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## NORTH AYRSHIRE COUNCIL

23 February 2021

### CABINET

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**Title:** Hunterston Strategic Development Area

**Purpose:** This paper outlines an approach to secure appropriate economic development at Hunterston recognising the strategic importance of the area.

**Recommendation:** It is recommended that Cabinet: a) Notes the establishment of the strategic group comprising key regional and national agencies and organisations to determine the best way to realise the ambitions for the Hunterston Strategic Development Area b) Notes the preliminary actions of the group c) Notes the intent to write to the Minister to establish the Task Force once actions have been established d) Agrees to create a tri-partite partnership to facilitate early action at Hunterston Parc and which would be underpinned by the attached Memorandum of Understanding.

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### 1. Executive Summary

- 1.1 The Hunterston Strategic Development Area (HSDA) comprises a number of sites including the Hunterston B nuclear power station employing about 500 people and capability of supplying electricity to approximately 1.7 million homes and Hunterston PARC, which is one of Scotland's largest brownfield sites (320 acres), largest deep water port with direct rail and grid connections. The HSDA is one of Scotland's most important strategic locations as identified in the National Planning Framework. The UK Government has also recognised the strategic importance of Hunterston PARC and £18m has been secured through the Ayrshire Growth Deal to develop centres of excellence in key areas of innovation, advanced technologies and applied research with a particular focus on the blue and green economies including: low carbon energy /circular economy/aquaculture/advanced manufacture and the servicing of assets for the offshore wind and renewable energy sector.
- 1.2 The recent decision to accelerate the decommissioning of Hunterston B will put many of the high-quality jobs at risk and would present a very significant loss to North Ayrshire and there is now a need to accelerate plans to mitigate the likely severe economic consequences. There is a major opportunity to bring economic transformation to the area, by linking the challenges facing the decommissioning of the power station with the range of new industry sectors capable of being realised at the neighbouring site.
- 1.3 Following the announcement in August 2020, that decommissioning of Hunterston B is to be accelerated to 2022, North Ayrshire Council has sought to establish a Ministerial Taskforce to support the acceleration of Ayrshire Growth Deal (AGD) funding to mitigate against adverse socio-economic impacts of the early decommissioning of Hunterston B. This report sets out strategic proposals for the establishment of initial governance arrangements and anticipated early actions.

- 1.4 Hunterston PARC is a major strategic development project within the Ayrshire Growth Deal and the unlocking of the potential of the AGD funding would be best secured through a partnership approach to ensure collaboration and agreed strategic direction of the future development of the site. The paper sets out the initial partnership proposals to take forwards the next stages of project development.

## **2. Background**

### Hunterston Ministerial Taskforce

- 2.1 At the meeting of North Ayrshire Council on 23 September 2020, the Council agreed a motion to request the establishment a ministerial taskforce to accelerate the development at Hunterston through the Ayrshire Growth Deal. The motion also sought that the Hunterston Strategic Development Area be included in the Scottish Government's emerging National Planning Framework 4. The motion was a response to the announcement that the Hunterston B power station would cease operation two years earlier than previously planned and that no detailed and funded proposals for alternative employment were in place for the accelerated decommissioning. The motion reflected on the infrastructure assets at Hunterston that make it well placed to support the transition to a green economy.
- 2.2 Subsequently, a formal request for a ministerial taskforce was issued to the Minister for Transport, Infrastructure and Connectivity seeking the establishment of a taskforce. An initial response to the request from the Minister was favourable to the Council's proposal. Simultaneously, Council officers have engaged with national agencies and organisations, including Scottish Enterprise, Peel, Nuclear Decommissioning Authority, Crown Estate Scotland, EDF, Field Studies Council, Skills Development Scotland, Scottish Power and Ayrshire College to develop a set of provisional governance arrangements and agree workstreams that would be the preliminary focus of the collaboration. Although the Minister has yet to confirm the Task Force, an initial meeting of senior representatives from the key agencies was held on 1<sup>st</sup> February to consider the strategic purpose of the group and critical next steps. It was agreed to extend membership of the group to include Marine Scotland, Scottish National Heritage, relevant expertise from UK and Scottish Governments and Hunterston Estates.
- 2.3 In terms of key priorities and critical first steps for the group the following actions were agreed as the immediate focus of the group: -
- I. Development of a socio-economic baseline to identify and underpin next steps
  - II. Undertake a strategic analysis of relationship between decommissioning and capacity and opportunities for skills retention.
  - III. Develop a strategic proposition for the Hunterston Strategic Development Area to succinctly identify the collective priorities of the stakeholders
  - IV. Develop a consultation strategy, reflecting on opportunities to integrate the work of the group with UN COP26.
- 2.4 It was agreed to write to the Minister to formally establish the Task Force once a clear set of priorities has been established.

