

Appendices: 4 in total

Exempt Appendices: 2, 3 & 4



NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	Northampton Waterside Enterprise Zone: Proposed Purchase of Land at St. Peter's Way.
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AGENDA STATUS **Part Public/Part Private**

Cabinet Meeting Date:	March 15 th 2017.
Key Decision:	Yes
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

That Cabinet:

- 2.1 Notes the results of environmental due diligence undertaken for the Council by AMEC Foster Wheeler (AMECfw).
- 2.2 Accepts the draft Heads of Terms for the proposed purchase of the site at Exempt **Appendix 2**, and authorises the Director of Regeneration, Enterprise & Planning acting in consultation with the Borough Secretary and the Cabinet Member for Regeneration, Enterprise and Planning, to consider and agree any beneficial amendments.
- 2.3 Approves the purchase of additional environmental insurance for the site via Arthur J. Gallagher & Co., at a cost of £250k, to be funded from the Strategic

Investment Reserve, and instructs the Director of Regeneration, Enterprise & Planning acting in consultation with the Borough Secretary, to take out said insurance at the time of purchase.

- 2.4 Authorises the Director of Regeneration, Enterprise & Planning acting in consultation with the Chief Finance Officer and the Cabinet Member for Regeneration, Enterprise & Planning, to complete the purchase of the site from National Grid at an agreed price of £1.5 million, plus £72,000 stamp duty, as appropriate.
- 2.5 Approves the existing Capital Scheme being increased by £72,000 to cover stamp duty and that this also be funded from the Strategic Investment Reserve.
- 2.6 Notes that the site is being purchased to enable the relocation of NPH and its depot and that exchange of contracts will therefore not take place until (i) NPH formally confirm that they will relocate to the site, (ii) accept the market rent for their proposed new premises, and (iii) that VFM is demonstrated for both the General Fund and Housing Revenue Account, through the business case being prepared by NPH and NBC Finance.
- 2.7 Instructs the Director of Regeneration, Enterprise & Planning, subject to the completion of the proposed purchase, to submit a further report concerning the procurement arrangements and programme for the new office accommodation and associated development that is proposed for the site.

3. Issues and Choices

3.1 Report Background

- 3.1.1 In October 2016 Cabinet approved a report concerning the strategic acquisition of this site and it was resolved that:
 - Progress to date in advancing the proposed purchase be noted;
 - The various studies commissioned from AMECfw as part of the Council's environmental due diligence associated with the proposed purchase and the appointment of Nabarro as external legal advisors be endorsed;
 - 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;
 - The Director of Planning, Regeneration & Enterprise be requested to submit a further report, as appropriate to enable Cabinet to confirm the purchase.

- 3.1.2 The site is currently owned by National Grid and is part of a former Gas Works that covered a wider area. It is irregular in shape and covers an area of approximately 1.5 hectares, see Plan at **Appendix 1** (attached). The site now comprises approximately 85% hard-standing including asphalt and concrete. There also some areas of soft landscaping around the edges of the site. 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. The site was remediated between July and December 2014 to a commercial open storage standard.
- 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 parts of the site over a period of years before the site finally ceased gas production in 1968.

3.18 As stated earlier, National Grid have recently undertaken a remediation of the site. The principal elements of their remedial strategy were the excavation of hotspot areas and the stabilisation of contaminated soils to reduce the leaching potential of soil. In addition, limited quantities of contaminated soils were removed from the site for off-site disposal. DNAPL (dense non-aqueous phase liquid, for example coal-tar) recovery was also undertaken off site on part of the former gasworks to the South of the site.

3.19 In the 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. This is why AMECfw was employed to assist the Council with its environmental due diligence.

3.20 If the Council determines that it wants to purchase the site, then the intention would be to use it to provide new office accommodation for Northampton Partnership Homes (NPH). The Chief Executive has discussed this with the Chair and Chief Executive of Northampton Partnership Homes and they have confirmed that they require the site and will relocate to it. NPH are preparing a business case with NBC Finance to assess and demonstrate the value for money of NPH relocation.

3.21 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', as would other uses appropriate to the Enterprise Zone.

3.2 Issues

3.2.1 Given the above, the Council has employed specialist consultants, AMECfw, to examine various matters to help the Council to make an informed decision on the purchase that it first resolved to make in September 2015.

