term vision for the Airfield:

- (i) determine the options for future development at the Airfield and assess those objectively; and
- (ii) determine an implementation strategy for the preferred option and prepare that for the market.

4. Cabinet resolved at that meeting as follows:

- (1) *That the Ernst and Young overview of North Weald Airfield be noted;*
- (2) *That the comments of the North Weald Airfield & Asset Management Cabinet Committee be noted, including the extension of the minimum terms for leases at the Airfield to April 2015;*
- (3) *That work packages 1 and 2, recommended by Ernst & Young, be agreed for implementation;*
- (4) *That the appointment of consultants to advise on the future potential development of the Airfield be agreed;*
- (5) *That a supplementary District Development Fund estimate in the sum of £150,000 be recommended to the Council for approval, to enable the consultancy exercise to be undertaken; and*
- (6) *That the use of the Government Procurement Service Framework Agreement, or similar suitable framework, for the appointment of consultants be approved.*

5. Following a procurement exercise and Member appointment panel, Deloitte Real Estate (Drivers Jonas Deloitte) were appointed by Cabinet to undertake the North Weald Airfield development study in early February 2013. Since their appointment Deloitte have undertaken a wide range of stakeholder interviews, including all tenants/users of the Airfield and North Weald Bassett Parish Council and conducted a Cabinet workshop. They have also conducted a range of soft market testing with aviation and development organisations in order to determine the market attractiveness of the various development options, which were:

- (i) an aviation based solution (intensification);
- (ii) a non aviation based solution; and
- (iii) a mixed aviation/development based option.

6. The appointment brief required Deloitte to assess each of the development options against the following criteria:

- (a) technical feasibility;

- (b) financial feasibility;
- (c) market attractiveness;
- (d) risk; and
- (e) community value.

7. Attached to this agenda is the Executive Summary of Deloitte's report and representatives of Deloitte will be in attendance to make a presentation of their development options and appraisal. Their report in this part of the Cabinet will necessarily be restricted given that in order to establish options and appraise them, they have had to make reference to commercially confidential and sensitive information. They will however be remaining for the confidential part of the meeting in order to present this detailed information to Members and answer related questions.

Key Considerations

8. Deloitte was not, as part their brief, required to assess a status quo outcome for the Airfield. The current position at the Airfield has been considered via the various reports previously received by Cabinet, and referenced in paragraphs 1 to 5 above. These are however worthy of being set out in a little more detail in this part of the report:

- (a) Whilst the Airfield continues to operate at a surplus, this is generated solely by the income from the Saturday (and Bank Holiday) markets. Cabinet has concluded that this imbalance represents significant risk to the Council's future financial security;
- (b) Although making a modest surplus, the Airfield is not generating the sort of financial return expected from an asset of such scale and potential value. Furthermore, if non aviation revenues are stripped out, aviation receives a significant subsidy, at a level which, given current aviation activity, would not be considered to be sustainable;
- (c) The infrastructure of the Airfield is, by virtue of its age, deteriorating. The key infrastructure items such as the runways and taxiways, are regularly maintained to ensure that aviation tenants can continue to land and take off safely, at current levels of activity. However, a recent runway assessment undertaken by Halcrow indicates that whilst the main runway (02/20) is satisfactory for its present limited uses, the size of aircraft using it should be more tightly controlled and a more rigorous inspection regime should be introduced. Whilst this has been done, it remains the case that, there may be a requirement for significant infrastructure investment, which will place additional pressure on the finances of the Airfield;
- (d) A number of aviation tenants have very long leases, associated with which are runway licences which provide for a fixed number of aviation movements. These movement limits are being regularly exceeded by some of the tenants;
- (e) The Airfield is one of the few remaining operational former world war two airfields, with a number of historic artefacts within its boundaries, including the control tower which has recently been listed at Grade 2 by English Heritage. As such, the

Airfield attracts considerable local and indeed more general support and interest, with a number of events taking place throughout the years to commemorate the Airfield's history and contribution to the outcome of the second world war. The Airfield is 'home' to a number of historic aircraft collections of second world war propeller driven and cold war jet aircraft; and

(f) The Airfield is very close to two other operational airfields. The largest and most significant is Stansted Airport, and North Weald Airfield has airspace limitations to ensure that aircraft using North Weald do not conflict with those at Stansted, such as a 2,500 feet ceiling above the Airfield. The other airfield is Stapleford, which although small, is licensed to enable flight training and other commercial flight operations. Any expansion of aviation operations at North Weald would require Civil Aviation Authority approval, and it is likely that they, and other airspace users, would express significant concerns around the impact on the management of local airspace.

9. The final key issue for consideration relates the future of the Airfield being a crucial part of the ongoing local plan process, since the Airfield has in the past been identified as a location for significant housing growth. The majority of the Airfield lies within the Metropolitan Green Belt, and any decision to develop, in whatever form, will require that Green belt status to be reconsidered and redrawn, and exceptional reasons demonstrated for any such decision.

Options and Options Appraisal

10. It is not possible in this part of the agenda to make detailed references to the financial and other data which sits behind the options and their appraisal. That detail is clearly set out in the main Deloitte report which will be considered in confidence in Part 2 of this Cabinet. A summary of the Option Appraisal is set out in Appendix 1 to this part of the report.

