



**APPENDIX I**

**INDUSTRIAL PORTFOLIO**

**ANNUAL REPORT 2017**



## 1. **Introduction**

Over the past 4 decades Local Authorities, Central Government Agencies and other public organisations have provided and managed industrial land and buildings in Moray as part of a strategy to retain job opportunities and attract inward investment.

The public sector became involved because of the inability of the private sector to provide serviced industrial land and buildings to lease. This market failure arose as a result of the low returns on capital investment and the relatively high risks involved in the provision of industrial land and buildings to let, especially those for smaller businesses. Private developments are usually specialist buildings for owner occupation and there has traditionally been very little private speculative industrial development in Moray. However there have been several small scale speculative private developments in recent years and a significant upturn in such interest in the last 9 months - facilitated by the Council providing serviced sites.

By providing industrial buildings for lease the Council gives new and existing businesses an opportunity to secure premises at reasonable cost in comparison to buying or building their own premises. This encourages economic growth in Moray by enabling businesses to secure premises without incurring substantial capital investment thus releasing capital to fund growth.

The Moray Local Plan incorporates Scottish Government National Planning Policy Guidelines on industrial land and sets targets for the allocation and provision of marketable land in the main towns (see Section 5 of this Report).

The Moray 2026 Plan and the Council's Corporate Plan identify promoting sustainable economic growth as a priority. The Council is assisting people and businesses in locating or growing in Moray by ensuring there is an adequate supply of business units and sites in suitable locations.

The Moray Economic Strategy sets out a long term economic diversification strategy for Moray, which includes the provision of serviced land ready for development to meet the needs of existing businesses and prospective inward investment, as well as identifying potential opportunities to refurbish/reconfigure industrial premises vacated through relocation/expansion.

## 2. **The Objectives of the Industrial Portfolio**

The policy objectives of the industrial portfolio are as follows:-

- a) To maintain an adequate supply of affordable premises in appropriate locations within Moray;
- b) To minimise the number of vacant properties as far as is consistent with current market conditions; and
- c) To maximise overall rental income and thereby minimise the cost of the service.

### 3. The Industrial Portfolio

The Moray Council's industrial portfolio comprises a range of industrial land and buildings throughout Moray including all of the principal settlements. At 31 March 2017, the Council's industrial portfolio comprised 175 industrial buildings with a total floor area of 34,055m<sup>2</sup>; 133 development and ground leases with a total site area of 20.8 hectares (51.5 acres) and a stock of serviced and unserviced land for future development totalling 22.59 hectares (55.8 acres). An analysis of the distribution of industrial buildings, industrial sites and development land in Moray is detailed in **APPENDIX II**.

### 4. Performance of the Industrial Portfolio

#### a) Rental Income

In recent years the rental income generated from the portfolio has increased steadily. The total rental income for the past 5 years is:-

2012/2013	£1,190,000
2013/2014	£1,336,000
2014/2015	£1,422,000
2015/2016	£1,607,000
2016/2017	£1,753,000

**APPENDIX III** illustrates the gross rental income generated by the industrial portfolio over the period 2008-2016.

The increase in rental income in 2016/17 was mainly due to lettings of new sites and units, as well as rent increases on existing properties. The use of 3 properties at Chanonry Business Centre as a store for aid to Syrian refugees has reduced the portfolio's net income by around £15,000 per annum and the expected sale of 9 Linkwood Place to the sitting tenant will reduce the portfolio's net income by £63,600 per annum. In addition a number of larger units were vacated in late 2016 which have been slow to re-let. Although rents are continuing to increase at rent review the portfolio's rental income is likely to remain similar in 2017/18 to that achieved in 2016/17. However taking various factors into account, including the first lettings of a number of sites at Chanonry Industrial Estate, Elgin, it is anticipated that the portfolio's total rent will rise again in 2018/19.

It is very difficult to compare the rental of the industrial portfolio objectively over a number of years as its composition changes due to the sale of properties, addition of new properties and the refurbishment and repair of existing properties. However **APPENDIX IV** shows the increases in rental achieved at rent review for industrial premises (3 yearly rent reviews) and for industrial sites (5 yearly rent reviews), compared to the Retail Prices Index over the corresponding periods.