## Ayrshire Growth Deal

- 2.5 Hunterston PARC is a major project within the AGD to develop a nationally important hub for new growth and investment. The UK Government under the Heads of Terms has offered up to £18 million to support site re-development most of which is currently profiled towards the end of the AGD programme in 10 plus years. The decommissioning of Hunterston B and the need to support the economic recovery and renewal of the North Ayrshire economy post Covid, creates a rationale to accelerate project activity through the AGD and utilise this funding to lever in additional other investment to realise the economic potential of the area.
- 2.6 Scottish Enterprise has offered funding support for developing proposals for the Circular Economy and re-use of the Dry Dock. In addition, other funders such as the Nuclear Decommissioning Agency and Crown Estates Scotland are potentially interested in supporting development at Hunterston. To unlock this funding, a case will need to be made to develop the opportunities to blue economy, innovation and research, low carbon energy and circular economy.
- 2.7 The Hunterston PARC site is owned by the Peel Ports Group under Clydeport Operations Limited (COL) who recognise that the success of realising the strategic ambitions for the site and unlocking third party investment from national agencies and governments is best achieved through a strategic partnership approach between the key parties.
- 2.8 Discussions have taken place with Scottish Enterprise and the Clydeport Operations Limited to develop a partnership arrangement and are set out in the proposed Memorandum of Understanding (MoU), attached in appendix 1, which will support collaboration by the partners with a clear focus on delivery of project elements. The MoU sets out a model for co-funding development work and arrangements for collaborative working. The MoU envisages that the arrangement will operate over 12 months and be renewed as required, subject to agreement from all parties.
- 2.9 The initial focus of Ayrshire Growth Deal project development will develop proposals around enabling works within a 20-acre site and a suite of wider framework proposals for the future development of Hunterston PARC. This will act as a catalyst to enabling strategic activity in the blue, green and circular economy by providing start-up space to support investment in start-up/scale-up investment proposals, which can support future strategic investments in the wider PARC site. Key work to be advanced will include:
- Scoping (with preliminary designs/costings) for the Phase One innovation park proposals within the 20-acre site;
  - Phase Two wider proposals for advance site development works for the entire 320-acre Hunterston PARC area, building on a spatial framework and costed proposals;
  - Alignment of SE/AGD support funding to both the 20-acre site and wider Hunterston PARC proposals;
  - A programme of Advance Building Works that links with the development of Hunterston PARC, with a phase one focus on the 20 acres to potentially include;
  - R&D Office - 750m2

- Incubator Unit – 500m2.
- An Outline Business Case for the development of an innovation park (20 acre) site, under the auspices of the Ayrshire Growth Deal and as a first phase of a wider business case that considers the longer-term development of Hunterston PARC, i.e., Phase Two framework proposals.

2.10 The priority tasks will inform the development of a masterplan for the Hunterston Strategic Development Area, to ensure the direction of agreed development on the site, in line with the tri-partite aims of SE/NAC and Clydeport Operations and to accord with the strategic leadership of the Hunterston Taskforce. The masterplan will be considered through the North Ayrshire planning processes.

### **3. Proposal**

3.1 It is recommended that Cabinet: a) Notes the establishment of the strategic group comprising key regional and national agencies and organisations to determine the best way to realise the ambitions for the Hunterston Strategic Development Area b) Notes the preliminary actions of the group c) Notes the intent to write to the Minister to establish the Task Force once actions have been established d) Agrees to create a tri-partite partnership to facilitate early action at Hunterston Parc and which would be underpinned by the attached Memorandum of Understanding.

### **4. Implications / Socio-economic Duty**

#### **Financial**

4.1 In March 2019, the three Ayrshire Councils and the UK and Scottish Governments signed Heads of Terms for the Ayrshire Growth Deal. The Deal documents were signed and concluded on 19<sup>th</sup> November 2020. The MoU costs to NAC will be absorbed within the AGD Development Budget as will any work advanced under the partnership in meeting Phases One and Two of the proposals. At this stage, support to the Task Force would be met from existing Council budgets and staff. Any significant pieces of work emerging from the Task Force would need to be considered by partners to the Task Force.

