

EAST AYRSHIRE COUNCIL

CABINET – 20 APRIL 2011

MOORFIELD BUSINESS PARK – PROPOSED INFRASTRUCTURE DEVELOPMENT

Report by Depute Chief Executive/ Executive Director of Neighbourhood Services

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek Cabinet's approval for funding of up to £3.4m to 'match' an offer of £2.044m grant from the European Regional Development Fund (ERDF) for the completion of land works and site servicing at the Moorfield Industrial Park on the South West edge of Kilmarnock, and construction of 2,100sq m of mixed size small industrial units.

2. BACKGROUND

- 2.1 The Moorfield Industrial Park, to the west of Kilmarnock, extends in total to 29 hectares (ha). 11.2ha has previously been serviced as Phase 1, half of which has been taken up to date. The area to be serviced through the proposed current project is 11.4ha. on Phase 2 to the north. The remaining 6.4 ha, containing a former bing area and an area constrained by a high pressure gas main, will remain undeveloped. The site is located with direct access to the A71 dual carriageway between the Kilmarnock southern bypass and Irvine. There is direct access to the national motorway network via the M77.
- 2.2 The estate has a central place in the Adopted Local Plan and the Ayrshire Structure Plan as a key location for new industry. The area of serviced land currently available would be sufficient to accommodate only one major industrial facility. The proposed development would provide sites capable of accommodating a range of unit sizes up to 200,000 sq ft. Depending on demand the largest sites could be split into sites for smaller units.
- 2.3 There are currently very few modern industrial units available in the town. There are no modern properties currently on the market that are more than 200 sq m. All these properties are at least 15 years old. There are some larger properties dating from the 1970s, including one of 3,000 sq m and one of 1,500 sq m. but all these properties would require substantial refurbishment for a modern industrial facility. The cost is likely to be prohibitive. Most of these units have remained vacant for a number of years. The proposed development will include a range of smaller industrial units between 200 and 1,000 sq m.
- 2.4 The proposed development will enable the area to offer a continuing supply of sites and completed business units for businesses new to the area and local businesses which are expanding. The site will continue to be developed as a high quality, low density industrial park. This designation complements the

business park development to the north of the town at Rowallan, and the existing adjacent Moorfield industrial estate.

3. PROPOSAL

3.1 The proposed development has two elements:

- The proposed purchase of a serviced site on Phase 1 at Moorfield and the development on that site of 2,100sq m of mixed size small industrial units;
- The purchase of Phase 2 at Moorfield and the development of serviced sites covering 11.4ha

Cost

3.2 The total costs of the project including land acquisition and site preparation and construction costs are estimated at £5.444m.

3.3 To support the development of the project, and following discussions with John Swinney, the Cabinet Secretary, an application for European Regional Development Funding (ERDF) was submitted for £2.044m (45% of eligible costs) to part-fund the project.

3.4 An offer of the full amount of ERDF requested has been received. This is subject to conditions requiring additional information on four points. The principle condition requires confirmation of the 'match funding.' This has to be confirmed by Friday 15th April. The other conditions require additional information on cash flow, the roads expenditure in the costings and state aid issues. It is not thought that these conditions will be difficult to meet or that they will throw up any new issues – if they do the project proposals may need to be adjusted.

3.5 The match funding required from the will therefore be up to Council is £3.4m. It is proposed that this would be met through an appropriation from the Capital Fund with future capital receipts from the disposal of sites or units being returned to the Fund.

3.6 The project will be undertaken by the Council. The Council will purchase all the land required from the existing owner. (Note: historically the industrial park has been developed by the landowner within the context of a planning agreement with the Council. Following a change of controlling interest in the development partner it has become clear that the development partner does not wish to participate in a joint venture.)

3.7 A planning application will be submitted on the basis of an indicative master plan that has been drawn up in the course of developing the project proposal. The site is zoned for industrial use, and the development will therefore accord with the development plan. It is proposed that the Council will commission two contracts, one for the industrial units and the other for servicing of the Phase 2 area. Both contracts will be procured on a design and build basis. It is

proposed to commence the tendering process for the project in May 2011, with an October 2011 start date, and completion in late 2012.

- 3.8 The proposed scale of the development together with the overall financial investment will require that careful financial planning is undertaken with specific advice in relation to VAT and any other associated tax issues being sought. The Head of Finance will ensure that appropriate advice is sought from the Council's tax advisors.
- 3.9 The industrial park will require on-going management to maintain a high standard of amenity. There will be requirements for active promotion and legal and estates work in conveyancing. It is envisaged that a service charge will be levied to cover maintenance costs, although until the site has been fully sold or leased a net cost will have to be borne by the Council.

4. POLICY IMPLICATIONS

- 4.1 The proposed development is fully in accordance with the Adopted East Ayrshire Local Plan and Workstream 2.2 "Growing our business base by new investment" under the Delivering Community Regeneration Action Plan.

5. LEGAL AND FINANCIAL IMPLICATIONS

- 5.1 Procurement of the site and the contractual work will be undertaken in-house by Legal Services. Conveyancing will also be undertaken in-house.
- 5.2 It is proposed that the required capital financing of up to £3.4m will be underwritten by the uncommitted balance on the Capital Fund, which is currently estimated at £4.007m, with future receipts from site or unit disposals being credited to the Fund.
- 5.3 The gross annual revenue cost of management of the site and industrial units is estimated at £0.080m initially, which will decline as the plots become occupied with costs being recharged to occupiers and the units are sold or let on a full repairing and insuring leases.

6. RISK IMPLICATIONS

- 6.1 The contribution required from the Capital Fund is capped at £3.4m. As a result consideration will be given to ensuring that, at far as possible any financial risk is transferred to the successful contractor through appropriate contractual conditions.
- 6.2 The ERDF may under certain circumstances claw back grant if returns on the investment are significantly greater than anticipated at the time of the application. The period over which returns may be monitored extends to 2025. It is understood, however, that the possibility of a claw back would only arise in the event of a disposal of plots or units at well above the market value anticipated in the application, or for purposes that are not consistent with the basis of the grant. An example of the first would be the sale of a site for a

retail outlet. An example of the second would be a sale for residential purposes or for use by the Council for its own services. Even then the 'excess' returns would have to be substantial to trigger a clawback. In any of these circumstances the clawback would be from a higher than expected return.

7. LINKS TO COMMUNITY PLAN

7.1 Securing ERDF for this proposal is an output under the Workstream of "growing our business base by new investment" within the Delivering Community Regeneration Action Plan.

8. RECOMMENDATION

8.1 Cabinet is asked to:-

- (i) approve capital funding of £3.4m towards the cost of land acquisition, completion of land works and site servicing at the Moorfield Industrial Park on the South West edge of Kilmarnock, and construction of 2,100sq m of mixed size small industrial units.

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13 April 2011/FV/AN

Members wishing further information please contact Alan Neish, Head of Planning and Economic Development on 01563 576767

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LIST OF BACKGROUND PAPERS

1. Application for ERDF funding ref. LUPS/ERDF/2010/4/3/0150 - 1 October 2010