

COUNCIL

25 JULY 2013

ROCHESTER AIRPORT

Portfolio Holder: Councillor Alan Jarrett, Finance
Report from: Nick Anthony, Head of Asset and Property Services
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Summary

This report seeks approval for an addition of £4,400,000 to the Capital Programme, to fund improvements at Rochester Airport. The report also seeks delegate authority for officers, in consultation with the Portfolio Holder for Finance, to enter into contracts in respect of the works at the Airport and to declare land surplus, so that it can be disposed of for development.

1. Budget and Policy Framework

- 1.1. The Council's policy and budget framework requires Full Council approval for additions to the council's capital programme.
- 1.2. As the value of the land, which in due course will be disposed of is over £1,000,000, the disposal of this land is a matter for Full Council.

2. Background

- 2.1 Cabinet at its meeting of 18 December 2012 agreed to delegate authority to the Assistant Director of Legal and Corporate Services in consultation with the Finance Portfolio Holder to:
 - (a) Grant a lease or leases to an airport operator, which allows the council to take back land freed up by the closure of runway 16/34. A longer lease of the Airport, will allow the private sector and the operator to invest in the site to improve its facilities, public access and the heritage offer available.
 - (b) Vary/release covenants on adjacent land and enter into agreements with adjoining landowners on the best terms reasonably obtainable, in order to bring forward land for disposal/development.

It was also agreed that Cabinet would receive a further report in summer 2013 requesting it to recommend to Full Council that:

- (a) A capital contribution (to be defined following the marketing of the leasehold opportunity) is made towards the cost of the new airport facilities.
- (b) It delegates authority to the Assistant Director of Legal & Corporate Services in consultation with the Finance Portfolio Holder to dispose of the land freed up as a result of the closure of runway 16/34 so that it can be developed.

2.2 Since that meeting, the council has marketed the opportunity to let the airport and a preferred bidder has been selected.

2.3 The parties are close to agreement on the terms for the new letting of the airport and the new leases will be granted before the existing lease expires in January 2014. As part of this negotiation, it has been agreed that the council will contribute up to £4,000,000 towards the improvements at the airport, these improvements will include:

- Paving the existing runway 02/20. (Including new air/ground lighting)
- Providing a parallel grass runway. (For use by heritage aircraft)
- Providing a paved apron.
- Refurbishing the hangars.
- Providing a new control tower/offices.
- Improving access/parking.
- Forming a landscaped bund to the west of runway 02/20.

The airport operator will carry out the works, and the council will contribute towards the cost of these works on a phased payment basis. The council will also have to fund some of its own works, including fencing and minor demolition and will need to pay fees to a consultant who will agree and oversee the works. Once the works have been done, Runway 16/34 can be closed.

2.4 The closure of Runway 16/34 will free up the council owned land shown approximately hatched black, the council owned land to the south of the Innovation centre (hatched black), the council owned land (which is let to BAE) shaded grey and other third party owned land (which the council has the benefit of covenants over) to the south of the Airport for development. These areas can then be disposed of for development for employment uses with the council benefitting from any capital receipts from the first two areas, sharing in any receipt from the BAE land and obtaining a payment for the variation/release of covenants over the third party land to the south.

2.5 BAE has a lease of the land, shown shaded grey until 2079 and may be interested in disposing of some of this area. It makes sense for the council and BAE to jointly dispose of any surplus land and the terms for a joint disposal are currently under discussion.

- 2.6 The council's consultants have predicted that the value of the council's land for disposal will exceed the £4.4M contribution towards airport improvements. The implementation of development on the freed up land will be on the best terms reasonably obtainable at the time and will be dealt with by officers in consultation with the Portfolio Holder for Finance. The advantages and disadvantages of each method of development implementation will be considered at the time of disposal before any decisions are made and it may be that different parcels of land are dealt with in different ways. The methods used could range from:
- Simple freehold disposal – although this method is unlikely to be pursued.
 - Disposal initially by way of a building agreement or lease whereby the purchaser only acquires the freehold once the development is underway/or has been completed.
 - Disposal via a long lease whereby the council receives a ground rent.
 - Appointing a development partner to install the infrastructure and take a share of the sale price of serviced plots once the partner has recouped its costs/profit margin.