3.2.2 As previously reported, AMECfw have completed a number of studies for the Council. 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 These studies 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. This primarily involved a review of the work previously undertaken by Celtic EnGlobe and Worley Parsons which National Grid had originally commissioned;
- AMECfw have also looked at the risks to controlled waters as assessed by a previous Detailed Quantitative Risk assessment (DQRA) undertaken by consultants employed by National Grid. This, amongst other things, informs judgement about any potential or conceptual off-site risks; here the Environment Agency have previously said that “information provided demonstrates that the site poses a low risk to controlled waters and we do not consider additional works to necessary”.
- 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. AMECfw have stated that “soils on the site are considered to present a medium to low / low risk to future site users in new developments through vapour inhalation”.
- Ecological issues have also been addressed. AMECfw have undertaken a survey and found evidence of habitats with the potential to support the following species: Badger, Bat, Reptiles and Birds (Peregrine and Kingfisher). That being the case further survey work would be required prior to any site development to identify whether the species are actually present, and if they are, to design appropriate mitigation measures. A legally controlled plant species, Himalayan Balsam was also found, and

this would require treatment during any site development, which is standard practice.

- Where utilities are located on the site as these can be a development constraint due to location and the costs associated with relocation. One of the main sewers serving Northampton bisects the site running West-East and that development in the vicinity of this would be contingent upon the agreement of Anglian Water and be regulated through Build-Over Agreements; this would include car-parking areas. A major service trench also runs down the eastern border of the site and this also represents a development constraint.
- In terms of flood risk, AMECfw report that the site is defined as being within Flood Zones 2 & 3 with respect to flooding from rivers and the sea. But there are flood defences in place which are designed to protect against the 1 in 200 (0.5%) year flood. The site is considered to be at a high risk of fluvial flooding of the Brampton Nene, medium/low risk from surface water flooding and at low risk from sewers and reservoirs flooding. There is a possible moderate risk from groundwater flooding at surface. These matters can be addressed through appropriate measures in any new development, once designed, including sustainable urban drainage solutions.
- Where it may be relatively 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 has also been considered. The possible refurbishment of Horizon House and the construction of an additional office building located to the rear of Horizon House has been tested on a notional 'footprint' and found to be appropriate 'in principle'.

3.3 Choices (Options)

- 3.3.1 Cabinet can, if comfortable, accept the due diligence work undertaken on behalf of the Council by AMECfw, agree the draft Heads of Terms for the proposed purchase of the site from National Grid at Exempt **Appendix 2**, agree to obtain additional environmental insurance and authorise officers to complete the purchase. This, on balance, is the recommended option.
- 3.3.2 Cabinet could decide to purchase the site from National Grid without taking out additional environmental insurance, and on occasion purchasers do sometimes adopt this approach, but this would increase the risk profile of the purchase, given the former use of the land. The purchase of additional environmental insurance is therefore strongly recommended.
- 3.3.3 Cabinet could take the view that notwithstanding the environmental due diligence that has been undertaken, that it does not wish to proceed with the purchase of the land. But this would mean that Northampton Partnership Homes would not be able to occupy the site after purchase and that it would have to recommence a site search for suitable accommodation with appropriate levels of secure parking for its fleet of vehicles or alternatively be put to other appropriate uses in the Enterprise Zone. This is not recommended.

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. The proposed use of the site by NPH would, 'in-principle', be in accordance with the Development Plan.

4.2 Resources and Risks

Financial

- 4.2.1 As previously reported the proposed purchase price agreed for this strategic acquisition is £1.5 million. An external valuation undertaken for the Council by GVA supports a purchase at this figure. Stamp Duty of £72,000 would also be payable. Were the site to be used for say retail or housing use however, even though this is not proposed, then overage provisions would 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. 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 where overage would apply for ten years from the date of purchase.
- 4.2.2 The proposed purchase of this site is currently included in the Council's Capital Programme at £1.5 million. If the site is acquired it would become a General Fund Asset. The funding for the scheme is currently provided by £772k from external contributions and £778k from the Council's Strategic Investment Reserve (CSIR). It is proposed that cost of Stamp Duty should also be met from the CSIR.
- 4.2.3 The Council has been working with AJG, one of the World's largest insurance brokers who ran a competition with underwriters with a view to obtaining quotes for additional insurance to cover appropriate risks arising from the former use of this site. This established that the Council is able to secure additional environmental insurance. Although Cabinet has discretion in this matter the

purchase of additional insurance is recommended. A one-off payment would provide insurance cover for ten years, which is the normal industry approach when dealing with these types of sites. The cost of this would depend upon the level of cover that the Council elects to take, but it is likely to cost approximately £250k. A summary of the available cover is provided at Exempt **Appendix 3**. It is proposed that the cost of this should also be met from the Council's Strategic Investment Reserve.

- 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 perhaps amounting to approximately £15,000 per year. These costs would only be incurred until the site is developed and occupied. As stated earlier the clear intention is that the site will be used by Northampton Partnership Homes, so these costs should only be incurred for a limited period.
- 4.2.5 Clearly, given that NPH are envisaged to be the end user after the proposed purchase, the Council will want to satisfy itself that the proposed purchase works in value for money terms for both the General Fund and the Housing Revenue Account. High level work indicates that this will be the case but the Chief Finance Officer wants to be completely assured on this point before the proposed purchase takes place.

