

# CHESHIRE EAST COUNCIL

## Cabinet

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<b>Date of Meeting:</b>	9 <sup>th</sup> December 2014
<b>Report of:</b>	Director of Economic Growth and Prosperity
<b>Subject/Title:</b>	Disposal of Assets for Economic Benefit – (1) Pym's Lane Depot, Crewe
<b>Portfolio Holder:</b>	Councillor Peter Raynes, Finance

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### 1.0 Report Summary

- 1.1 On 4<sup>th</sup> December, Bentley announced its commitment to Crewe and the intention to build a new research and development centre as part of £840 million UK site expansion. The new £40 million engineering, research and development centre will see the creation of 300 new jobs at the Crewe site, bringing the total number of jobs due to be created close to 1,000 (950).
- 1.2 The Council has worked intensively with Bentley Motors to support their expansion by unlocking key sites next to their existing operation. The research and development centre marks a significant milestone of their growth, and aligns with Council's economic growth plans.
- 1.3 This report is intended to approve the sale of the freehold title extending to 3.39 ha (8.37 acres) for the land and buildings edged red on the attached plan known as Pym's Lane Depot, Pym's Lane, Crewe, to adjacent land owner Bentley Motors Ltd, and to seek delegated authority to finalise the details of the proposed sale and options for a lease back of the site from Bentley Motors Ltd to allow a managed and controlled exit of the site, ensuring service continuity to our residents.
- 1.4 The sale of Pym's Lane Depot aligns with the Council's Waste Strategy whereby a strategic asset will be acquired in the centre of the Borough, which will have the benefit of minimising landfill, supporting energy from waste initiatives and carbon reduction plans. A strategic approach to asset management for the Council's Environmental Operations will enable the Council to bring forward new employment opportunities and boosting the local economy, improving services and reduce long-term costs for Cheshire East residents.

### 2.0 Recommendation

- 2.1 It is recommended to Cabinet:

- 2.1.1 that the freehold interest in the site listed above in 1.3 be sold to Bentley Motors Ltd upon the terms outlined in 2.1.2 of the report.
- 2.1.2 that the Chief Executive and the Head of Legal Services, in consultation with the Portfolio Holder for Finance declare the land surplus to requirements, and be given delegated authority to finalise the details of the sale in accordance with the terms and conditions outlined in this report, to ensure the protection and continued delivery of the Council's the waste service.
- 2.1.3 that the Chief Executive and the Head of Legal Services, in consultation with the Portfolio Holder for Finance be given delegated authority to finalise the details of lease back arrangements in accordance with the terms and conditions outlined in this report.

### **3.0 Reasons for Recommendations**

- 3.1 The proposed sale will generate a capital receipt for the authority and is consistent with the Council's policies, Waste Strategy, and objectives of Council's Strategic Asset Management Plan.
- 3.2 This activity will directly contribute to the Outcome 2, Cheshire East has a Strong and Resilient Economy. It will facilitate the delivery of the Council's change programmes, supporting economic growth and putting our residents first. Furthermore, the sale of Pym's Lane will reduce going revenue costs and carbon tax liability in line with the Council's Strategic Asset Management Plan.
- 3.3 The disposal will enable Bentley Motors Ltd to effect their expansion plans to build a new £40 million engineering, research and development centre as part of a wider £840 million investment programme, which will see the creation of 300 new jobs at the Crewe site, bringing the total number of jobs due to be created close to 1,000 (950). This is a major boost to Crewe and Cheshire East, bringing high skills jobs into the area.
- 3.4 The capital receipt generated will be pooled centrally and contribute to support the Council's Waste Strategy; enhancing services delivered by the Council's wholly owned company Ansa Environmental Services Ltd, as approved by Cabinet 2 September 2014.

### **4.0 Wards Affected**

- 4.1 Crewe

## **5.0 Local Ward Members**

5.1 Cllr M Simon, Cllr J Weatherill, Cllr R Cartlidge

## **6.0 Policy Implications including - Climate change, Health.**

6.1 The proposal in this report relates directly to two key outcomes identified in the Council's Three Year Plan:

### **6.1.1 Outcome 2: Cheshire East has a strong and resilient economy.**

'Cheshire East is known as a good place to do business – we attract inward investment, there is access to a high quality workforce and our businesses and visitor economy grow to create prosperity for all.'

### **6.1.2 Outcome 4: Cheshire is a green and sustainable place**

'Cheshire East's rural and urban character is protected and enhanced through sensitive development, environmental management, transport and waste disposal policies.'

6.2 The proposal aligns strongly to the Council's Economic Development Strategy and its more recently created Vision and Strategy for Economic Growth - East Cheshire's Engine of the North, which articulates the rationale and plans for increasing productivity and creating new jobs. This is based on the strong competitive advantage and record of accomplishment that the Borough has in terms of its skilled workforce, existing business base, entrepreneurial spirit, quality of life and its national, regional and local infrastructure and connectivity.

6.3 The sale of Pym's Lane forms part of the Council's ambition as detailed in its Waste Strategy, to minimise landfill and supporting energy from waste initiatives and carbon reduction plans. It would act as a stimulus to embed culture change, create economies of scale, improve services and reduce long term costs for Cheshire East residents. It will also support the continued delivery of modern waste services, which will deliver to high environmental standards.

## **7.0 Financial Implications**

7.1 The sale to Bentley Motors Ltd is in accordance with the Council's obligations under Section 123 of the Local Government Act 1972. External professional valuation advice has been obtained to ensure these obligations are met.

