



North Ayrshire Council  
Comhairle Siorrachd Àir a Tuath

Cunninghame House,  
Irvine.

8 May 2015

### **Cabinet**

You are requested to attend a Special Meeting of the Cabinet of North Ayrshire Council to be held in the Council Chambers, Ground Floor, Cunninghame House, Irvine on **TUESDAY 12 MAY 2015** at **2.30 p.m.** to consider the undernoted business.

Yours faithfully

Elma Murray

Chief Executive

**1. Declarations of Interest**

Members are requested to give notice of any declaration of interest in respect of items of business on the agenda.

**2. Irvine Enterprise Area Strategic Investment Site – Purchase of Land and Investment in Infrastructure (Page 5)**

Submit report by the Executive Director (Economy and Communities) on the proposals to purchase land within the Irvine Enterprise Area from Scottish Enterprise, and thereafter to invest in the site (copy enclosed).

## **EXEMPT INFORMATION**

### **3. Exclusion of the Public**

Resolve in terms of Section 50(A)4 of the Local Government (Scotland) Act 1973, to exclude from the Meeting the press and the public for the following items of business on the grounds indicated in terms of Paragraph 9 of Part 1 of Schedule 7A of the Act.

#### **Non Disclosure of Information**

In terms of Standing Order 17 (Disclosure of Information) the information contained within the following reports is confidential information within the meaning of Section 50A of the 1973 Act and shall not be disclosed to any person by any Member or Officer.

### **3.1 Sale of Co-mingled Dry Recyclates Contract (Blue Bin) - Contract Issues**

Submit report by the Executive Director (Place) (copy to follow).

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## Cabinet

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Sederunt: **Elected Members**

Willie Gibson (Chair)  
Alan Hill (Vice-Chair)  
Marie Burns  
John Bruce  
Anthea Dickson  
Tony Gurney  
Ruth Maguire

Chair:

Attending:

Apologies:

Meeting Ended:



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## **NORTH AYRSHIRE COUNCIL**

### **Agenda Item 2**

**12 May 2015**

#### **Cabinet**

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**Subject:** **Irvine Enterprise Area Strategic Investment Site –  
Purchase of Land and Investment in Infrastructure**

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**Purpose:** To inform Members of proposals to purchase land within the Irvine Enterprise Area from Scottish Enterprise and thereafter to invest in the site.

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**Recommendation:** That Cabinet agrees to (a) purchase land from Scottish Enterprise to secure ownership in the Strategic Investment Site; and (b) proceed with proposals to invest in the site with the aim of encouraging investment and employment.

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#### **1. Introduction**

- 1.1 The Irvine Enterprise Area (IEA) is a major location for employment and has been the principal focus of the Irvine Bay Regeneration Company (IBRC) over the last two years reflecting the opportunity provided by the designation of Enterprise Area status, which provides benefits to companies including capital allowances and rate relief. This focus by IBRC has yielded significant results including the creation of around 350 jobs and the take up of over 100,000 sq ft of commercial space. Within the IEA lies a Strategic Investment Site of around 120 acres owned by Scottish Enterprise (SE).
- 1.2 In recognition of both the opportunity this site provides and the constraints to its development, the Council approved investment in the Enterprise Area of £2m within the Council's 10 year Capital Programme on 11 December 2013.
- 1.3 This report provides an update on the procurement of investment proposals for the site, and seeks approval to conclude negotiations with SE to secure the Council with outright ownership in the land and to allow the works to proceed. The paper is presented for urgent consideration to allow the Council to secure agreement with SE and the draw down of European Regional Development Fund (ERDF) funding which has been allocated to the project and which requires to be spent by September 2015.

## **2. Current Position**

- 2.1 The Strategic Investment Site (SIS) is one of the largest undeveloped employment sites in the north of the UK and extends to over 120 acres. A plan of the site is attached at Appendix 1. The site is currently owned by Scottish Enterprise (SE). It is located within the Irvine Enterprise Area and benefits from capital allowances which represents a significant financial benefit to businesses undertaking capital investment. The site is recognised by Scottish Enterprise (SE) and Scottish Development International (SDI) as a prime site for data-centre provision within Scotland and is currently being marketed by IBRC on behalf of both organisations, alongside Grangemouth, as a primary location for Life and Chemical Science Growth.
- 2.2 The Enterprise Area is a major contributor to the delivery of the objectives of the Council's Economic Development and Regeneration Strategy and in particular is identified as the key opportunity and focus within the International Strategy. The development of the site was identified in the Enterprise Area business plan produced by IBRC in 2012. A key objective of IBRC is to help position the Council to lead the future development of the Enterprise Area through the ownership of assets and to put in place sites which are closer to being development ready.