#### **Human Resources**

4.2 Given the wide scope of the task force work and the complexities of developing the Hunterston site, resource from across NAC will be required to support the proposed work.

#### **Legal**

The Draft Memoranda of Understanding have been legally drafted and checked by NAC Legal and discussed in outline with both COL and SE. The Memorandum of Understanding commits NAC/COL/SE to constructive collaboration on the project and contributions to development funding for studies/fees. No capital works or capital expenditure will proceed without approvals.

#### **Equality /Socio-economic**

4.4 The project is part of the wider AGD Programme, which includes over-arching KPI's in terms of socio-economic activities and Community Wealth Building. Specific measures on equalities and socio-economic outcomes will be reported to ELT.

### **Environment and Sustainability**

- 4.5 Hunterston PARC is a nationally recognised strategic site (NPF3) and accords with the Local Development Plan. The coastal assets of North Ayrshire and local area involve sites /areas of environmental sensitivity and these will be recognised and accounted for within the development studies. It was also agreed that emerging proposals for the HDSA would be considered through the lens of the environment and sustainability.

### **Key Priorities**

- 4.6 The Hunterston Strategic Development Area will address area wide issues. NAC's priority in developing the MoU is to unlock investment, secure early delivery and create jobs/economic activity in North Ayrshire. The Hunterston Innovation Park (H:IP) seeks to deliver on this priority, within the wider context of Hunterston PARC.

### **Community Wealth Building**

- 4.7 The proposals will include over-arching KPI's in terms of socio-economic activities and Community Wealth Building. Specific measures on equalities and socio-economic outcomes will be reported to ELT and Cabinet as detailed proposals emerge. CWB measures will focus on community benefits, training, skills development and local supply chains.

## **5. Consultation**

- 5.1 Consultation has been progressed with SE/COL and with Crown Estate Scotland. Wider consultation with regulators (Marine Scotland/Scottish Natural Heritage (SNH); Scottish Environment Protection Agency (SEPA); and NAC Planning Services will be advanced as the project develops. A consultation plan is being produced which will set out an approach to wide consultation and engagement.

Karen Yeomans  
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## **APPENDIX ONE**

Memorandum of Understanding

**among**

**North Ayrshire Council**

**and**

**Scottish Enterprise**

**and**

**Clydeport Operations Limited**

**Re HUNTERSTON Project**

**Effective Date:** \_\_\_\_\_

This Memorandum of Understanding is made among:

**The North Ayrshire Council**, a local authority constituted in terms of the Local Government etc. (Scotland) Act 1994 and having its principal office at Cunninghame House, Friarscroft, Irvine, KA12 8EE (hereinafter referred to as "**NAC**") and

**Scottish Enterprise**, (hereinafter referred to as "**SE**") established under the Enterprise and New Towns (Scotland) Act 1990 having its principal office at 5 Atlantic Quay, 150 Broomielaw, Glasgow G2 8LU (hereinafter referred to as "**SE**") and.

**Clydeport Operations Limited**, incorporated under the Companies Acts (Company Number SC134759) and having its registered office at 16 Robertson Street, Glasgow, Strathclyde, Scotland, G2 8DS (hereinafter referred to as "**COL**"),

each a **Party** and together the **Parties**.

## **1 Definitions**

In this Memorandum of Understanding the following defined terms are used:

**Ayrshire Growth Deal** or **AGD** means the joint commitment of East Ayrshire Council, North Ayrshire Council, South Ayrshire Council the Scottish and UK Governments to work collaboratively to deliver a Deal that will help transform the Ayrshire economy, as more particularly detailed in the Heads of Terms entered into between these parties dated 8 March 2019 and the Deal Document dated 19 November 2020.

**Confidential Information** means any information disclosed by one Party to another, whether verbally or written (including in electronic format), which is not in the public domain or which is designated or reasonably regarded as confidential, including this MOU itself;

**Hunterston PARC** means the port and industrial site known as Hunterston Terminal, Fairlie, Largs, KA29 0AZ and registered in the Land Register of Scotland under Title Number AYR83412;

**Hunterston Project** means the investment in and development of Hunterston PARC;

**Hunterston Strategic Development Area** [means Hunterston PARC and the wider surrounding area including Hunterston Port (PPG) Hunterston Nuclear (EDF/NDA) and Designated Strategic Employment sites to the south].

