

## **REPORT TO EXECUTIVE**

Date of Meeting: 9 July 2024

Report of: Director Finance and the City Surveyor

Title: Disposal of land at Grace Road Fields for the facilitation of the Low Carbon Exeter District Heat Network

### **Is this a Key Decision?**

No

### **Is this an Executive or Council Function?**

Executive

### **1. What is the report about?**

1.1 Following the award of £42.5m by Central Government to Exeter Energy Ltd (a joint venture between 1Energy Group and Asper Investment Management) to build a heat network using water source heat pumps officers are seeking authority to grant an option to dispose of part of Exeter City Council's land holding at Grace Road Fields, at best consideration, to Exeter Energy Network Ltd (or one of its associated vehicles).

### **2. Recommendations:**

That Executive approve:

2.1 the grant of an option to dispose part of Grace Road Fields to Exeter Energy Ltd, or one of its associated vehicles, to facilitate the delivery of a Low-to-Zero Carbon Energy Centre having consideration to the Best Consideration report prepared by independent Chartered Surveyors at Appendix 1; and

2.2 to delegate authority to the City Surveyor, in consultation with the Leader and the Director Finance to approve:

- 1) the final boundary and terms associated with the option and disposal of the site; and
- 2) in accordance with the section 122 of the Local Government Act 1972 to appropriate the wider Grace Road Field site, which belongs to the Council (shown on the plan at Appendix 2), for planning purposes to facilitate the carrying out of development, re-development or improvement on or in relation to that land.

2.3 subject to approval of 2.1 above, notices will be published in relation to the disposal of open space at Grace Road Fields with the results presented to Executive prior to any exchange on the disposal of the site.

### **3. Reasons for the recommendation:**

3.1 Minimising financial risk to the Council, generating best consideration for the Council's assets and contributing to Exeter becoming a Net Zero Carbon City.

#### **4. What are the resource implications including non financial resources**

4.1 This development land disposal should generate capital receipts for the Council that will be used to finance the existing capital programme.

4.2 The development of the land should generate income for the Council from retained business rates generated through anticipated development.

4.5 There will be officer time involved in managing the disposal, which will be met within existing resources.

#### **5. Section 151 Officer comments:**

5.1 The sale of the land will provide a capital receipt that can be used to finance the capital programme. As Members are aware the Council has limited capital resources and interest rates are high. This is causing challenges for the Council in delivering the capital programme.

#### **6. What are the legal aspects?**

6.1 Local authorities are under a duty to comply with Section 123 (2) of the Local Government Act 1972 ("LGA 1972"), with regard to land held in the General Fund, as is the case here, which requires that except with the consent of the Secretary of State ("SoS") a Council they shall not dispose of land under this section for a consideration less than the best that can reasonably be obtained. The best consideration report at Appendix 1, produced by independent Chartered Surveyors indicates that best value for the Council's development land is being achieved.

6.2 The Local Planning Authority have advised that given the current designation as Valley Park in the existing Local Plan and the history of formal and informal recreational use Grace Road Fields should be treated as a disposal of open space. If a decision to dispose of the site is taken, the decision will need to be re-affirmed having consideration to any public consultation received.

6.3 Section 123 (2A) of the Act states that a principal council may not dispose of any land consisting or forming part of an open space unless they cause notice of their intention to do so, specifying the land in question, to be advertised in two consecutive weeks in a newspaper circulating in the area in which the land is situated, and consider any objections to the proposed disposal which may be made to them.

#### **7. Monitoring Officer's comments:**

7.1 Members will note the detailed legal comments at paragraph 6.1 concerning the legal obligations imposed on local authorities to secure best value.

#### **8. Report details:**

##### Background

8.1 Grace Road Fields are directly to the east of the new Marsh Barton Station and the Exeter Energy Recovery Facility and directly to the west of the Exeter Ship Canal to the south side of Clapperbrook Lane East (see Appendix 3 or Image 1 below).



Image 1: Aerial View of Grace Road Field

8.2 The site has been used most recently as a construction compound for the infrastructure works involved in the delivery of Marsh Barton Station.

8.3 The site is within Flood Zone 3 (the highest risk) which creates additional abnormal costs but does not preclude redevelopment completely.

8.4 The site has been considered as a possible school location under the Water Lane Supplementary Planning Document design process but has been ruled out as too far from the envisaged scheme centre (either for the whole school or as playing fields for a split school).

8.5 Following an approach to the Council from 1Energy the market value of the land has been negotiated as £430k per acre (equating to c.£1.075m for c.2.5 acres) based on industrial land values and ground rents in the area.

8.6 To deliver the district heating plant in this location the Environment Agency are requesting the site be raised 1.6 metres leaving the scheme facing circa £1.3m worth of abnormal costs to utilise this location.