### Investment Proposals

- 2.3 The need for investment in the site recognises its limited attractiveness to inward investors given the lack of site access and service provision, as well as its sheer scale. The subdivision of the site into development parcels will provide a sense of the potential end use, demonstrate the flexibility of the development opportunity and lower costs for potential occupiers. The intention would be to allow the major investment enquiries dealt with by Scottish Development International to be fielded. Currently, the site in its undeveloped state is a barrier to progressing occupier interest as there are alternative sites in Scotland that are more occupier ready.
- 2.4 A master planning exercise has been undertaken which sets out proposals to sub-divide the site into multiple development platforms in association with infrastructure improvements. The scope of the works proposed and the cost breakdown of this is as follows:
- the extension of the spine road at £1.35m;
  - the formation of five identified development zones to the north of the site providing investment plots ranging from 50,000–300,000 sq ft and including general landscaping works; new signage and the installation of service ducts at £1.4m; and

- a series of Sustainable Urban Drainage Systems (SUDS) at £0.2m.
- 2.5 These proposals are illustrated within the Masterplan at Appendix 2. The proposals acknowledge the potential scale and range of future investment enquires which may arise, but also provide the flexibility to respond to individual enquiries. The overall scale and development proposals are consistent with the current Local Development Plan. A planning application for the extension to the spine road was submitted on 12 October 2014 and this was granted on 2 December 2014.
- 2.6 A site start could be facilitated in June 2015 further to agreement on the heads of terms for the purchase of land from SE and the obtaining of a site licence to undertake the works in advance of the land purchase being completed.
- 2.7 The funding implications of this are considered at 4.1.

#### Land Purchase and Development Agreement

- 2.8 Since the submission of the planning application and alongside work to advance the procurement of the proposals, various options have been considered in terms of the future ownership of the site, and governance for the investment proposals and thereafter management and promotion of the site. Options have included the retention of ownership by SE, a 50/50% joint ownership share, and full ownership by the Council. It is proposed that NAC purchase the SIS from Scottish Enterprise. This will provide the Council with an asset upon which we can undertake capital investment, and will facilitate the drawdown of ERDF funding, while representing the most tax efficient means of investing in the site.
- 2.9 SE have confirmed that, should ownership of the SIS pass to the Council, SE will remain committed to the investment and promotion of the site should it provide opportunity for economic growth aligned with its strategic objectives. SE will reinvest the total capital receipt achieved from the land sale back into the project as a contribution to the works, and as part of a development agreement will make an annual contribution of up to £50,000 per annum for at least the next five years to the ongoing strategic development, marketing and promotion of the site.
- 2.10 The proposed heads of terms for the land transaction are as follows;
- Independent valuations of the site have been undertaken separately by NAC and SE and a gross value of £975,000 agreed by the two valuers. This has been accepted by both parties and determines the purchase price;

- The future promotion and development of the site will be led by a development agreement between SE and NAC;
  - The costs associated with the land transfer shall be shared equally between the parties; and
  - The land to be purchased will include any areas required for rights of way and required servitudes.
- 2.11 Analysis of underlying ground conditions on the site has been undertaken which has identified the presence of abnormal ground conditions. This suggests that the delivery of development on the site will be subject to additional future investment, which would further increase the gap in financial viability associated with the development of new commercial space in this area (given land or rental values, and the costs of development/construction).
- 2.12 Abnormal ground conditions are those which are non standard. For the SIS these lead to a requirement to undertake works including a range of piling solutions, the provision of a gas membrane/venting, ground de-watering and a water supply upgrade. It is projected that the abnormal development costs associated with the delivery of the masterplan at Appendix 2 would be some £2.1m. While the exact nature of and hence cost of these works could not be confirmed until a specific occupier came forward with detailed plans, it should be noted that the masterplan has taken account of the ground conditions evident, and that this would deliver some 1M sq ft of commercial space with significant economic benefit. The abnormal costs should be considered as reasonable in this context.
- 2.13 The purchase of the site therefore comes with associated liabilities, and it should be noted that the provision of new space on the site is likely to require additional investment by the public sector. This would be considered on a case by case basis. Were a significant occupier to express interest in the site, an approach to Scottish Enterprise and/or Scottish Government to pursue financial support towards the implementation of new development would be envisaged.
- 2.14 Reflecting the presence of abnormal ground conditions within the site, it is proposed that the purchase of the site is conditional upon 100% of the purchase price being reinvested by SE in the construction works. The Council's contribution will therefore effectively be directed entirely to construction works rather than the payment of a land value.
- 2.15 It is intended that the investment proposals and future development of the SIS will then be led by a development agreement between SE and NAC. The terms of this agreement will be as follows:
- IBRC will act as agent for any infrastructure works, marketing and investment proposals for the life of IBRC (no later than March 2017) with subsequent transfer of responsibilities to NAC;