**MOU** means this Memorandum of Understanding;

## **2 The Hunterston Project Vision**

- 2.1 Hunterston Strategic Development Area is a Strategic Site within the National Planning Framework (NPF3) and a Strategic Employment Site in the Regional Economic Strategy and Local Development Plan. It forms a nationally recognised strategic investment zone and site. Hunterston PARC, situated within Hunterston Strategic Development Area, is one of 10 national and internationally important investment sites within the Scottish Government's Green Investment Portfolio.
- 2.2 Hunterston PARC with its strategic infrastructure (deep water port / grid connections/ large scale sites / rail infrastructure) represents a major area of change and investment. The tri-partite partnership formed in terms of this MOU creates a foundation for further partner and investor participation and specifically seeks to accelerate investment opportunities and ensure the area is made market-ready for inward investment and future development. Significant funding from the AGD has been allocated to the Hunterston Project to support innovation, jobs and inclusive growth.
- 2.3 The Parties recognise that they are the formative partners to lead and structure the Hunterston Project due to their respective interests and shared interest in driving regional growth, securing investment and creating jobs. As it is likely that each Party will invest time and resources in the Hunterston Project, the Parties have agreed to set out their intentions in writing to facilitate this collaboration. The working title for the tri-partite working group will be the Hunterston Development Board.

## **3 Purpose and Aims**

- 3.1 The purpose and aims of this MOU are:
  - 3.1.1 To provide a basis for the Parties to collaborate on the Hunterston Project.
  - 3.1.2 To help deliver the Hunterston Project and specifically to build on the shared vision to create a deliverable strategy and framework that will accelerate investment in the Hunterston Strategic Development Area, create quality jobs and support inclusive growth.
  - 3.1.3 To enable the Parties to work together in developing and securing the aims of the Hunterston Project and defining the specific roles and remits of each of the Parties. To achieve this, the Parties will collaborate in developing a strategic framework document, as outlined in clause 4.2 below, setting out a coordinated plan to advance and deliver a range of opportunities and unlock funding for the Hunterston Project.

## **4.0 Hunterston Project Opportunity**

- 4.1 The Hunterston Development Board is created to support collaboration of the Parties focussed on the Hunterston PARC site. Key sector opportunities exist associated within energy, blue economy, manufacturing, aquaculture, logistics and circular economy.

The Hunterston Project supports the drive towards net zero carbon and creates a catalyst for growth and investment based on its scale, sites, infrastructure and port assets.

4.2 The Parties wish to advance and secure delivery of investment opportunities for the Hunterston Project, some of which could include, but are not limited to, enabling a joint understanding of investment needs through the development of: -

- **An Early Action Investment Plan (Phase One)**

To facilitate early release of investment funding to create an innovation Centre within Hunterston PARC (known as Hunterston Innovation Park – H: IP), to offer market ready sites/facilities and secure innovation, start-up and supply chain investment businesses. This will form Phase one of work to be undertaken. Key to this work will be the preparation of an outline design on an identified 20-acre site within Hunterston PARC. Detailed costings will also be developed, and both will form an Outline Business Case, that will inform partnership next steps and satisfy Ayrshire Growth Deal approval requirements.

- **A Hunterston Delivery and Investment Framework (Phase Two)**

Building on Phase One, the partners will work to develop a framework for the wider Hunterston PARC development. Critically, this will clarify near market / inward investment opportunities and align development opportunities, through the production of a spatial plan, by sector and site(s), to establish the target market areas, define uses spatially and facilitate the phased delivery of projects. Significant work has already been completed in the areas of blue economy / energy / circular economy.

Key to Phase Two will be developing an approach to major investment programmes which could be undertaken by the Parties or landowners in the Hunterston Strategic Development Area and identify the needs of funders to unlock support and create a site-wide investment portfolio and associated design briefs. Both phases will require partnership/governance arrangements to be put in place to advance matters. This will be developed in line with the NAC Growth and Investment Team Strategic dashboard approach for project/programme board delivery.