It is important to note that any future use of the land will be determined through Medway Council's planning process (with appropriate consultation with Tonbridge and Malling Council as part of the land is in its area), which will include full public consultation in the usual way.

- 2.7 Consultants are currently working on preparing a Masterplan, which will guide the development of the airport and surrounding land. Cabinet considered a report on this issue on 9 July 2013 and agreed the draft Masterplan for public consultation between 22 July – 20 September 2013. It will be reported to Regeneration, Community and Culture Overview and Scrutiny Committee on 14 August 2013.
- 2.8 Full Council at its meeting of 21 February 2013 made provision for a sum of £5,000,000 as a South Medway development Fund. It is proposed to use some of this fund to pay for the council's contribution towards the improvements at the airport.

3. Options/The Way Forward

- 3.1 Cabinet at its meeting of 18 December 2012 has already agreed to the leasing of the airport and at the same meeting, the principle of the council contributing towards the cost of the improvements at the airport was considered.

4. Advice and analysis

- 4.1 The option discussed above will safeguard the future of the airport, (as likely to be required by the Master plan) whilst providing the council with flexibility for the future. As an outcome the airport will include a

smaller fully functional modern airport with heritage and community facilities. The proposal will also make available much needed employment land.

5. Risk Management

Risk	Description	Action to avoid or mitigate risk	Risk Rating
The airport is forced to close due to lack of investment, as it is no longer meets health and safety requirement.	The operator cannot invest in the facility due to uncertainty and lack of time to amortise its investment.	Grant a medium term lease or long lease with a break clause and agree to contribute towards the cost of improvements.	C2
Adverse impact to the proposals to improve the facilities.	The operator may bring in larger aircraft more frequently and flying will take place at night.	The airfield is too small to accommodate large aircraft and planning conditions can control the operation of the new facilities.	C2
Improvements not completed.	The operator cannot afford to pay for the improvements.	The council will contribute towards the works.	B2
Improvements not completed.	The airport operator does not complete the improvement works.	The council will only contribute towards the works on a phased basis and will still be able to take back the freed up land by the closure of Runway 16/34 after March 2016.	D2

6 Consultation

- 6.1 Discussions and consultation has taken place with the Regeneration, Community and Culture directorate, the current airport operator and the Portfolio Holder for Finance and no objections have been received.

7 Cabinet

- 7.1 The Cabinet considered this report on 9 July 2013 and its recommendations to Council are set out in paragraph 9 below.

8. Financial and legal implications

- 8.1 The financial implications are contained in this report. The council will contribute towards the cost of the works and the site together with the improved facilities will revert to the council at the end of the lease.
- 8.2 The council has a duty under s123 of the Local Government Act 1972 to obtain best consideration, when it disposes of property, unless consent is obtained from the Secretary of State or one of the general consents applies. The council also needs to avoid the giving of state aid in granting any leases at less than best consideration. State aid is aid that is granted through state resources (including the council), that favours certain undertakings, distorts or threatens to distort competition and affects trade between Member States.
- 8.3 The council could be in breach of EU procurement rules if it contributes more than £4,348,350 towards the improvements without going through a formal OJEU competitive tender as the improvements could be classed as public works.

9. Recommendations

- 9.1 Full Council is asked to:
- 9.1.1 Add £4,400,000 to the capital programme to fund improvements at Rochester Airport. This is made up from £4,000,000 as a contribution towards the works, which the airport operator will carry out and the balance of £400,000 is to fund professional fees and works on the council's retained land.
- 9.1.2 Delegate authority to the Assistant Director of Legal and Corporate services in consultation with the Portfolio Holder for Finance to declare land surplus at the Airport so that it can be disposed of for development on the best terms reasonably obtainable.
- 9.1.3 Delegate authority to the Assistant Director of Legal and Corporate services in consultation with the Portfolio Holder for Finance to enter into contracts in respect of the improvements works at the airport and any necessary agreements in respect of any disposal land.