- The value achieved by SE as a capital receipt from the sale of land will be reinvested in the site as a contribution to the development costs of the initial phase of works;
- The total NAC contribution to the development costs of this phase will be up to a maximum of £2m;
- IBRC will make a financial contribution of £330,000 to the investment proposals as well as any ERDF funding secured (up to £1.1m);
- A project board comprised of officers from NAC, SE and IBRC will ensure the delivery of the investment proposals and consider future additional investment proposals; and,
- SE will make an annual contribution of £50,000 per annum towards the ongoing marketing and promotion of the site for an initial period of five years. Subject to evaluation, there may be an opportunity to extend this period.

### **3. Proposals**

3.1 It is proposed that Cabinet agrees to:

- a) Purchase land at the Irvine Enterprise Area Strategic Investment Site from Scottish Enterprise; and
- b) Proceed with proposals to invest in the site with the aim of encouraging investment and employment.

3.2 It should be noted that these proposals are subject to approval of the sale by SE at a meeting on 12th May and including their acceptance of a condition that 100% of their receipt is invested in the construction works.

### **4. Implications**

#### **Financial Implications**

4.1 The budget for the investment proposals set out is £2.95m. This will be funded by ERDF, IBRC, North Ayrshire Council and SE. The Council's proposed capital contribution of £1.7m is contained within an existing capital programme allocation of £2m for the Irvine Enterprise Area. This will fund a combination of the purchase of the site (which will then be reinvested as a contribution by SE), and capital investment works.

4.2 Any reduction in the level of ERDF funding drawn down towards project costs (as a result of delay limiting the level of funding which can be drawn down) will result in additional cost to the Council. Ongoing costs in relation to management, maintenance and promotion of the site will match the annual £50,000 contribution from SE and this will be met from existing budgets.

- 4.3 Any future development of the site is likely to require additional investment in order to resolve the presence of abnormal ground conditions. While these cannot be quantified until an operator comes forward with specific proposals and the costs would only be realised at that point, the delivery of the masterplan at Appendix 2 would require abnormal ground conditions to be resolved at a cost of £2.1m. It should be noted that this would deliver some £1M sq ft of commercial space with significant economic benefit.

#### Human Resource Implications

- 4.4 There are no Human Resource Implications arising from this report.

#### Legal Implications

- 4.5 Legal Services will conclude negotiations in relation to the land purchase based on the principles contained within the report.

#### Equality Implications

- 4.6 There are no equality implications arising from this report.

#### Environmental and Sustainability Implications

- 4.7 The implementation of the works proposed lead to the improvement of a significant area of land.

#### Implications for Key Priorities

- 4.8 This proposal supports the Council Plan core objective 1 – ‘Regenerating our communities and increasing employment.’

#### Community Benefit Implications

- 4.9 There are no community benefit implications arising from this report.

## **5. Consultations**

- 5.1 The project has been led by the Irvine Bay Regeneration Company and has involved the Council's Economic Growth Service with support from Estates, Finance and Legal. Consultation on the proposed construction project was undertaken by IBRC through the planning application process.

## **6. Conclusion**

- 6.1 The Irvine Enterprise Area is the major focus of the Irvine Bay Regeneration Company, and this has yielded significant results. The proposals outlined in the paper will encourage the development of employment uses on the Strategic Investment Site. The purchase of land and subsequent works will facilitate the promotion of the site and allow an ownership interest in the Strategic Investment Site to be secured by the Council, with the ultimate aim of delivering additional employment and economic benefit. Approval of the report will allow the delivery of the investment proposals and the draw down of ERDF funding.