4.3 The Parties acknowledge that the Hunterston Project has the potential to play a significant part in delivering national and regional investment objectives defined in the Scottish Government Inward Investment Strategy and Ayrshire Economic Strategy. A collaborative partnership approach to develop a framework and action plan, as outlined at clause 4.2 above, for investment to align all the varied interests is critical. The Parties therefore commit to contribute to the Hunterston Project development costs as set out below. A budget of £50,000 for financial year to end March 2021 will be allocated. This will produce developed design an associated costing for Phase One and produced an OBC in support of Phase One objectives. An estimated further budget allowance of £50,000 will be required to March 2022. this will progress Phase Two as above and lead to the production of a wider framework for the PARC. Thereafter any funding will be determined or addressed on a project by project basis.

**Funding Contributions to March 2021 (Phase One)**

- NAC / SE	£30,000
- COL	£20,000

**Funding Contributions to March 2022 (Phase Two)**

- NAC/SE	£30,000
- COL	£20,000

**5 Term**

- 5.1 This MOU shall commence on the Effective Date and may be reviewed periodically at any Party's request. Unless extended by written agreement among the Parties, this MOU will terminate on 31 March 2022.
- 5.2 Any Party may exit this agreement at any time, having given the other Parties [three] months prior written notice of its intention to do so.

**6 Meetings**

- 6.1 The Parties acknowledge that their agreement to work together in good faith under the terms of this MOU includes a commitment to attend regular Hunterston Development Board Meetings, which will wherever possible be pre-arranged and diarised to ensure availability.

**7 Joint Working in Practice**

- 7.1 In light of the respective interests of the Parties outlined above in relation to the Hunterston Project, the Parties agree to work together to:
  - 7.1.1 establish an agreed shared framework, as outlined at clause 4.2;
  - 7.1.2 explore the opportunities for accelerating/advancing investment, including through the Early Action Investment Plan outlined at clause 4.2 to create an Innovation Centre within Hunterston PARC, supported through AGD funding;
  - 7.1.3 consider and discuss the respective roles of each Party in the delivery and ongoing management and operation of the Hunterston Project; and
  - 7.1.4 explore options regarding the form of any investment in the Hunterston Project.

**8 Principals of Collaboration**

- 8.1 The Parties agree to adopt the following principles in relation to their discussions:
  - 8.1.1 Co-operation and adherence to the principles and spirit of this MOU;
  - 8.1.2 Open communication about any concerns, issues or opportunities related to the Hunterston Project;
  - 8.1.3 Pro-active and positive progression of the Hunterston Project aims;
  - 8.1.4 Adherence to all legal requirements and best practice guidance, particularly in relation to state aid, procurement, data protection, freedom of information; and

8.1.5 Collectively agreed management of external partners and stakeholders, including consultation, engaging and negotiating in good faith.

8.2 The Parties recognise that any action ultimately agreed upon must be compliant with all applicable law, including (but not limited to) state aid and procurement rules, and in which respect the Parties shall take independent legal advice as required.

## 9 Confidentiality

9.1 The Parties agree not to use Confidential Information for any purpose other than performance of the intentions set out in this MOU.

9.2 The Parties agree not to disclose Confidential Information to any third party (except to the extent that the information is already in the public domain or required to be disclosed by law or applicable regulatory requirement) without obtaining the prior written consent of the other Parties.

## 10 Legal effect

10.1 This MOU is a summary of the terms of the working relationship between the Parties and as such, the terms hereof are not, and are not intended to be, legally binding.

10.2 Notwithstanding the terms of clause 10.1, clause 9 and this sub-clause 10.2 are legally binding and enforceable by the parties.

## 11 Counterparts

11.1 This MOU may be executed in any number of counterparts and by each of the Parties on separate counterparts.

11.2 Where executed in counterparts, unless otherwise agreed between the Parties, this MOU shall not take effect until each of the counterparts has been delivered in accordance with the Legal Writings (Counterparts and Delivery) (Scotland) Act 2015.

11.3 Delivery shall take place when the date of delivery is agreed between the Parties following execution of this MOU, as evidenced by the date inserted at the beginning of this MOU (the **Effective Date**).

## 12 General

12.1 Unless otherwise agreed between the Parties in writing, each Party shall bear its own costs and expenses in respect of this MOU and any work following upon it.

12.2 This MOU is personal to the Parties and no Party shall assign any or all its rights and obligations under this MOU without the prior written consent of the other Parties.

**13 Governing Law**

The Parties agree that this MOU shall be governed by and construed in accordance with the laws of Scotland and hereby submit to the exclusive jurisdiction of the Scottish Courts.

IN WITNESS WHEREOF these presents consisting of this and the preceding three pages are executed as follows:

# APPENDIX TWO: SITE PLAN