Lead officer contact

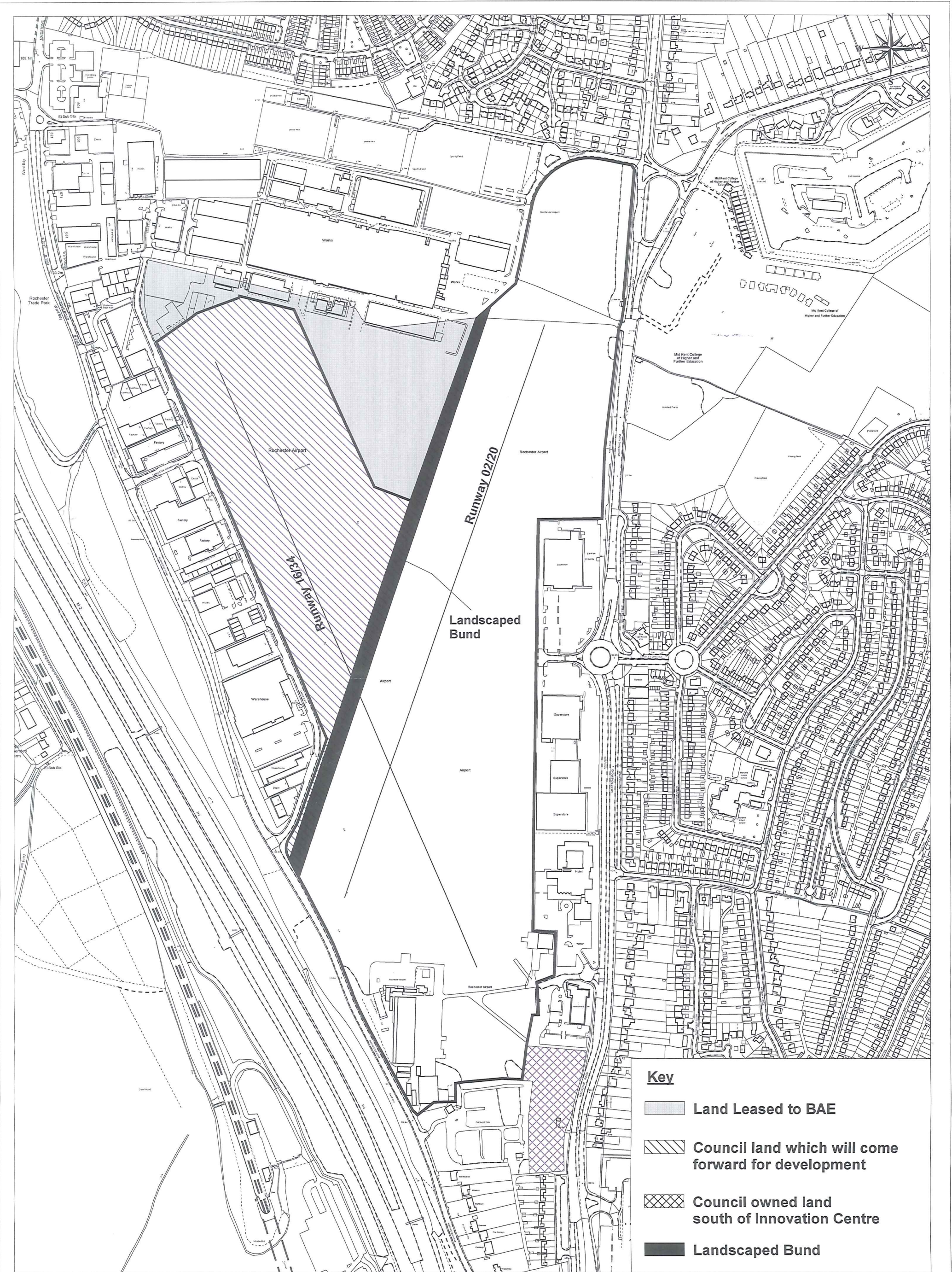
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Background Papers:

Rochester Airport Report and minutes Cabinet 18 December 2012
<http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=115&MId=2532&Ver=4>

Capital and Revenue Budgets 2013/2014 Report and Minutes Council 21
February 2013

[http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&MId=2580
&Ver=4](http://democracy.medway.gov.uk/ieListDocuments.aspx?CId=122&MId=2580&Ver=4)



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