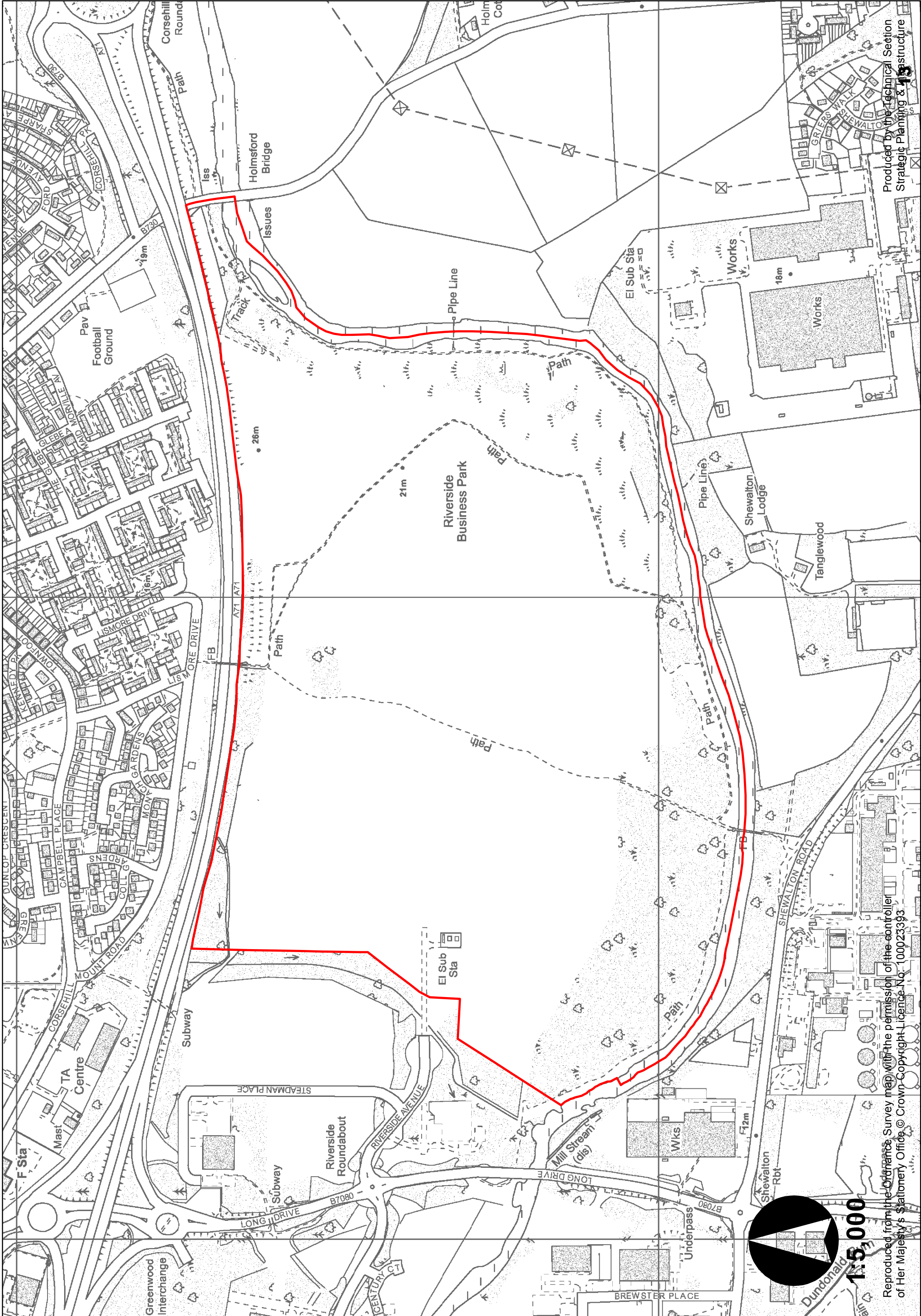
KAREN YEOMANS  
Executive Director (Economy and Communities)

### **Reference :**

For further information please contact Alasdair Laurensen, Team Manager (Regeneration) on 01294 324758

### **Background Papers**





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