Risks

- 4.2.6 There are always possible risks associated with the purchase of any land and care has to be taken when considering land that has previously been used over a period of years for the production and storage of gas. As set out elsewhere in this report, these risks are mitigated by: (i) the work that National Grid has previously completed to remediate the site (ii) the environmental due diligence that has been applied, supported by AMECfw (iii) seeking and taking advice from Nabarro, an external firm of lawyers that specialise in dealing with transactions where there are environmental considerations and, (iv) the proposed use of additional environmental insurance.
- 4.2.7 Whilst it is beyond the immediate scope of the proposed purchase of the land from National Grid, the Council will want to take steps to ensure that appropriate arrangements are made in relation to the procurement of any new development on the site with a view to securing best value. In the meantime officers have undertaken background work which indicates that development of the site should be affordable. A further report addressing these issues will be prepared for Cabinet when the purchase has been completed.

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 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, as it has been in this case, given the history of the site, irrespective of any intended end use or potential occupier.

- 4.3.2 Officers have addressed these issues through (i) commissioning specialist advice on the physical condition of the site, (ii) by engaging external lawyers, Nabarro, which have national experience in dealing with this type of transaction, and (iii) by obtaining a suitable offer of terms for additional environmental insurance to cover both off and on-site risks.
- 4.3.3 Legal advice concerning the transfer of environmental liabilities under the draft Heads of Terms is provided at Exempt **Appendix 4**.
- 4.3.4 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 provide for the return to NBC at completion of any purchase of some of the money invested by WNDC in the preliminary remediation.
- 4.3.5 Finally, the Council and its consultants have been obliged, in order to access information held by National Grid, to agree a 'non-disclosure' agreement. Whilst this is standard practice from their point of view, it does mean that some information has to be treated as confidential due to its potential commercial use by third parties.

4.4 Equality and Health

- 4.4.1 A report was commissioned from AMECfw to provide information about any risks to Human Health that may arise from the commercial use of the site. Here AMECfw have stated that "soils on the site are considered to present a medium to low/low risk to future site users in new developments through vapour inhalation. The potential human health risks to off-site users in the East...are also considered likely to be medium low / low risk".
- 4.4.2 Work was also been commissioned to review any risks that there may be to controlled waters associated with the site. This also considered if there were any issues arising from the way the site was remediated. AMECfw have stated Following completion of remediation the Environment Agency have stated that " the information provided demonstrates that the site poses a low risk to controlled waters and we do not consider additional works to necessary". Should the site be developed at any point in the future then it would be advisable to consult the Environment Agency at an early stage in the formulation of proposals with a view to maintaining the low-risk classification.

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 the purchase of the site be completed. The Environment Agency and the Utilities, including Anglian

Water, have also been consulted on appropriate issues. Internally, Legal, Finance, Property and Environmental Health have been involved in the development of this proposal.

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 land in the Enterprise Zone back into productive use.

4.7 Other Implications

- 4.7.1 None identified.

5. Background Papers

Publicly Available Information

- 5.1 Cabinet Report, October 2016: Northampton Waterside Enterprise Zone: Proposed Purchase of Land at St Peter's Way.
- 5.2 Local Standards and Guidance for Surface Water Drainage in Northamptonshire, August 2016.
- 5.3 Cabinet Report, September 2015: Finance (to 31st July) and Performance Report, June 2015.
- 5.4 Planning Practice Guidance, Flood Risk and Coastal Change, April 2015.
- 5.5 West Northamptonshire, Joint Core Strategy Local Plan, December 2014.
- 5.6 Northamptonshire Local Flood Risk Management Strategy, October 2013.
- 5.7 Northampton Central Area Action Plan, January 2013.
- 5.8 Northampton Central Area Drainage Assessment, August 2012.
- 5.9 National Planning Policy Framework, March 2012.
- 5.10 Level 2 Flood Risk Assessment, June 2011.
- 5.11 Level 2 Flood Risk Assessment, February 2010.
- 5.12 Level 1 Strategic Flood Risk Assessment, February 2009.

Exempt Information: Not for publication, comprising exempt information under Section 12 A of the Local Government Act 1972, as amended, Paragraph 3 (commercial confidentiality) and Paragraph 5 (legal privilege):

- 5.13 Draft Heads of Terms
- 5.14 Independent Red Book Valuation for the Site produced for the Council, GVA.

- 5.15 Consultant Environmental Reports produced for the Council, AMECfw.
- 5.16 Consultant Environmental and Remediation Reports produced for National Grid, Celtic & Worley Parsons.
- 5.17 Letter from the Environment Agency to Celtic, a subsidiary of EnGlobe Corporation, May 2015.

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