The level of rent and insurance (over 28 days old) outstanding at financial year end (2016/17) was £79,750. The % debt on this basis for the last four years is:-

2016/17 – 4.55%  
 2015/16 - 4.9%  
 2014/15 - 4.2%  
 2013/14 - 4.7%

Estates staff are working constructively with tenants to minimise arrears and assist businesses tackle the issues causing arrears.

b) Occupancy Levels

Occupancy levels of industrial land and buildings in Moray continue to remain high with only 8 buildings vacant at 31 March 2017, giving a floor area occupancy level of 96.1% compared to a target of 80%. The occupancy levels of Council industrial buildings in recent years are set out below:-

Year	% of floorspace occupied	% of buildings occupied
2012/13	91.2%	93.4%
2013/14	91.8%	91.8%
2014/15	84.8%*	93.9%
2015/16	98.66%	96.99%
2016/17	96.1%	95.43%

\* The floor area occupancy figures for 2014/15 were skewed as a result of the sawmill operator at Waterford Circle in Forres entering administration and its property, which is by far the largest in the portfolio, reverting to the Council. The property was however subsequently leased to a company working on the upgrade of the Aberdeen-Inverness railway.

With the present high levels of occupancy, there are very few vacant properties available to meet the demands of new and incoming businesses throughout Moray.

**APPENDICES V, VI and VII** give an analysis of vacant/occupied floor space by settlement and size, as at 31 March 2017.

**APPENDIX VIII** identifies all the buildings that were vacant as at 31 March 2017, their current status and the length of time they have been unoccupied.

c) Capital Receipts

The sale of industrial land and buildings has generated capital receipts to the Council over the past 4 years as follows:-

2013/14 - £220,000  
 2014/15 - £112,000  
 2015/16 - £21,500  
 2016/17 - £0

d) Expenditure

In recent years the Council has invested in general upgrading works to the Industrial Portfolio. During 2016/17 the Council invested £66,290 of revenue and £1,104,000 of capital in the Industrial Portfolio and in supporting industrial development in Moray through the following projects:-

1. Purchase of land at March Road, Buckie
2. Design of new industrial infrastructure at March Road, Buckie
3. Upgrading of estate road at Waterford Circle, Forres
4. Upgrading of estate road at Coularbank, Lossiemouth
5. Upgrading of estate road and footpaths Newmill Road, Keith
6. New security fencing at Chanonry Spur, Elgin
7. Refurbishment of former Balloch Road Depot, Keith
8. Completion of five new business units at Waterford Circle, Forres
9. Completion of access roadway and services to development site at Westerton Road South, Keith
10. Miscellaneous repairs, maintenance and minor improvements at various locations

e) Rate of Return

The asset value of the industrial portfolio as at 31 March 2017 totalled £19.2M. The gross rental income for the year 2016/2017 was £1,753,000. After deduction of property running costs, plus staff and administrative costs the net rental income was £1,398,000, which represented a return on capital of 7.28%. The rate of return is reported exclusive of capital financing and some staff costs.

This is an increase on the rate of return of 6.82% in 2015/16 and exceeds the target rate of return of 5.75% approved by the Council in 2006.

For many years vacant industrial properties received 100% empty property rates relief. However the regulations changed with effect from 1 April 2016, so that vacant industrial property now receives 100% rates relief for 6 months, but thereafter is liable for 90% of the full rates. In addition, from 1 April 2017, empty industrial properties are no longer exempt from water service charges. The Council has very few vacant industrial properties and most that are vacated are quickly re-let. As such the changes will not be a major financial burden for the portfolio in the short term. However officers will closely monitor the situation and the potential additional costs of meeting the objective of the portfolio of providing a supply of affordable properties.

**5. Industrial Land Supply in Moray - Public and Private Sector**

Development rates over the past 5 years have shown a steady take up of land and sufficient industrial land was allocated in the Moray Local Plans in 2008 and 2015 to satisfy the medium to long term economic growth in most of the main settlements. However a number of sites have not been developed because of constraints and/or landowners' unwillingness to sell sites for prices reflecting industrial use/values and as previously forecast there is now an acute shortage

of serviced land ready for development in a number of locations throughout Moray.

Moray Economic Strategy and the Council's Corporate Plan identify the need for the provision of additional serviced industrial land and buildings across Moray to meet business needs.

Scottish Planning Policy (SPP) requires that the supply of marketable employment sites be regularly reviewed. The aim is to ensure there is sufficient supply of land to meet current and anticipated market requirements. SPP requires Planning Authorities to ensure that there is a range and choice of marketable sites and locations for businesses allocated in the local development plan. The levels of effective/marketable employment land and take up of land are National Headline Indicators returned annually in the Planning Performance Framework to the Scottish Government.

A review of Employment Land designations is currently underway as part of preparations for the next Local Development Plan.

The Moray Economic Strategy highlights the shortage of serviced land ready for development.

The provision of new industrial development sites is not generally viable in purely financial terms, particularly when there is little existing infrastructure in the vicinity, hence the private sector has been reluctant to get involved, except with substantial public sector support. The Council's predecessors acquired substantial areas of land with potential for commercial development in the 1970s and 1980s which were developed as demand dictated and funds were made available. Given the current severe shortage of serviced industrial development land in Moray officers are working to identify opportunities to secure a supply of land for the short, medium and long term.