7.2 In accordance with the Council policy on capital receipts, the receipt will be pooled centrally and used in the most beneficial way to finance capital expenditure, including the implementation of the Council's Waste Strategy.

## **8.0 Legal Implications**

- 8.1 Section 123 of the Local Government Act 1972 allows a Local Authority to dispose of an interest in land on such terms, as it considers appropriate subject to its obtaining the best consideration reasonably obtainable for the land interest.
- 8.2 The Localism Act 2011 introduced the General Power of Competence, which allows the Council to do anything an individual can do, provided it is not prohibited by other legislation. These powers have replaced the previous wellbeing powers. However, the use of these powers must be in support of a reasonable and accountable decision made in line with public law principles.
- 8.3 Notwithstanding the above powers the Council has a fiduciary duty to the taxpayers and must fulfil this duty in a way that is accountable to local people.
- 8.4 All disposals must comply with the European Commission's State Aid rules. When disposing of land at less than best consideration the Council is providing a subsidy to the occupier of the land. In such cases the Council must ensure that the nature and the amount of the subsidy complies with State aid rules, failure to comply means that the aid is unlawful and may result in the benefit being recovered with interest from the recipient. If the occupier receives less than approximately £155,000 (200,000 Euros) in state aid over a 3 year period then the De Minimis principle will apply (small amounts of aid are unlikely to distort competition). This sale is considered not to attract subsidy concerns.
- 8.5 Notwithstanding the above comment, and in addition to receiving a capital receipt, the sale is in line with the Council's policies and aspirations for Crewe, and affords an opportunity to contribute in a significant way to the growth of the area and job creation, which is difficult to measure in monetary terms.

## **9.0 Risk Management**

- 9.1 The site has not been offered for sale on the open market. On the face of it, there remains a possible opportunity for a challenge to the Council's decision to sell the sites to Bentley Motors Ltd, hence the detail above in this report. In order to minimise the risks associated with the sale, and in addition to what has been said above, external professional valuation advice has been obtained which is intended to provide comfort in relation to the duty under Section 123 Local Government Act 1972 and the general obligation to comply with fiduciary duties in particular.

- 9.2 Service continuity of the Council's Waste Services is key to ensure services to our residents are maintained. The risk of distribution as result of a sale of the site will be minimised through a robust and managed exit plan as part of the Council's Waste Strategy. It is proposed that the exit of the site be undertaken phases to balance the needs for service continuity and the needs of the purchaser. It is vital that transfer facilities continue to be available at Pym's lane until an alternative facility is operational.

## **10.0 Background and Options**

- 10.1 The Pym's Lane Depot, Pym's Lane, Crewe comprises an operational waste transfer station, depot and offices which has a gross internal area of circa 5,052 sq m (54,835 sq ft) on a site of approx. 3.39 ha (8.37 acres). The site is occupied and leased to Ansa, the Council's wholly owned company, which delivers a number of environmental services from the site.
- 10.2 The Council has been seeking to consolidate and rationalise its land and property portfolio over the as part of its strategic asset management plan, and has identified a number of sites within the Waste Portfolio for amalgamation creating a central hub to improve business efficiency and rationalise the sites across the Borough.
- 10.3 Bentley Motors, founded nearly a century ago, is one of the world's most iconic luxury car brands and employs 3,700 people at its Crewe headquarters. Last year, the company delivered more cars than ever before and expects to break that figure in 2014. The UK car industry is worth £60bn and Bentley is one of only eight luxury and sports car makers in the UK and one of only two in the North West. It made 10,120 cars last year and exports 85percent of its vehicles to major markets in the US, China and Europe.
- 10.4 Bentley Motors' request to acquire the Pym's Lane Depot site in Crewe together with the Council decision to acquire a new strategic asset as part of its Waste Strategy has created an opportunity for the Council to satisfy a number of key policy drivers. In releasing the site to create further employment opportunities within Crewe and contribute to the sustainability and longevity of one of the Borough's biggest employers by allowing them the opportunity to grow and expand their existing facilities on to the Pym's Lane Depot Site adjacent to their existing premises on Pym's Lane. This includes the Council receiving a substantial capital receipt for the release of a site that requires substantial refurbishment works to bring it back into an acceptable standard if Council operations were to continue long term on the site.
- 10.5 The Council is pursuing opportunities to acquire a potential site in the centre of the Borough to create a super 'hub' for consolidating environmental services on to one site, releasing up to five sites across Crewe and Macclesfield once constructed. The necessary due

diligence and detailed suitability of a site including planning use, site condition surveys, transport links, master planning, and affordability are already in progress.

- 10.6 A detailed mobilisation and delivery plan is being developed to inform the disposal the Pym's Lane Depot and acquisition of strategic site, and other sites in due course. This includes a full business continuity and migration plan to allow for careful and controlled exit and move from Pym's Lane, ensuring at all times the Waste Service can maintain a 'business as usual' provision for the Borough.
- 10.7 The proposed sale of the Pym's Lane Depot to Bentley Motors Ltd is dependant on the Council securing a suitable alternative site for the new central 'hub' provision, and thus ensuring a managed way the exit from Pym's Lane site. Part of that controlled exit is to lease back of part of the site to maintain business continuity for ANSA. The terms of the lease back will contain provisions to protect the Council's operational requirements.
- 10.8 The Council will terminate the current lease arrangement of Pym's Lane with Ansa and grant a new lease of the new location as soon as practicable.

#### **11.0 Access to Information**

The background papers relating to this report can be inspected by contacting the report writer:

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