Decisions Required

11. See part 2 report.

Resource Implications:

The Deloitte consultancy exercise has been funded through a DDF allocation of £150,000. Deloitte's tendered sum was £145,000 and therefore expenditure currently remains within budget. Moving beyond this stage as set out under "Next steps" above will require a further budget allocation and a new procurement exercise should it be considered that consultancy assistance is required.

Legal and Governance Implications:

The assessment and consideration of the options set out in the Deloitte report will form an intrinsic element of the emerging local plan. Decisions made will need to be fully supported and then tested through the "Preferred Options" consultation exercise. It should be noted that is but one part of an ongoing process which will result in the Local Plan being tested at an Enquiry in Public

Safer, Cleaner and Greener Implications:

There are no significant implications at this time, but any decisions made in the future clearly have the potential to impact upon the local environment, and these would have to be considered at that time, as part of the sustainability assessment related to the local plan process.

Consultation Undertaken:

There was significant stakeholder consultation undertaken by Deloitte as part of the consultancy exercise. Details are within the report.

Background Papers:

Publically accessible elements of:

Reports to Cabinet in respect of the (now defunct) East of England Plan

Deloitte report

Drivers Jonas Report

Halcrow Report

Ernst & Young Report

Halcrow main runway report

Associated Cabinet and North Weald Airfield & Asset Management reports and agendas

Impact Assessments:

Risk Management

All of the options set out in the Deloitte report carry with them risk to one degree or another. These are drawn out through the option appraisal process and are not repeated in this section of the agenda. However, there are additional risks which arise through the decision making processes going forward and these are set out in detail in Part 2 of the report.

Equality and Diversity

Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications? No

Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken? No

What equality implications were identified through the Equality Impact Assessment process? N/A

How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group? N/A

Appendix 1 – Option Appraisal

Option	Financial Viability (Based upon Net Present Value)	Technical Feasibility	Market Attractiveness	Community Value	Risk Assessments
1. Aviation only	Negative	<ul style="list-style-type: none"> * Lowest infrastructure requirement * Technical difficulties with runway upgrades and CAA licensing requirements * land acquisition likely 	<ul style="list-style-type: none"> * some current market interest * due to well established existing business aviation airports, considerable time required to establish operations, reputation and a positive return on investment * significant front loading of infrastructure costs * significant and well established existing competition 	<ul style="list-style-type: none"> * may over time attract associated business and generate additional employment * would safeguard existing heritage and aviation activities * potential negative effects from noise and related aviation activity 	<ul style="list-style-type: none"> * financial viability * significant difficulties in justifying release of land from the Green belt * licensing and CAA constraints * assumed growth in business aviation does not materialise
2a. Non- aviation – housing led	High	<ul style="list-style-type: none"> * greatest infrastructure requirement * provides for broader masterplanning * requirement to cease aviation activity 	<ul style="list-style-type: none"> * market interest exists * no conflict with proposed Harlow developments * despite ongoing market volatility, underlying trend is 	<ul style="list-style-type: none"> * construction job creation * community facilities alongside residential development, including leisure facilities and public open space 	<ul style="list-style-type: none"> * costs of providing extensive infrastructure * significant Green Belt release with concerns regarding justification * management of existing long leases / licences

Option	Financial Viability (Based upon Net Present Value)	Technical Feasibility	Market Attractiveness	Community Value	Risk Assessments
			positive	<ul style="list-style-type: none"> * loss of aviation heritage activity * opportunity to retain some aviation heritage through sympathetic development and retention of features 	
2b. Non-aviation – employment led	Low	<ul style="list-style-type: none"> * reduced infrastructure requirement in comparison to option 2a * lower land values provide less support to meet infrastructure costs * requirement to cease aviation activity 	<ul style="list-style-type: none"> * restricted market appetite for office (B1) etc use * good market appetite for distribution / warehousing (B8) 	<ul style="list-style-type: none"> * construction job creation * loss of aviation heritage activity * opportunity to retain some aviation heritage through sympathetic development and retention of features * provision of leisure facilities and public open space 	<ul style="list-style-type: none"> * costs of providing extensive infrastructure –v- land values * significant Green Belt release with concerns regarding justification
3. Mixed use	Low	<ul style="list-style-type: none"> * proximity of residential accommodation to operational runway 	<ul style="list-style-type: none"> * potential residential developers concerns regarding the mix of residential and 	<ul style="list-style-type: none"> * airfield aviation activity remains essentially as is (depends upon 	<ul style="list-style-type: none"> * compatibility between aviation and residential development * need to ensure that

Option	Financial Viability (Based upon Net Present Value)	Technical Feasibility	Market Attractiveness	Community Value	Risk Assessments
		<p>could be contentious</p> <ul style="list-style-type: none"> * reduced infrastructure requirement in comparison to 2a and 2b * requirement to create separation between aviation and non aviation uses on the site * retention of existing aviation users 	<p>aviation activity</p> <ul style="list-style-type: none"> * possible need to restrict aviation activities in the future to attract developers 	<p>developer attitude)</p> <ul style="list-style-type: none"> * heritage assets remain in place * limited scope for job creation * provision of leisure facilities and public open space 	<p>costs of continued aviation are at least covered via other income streams</p> <ul style="list-style-type: none"> * some Green Belt release still required with concerns regarding justification