8.7 The Exeter Energy Ltd ([Exeter Energy Network - Who we are](#)) has been awarded significant Government funding ([Exeter awarded more than £40m for new green heating network - Exeter City Council News](#)) to provide a green heating network utilising water source heat pumps (drawing water and heat from the River Exe) that will result in buildings connected to the network generating 65-75% less in carbon emission relative to gas heating. In addition to the public sector investment mentioned above the project will involve a further £70m of private sector investment with the aim of providing net zero carbon space heating and hot water by 2030 (for further detailed information please see the attached briefing note from Exeter Energy Network at Appendix 2).

## Options available

8.8 There are several options available to ECC:

### 1) Do Nothing

8.9 Although recently used as a construction compound the site hasn't been developed permanently before and could be utilised for Biodiversity Net Gain ("BNG") environmental improvements to offset harm caused elsewhere or retained for amenity land purposes.

### 2) Market the site on the open market

8.10 To date the site hasn't been identified for disposal and as, mentioned in 6.1 above, the risk of undervalue is low. 1Energy has secured significant Department of Levelling Up, Housing and Communities ("DLUHC") funding (see the links in Para 8.7 above) so would need to find an alternative site due to timescales constraints should the Council choose the open market disposal route. Exeter Energy Ltd have also offered a premium to secure the land quickly off market which may not be applied if the site goes to the open market.

### 3) Hold the site as a reserve school location for Water Lane

8.11 As mentioned in Para 8.4 above Grace Road Field has been removed from the school optioneering process due to its isolation from the heart of the Water Lane area but its flood risk and proximity to the Exeter Energy Recovery Facility also limit its attractiveness as a school location.

### 4) Sell the land to Exeter Energy Ltd off market for £430k per acre (recommended route)

8.12 The anticipated land take is circa 2.5 acres equating to £1.075m. Although the key market comparable (Conrad Energy) is in the same flood zone the actual flood position became more severe (and the associated flood mitigations more expensive) since that site was let in 2015. The site also does not benefit from the level vehicle access usually needed for industrial sites. Given the site's isolation and that it is no longer on the table for use as a school (and is considered too remote for a Council Green Spaces depot) the financial opportunity costs of selling c.2.5 acres to 1Energy is probably materially less than the financial position negotiated, which is supported by the findings of the Independent Surveyor's report at Appendix 1.

## Reason for recommendation

8.16 Exeter Energy Ltd is under immediate pressure to start the delivery of the District Heating Network and given the environmental, social and economic benefits of supporting the project, an off market disposal is the recommended route.

## **9. How does the decision contribute to the Council's Corporate Plan?**

9.1 This decision will contribute to the Council's strategic priorities of 'Leading a Well-Run Council' and 'Net zero carbon city'.

## **10. What risks are there and how can they be reduced?**

10.1 An off market disposal could be construed as a disposal at less than best consideration. To mitigate this risk ECC have commissioned an independent valuation and best consideration sign off by an independent firm of Chartered Surveyors.

## **11. Equality Act 2010 (The Act)**

11.1 Under the Act's Public Sector Equalities Duty, decision makers are required to consider the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

11.2 In order to comply with the general duty authorities must assess the impact on equality of decisions, policies and practices. These duties do not prevent the authority from reducing services where necessary, but they offer a way of developing proposals that consider the impacts on all members of the community.

11.3 In making decisions the authority must take into account the potential impact of that decision in relation to age, disability, race/ethnicity (includes Gypsies and Travellers), sex and gender, gender identity, religion and belief, sexual orientation, pregnant women and new and breastfeeding mothers, marriage and civil partnership status in coming to a decision.

11.4 In relation to this report, no potential impact has been identified on people with protected characteristics as determined by the Act because the proposals do not seek to reduce or change services to the extent that they will impact on any individuals including those with protected characteristics. Grace Road Field is an operational asset and there are no existing residents or tenants.

## **12. Carbon Footprint (Environmental) Implications:**

12.1 In July 2019 the Council declared a Climate Emergency. Disposing of land for development of a Low to Zero District Heating Network should help reduce carbon emissions and contribute to the delivery of our carbon reduction target (carbon neutral by 2030).

## **13. Are there any other options?**

13.1 The alternative options to the recommendation, considered above, are: 1) do nothing, 2) open market disposal; or 3) hold for a school. The options are considered in detail in Section 8 above and although none of them are unreasonable strategies only option 4 (i.e. an off market sale to 1Energy) is recommended by officers.

**Director Finance, David Hodgson**

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## **Local Government (Access to Information) Act 1972 (as amended)**

Appendices:-

- 1) Savills Grace Road Fields Valuation and Opinion of Best Consideration – May '24
- 2) Wider Grace Road Fields Red Line Plan
- 3) EEN Energy Centre Briefing – Feb '24
- 4) Indicative Red Line Plan of Disposal Site.

Background papers used in compiling this report:-

None

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