The assessments of the market for industrial property in Section 6 below give details of local situations, whilst Sections 8 and 9 give details of proposals to address matters.

## **6. Local Reports**

### Elgin

Demand for industrial buildings in Elgin has remained strong over the past year, as at 31 March 2017 95% of the Council's units were occupied.

Although the Council invested significantly in recent years in upfilling and servicing land at Chanonry as a result of developer interest (including a new regional depot for Scottish and Southern Electricity) all 3.35 hectares of remaining serviced development land is under offer or subject to firm interest. This includes 0.56 hectares at Grampian Road which was used by the Elgin Flood Team as its operations base, as well as 0.95 hectares at Chanonry which was formerly used by the Flood Contractor and is being prepared for letting.

Privately there is a 3.2 hectare site at Linkwood East which has been partially serviced and developed, leaving a net developable area of approximately 2.5

hectares, although a sizeable area of that is likely to be required for access roads and for landscaping along the A96. Accordingly there is currently approximately only 5.85 hectares of developable land in Elgin. It should also be noted that the land at Linkwood East is being marketed as general commercial development sites, for uses such as retail, leisure, fast food, office and hotel and is unlikely to be made available for general industrial uses.

The provision of a Business Park for Elgin is a key feature of the Moray Economic Strategy and the Moray Local Plan 2015 makes designations for Business Parks, the largest being at Barmuckity, with a smaller site in Council ownership (Elgin Common Good) opposite the Eight Acres Hotel. Some areas would require a higher environmental setting than standard industrial estates, however 14.69 hectares of the Barmuckity site is intended for general industrial and business uses, whilst 7.41 hectares is intended for retail, leisure and hotel uses - potentially providing a significant supply of commercial development land.

A local developer with support from Highlands and Islands Enterprise is expected to begin constructing infrastructure at Barmuckity (to be branded as Elgin Business Park) by autumn 2017.

Although the Council has no immediate proposals to invest at Barmuckity officers will monitor the development of the Park and consider any opportunities that may arise there, as well as properties vacated in the town by businesses relocating to Barmuckity.

Studies previously indicated that the very high servicing/infrastructure costs make development of the site opposite the Eight Acres Hotel on West Road, Elgin unviable. However consideration is being given to widening the use classification in terms of a review of the Local Development Plan and consultants have indicated that there may be a reduced new junction requirement with the A96 than previously envisaged – these factors could potentially improve the financial viability of the site.

The Moray Local Plan 2015 designates approximately 12 hectares to the north of the town for business uses of an office/research and light industrial nature and the landowner has been considering plans to develop the area.

### Forres

Demand for industrial units in Forres remains strong with high occupancy rates. This is despite the development by the Council of 9 new small units at Waterford in recent years. Three units on the Greshop estate were vacated in December 2016 as a result of the tenant relocating to the Forres Enterprise Park. The two smaller units have been re-let, but the larger unit remains vacant, although officers are in discussions to potentially relocate an existing tenant which occupies 3 small units. The 3 small units would be more easily re-let. Demand from businesses cannot be met at present.

This demand/supply imbalance for smaller units has been exacerbated by occupiers taking a number of units and the lack of development land to meet the needs of those tenants who might otherwise have developed and relocated to their own premises.

All development sites at Waterford Circle and Greshop Industrial Estates have now been let.

The former Moray Timber sawmill has been leased to Network Rail to use as a depot whilst carrying out upgrading works to the Aberdeen – Inverness railway.

Network Rail's proposals include stopping up the current level crossing at Waterford Road and constructing a new bridge over the railway to the west of the former Moray Timber building. This will provide improved access to the existing businesses at Waterford as well as potentially opening up further land in private ownership for development.

Officers are in discussions with land owners in Forres with a view to bringing forward proposals for the purchase of a long term supply of land for industrial/business use.

Consideration is being given (in terms of the review of the Local Development Plan) to new industrial land designations at Waterford, although land owners in the vicinity have advised officers that they either do not wish to proceed to sell land to the Council at this time, or only for prices in excess of industrial land values.

Highlands and Islands Enterprise (HIE) has invested heavily in the Enterprise Park at Forres, part of which has Enterprise Zone status. Around 13 hectares of land is available for development and HIE has prepared a masterplan for the area which includes provision for light industrial uses, subject to suitable screening/landscaping. Officers have prepared designs and costs and are in discussions with HIE to purchase land for the development of serviced sites and units for lease to small businesses – with a view to taking proposals through the Council's capital planning process.

As reported previously, a privately owned site located to the north of the A96 was designated for general industrial development in the Moray Local Plan 2008 and additional adjacent land, which was considered could be more easily developed, was allocated for industrial development in the Moray Local Development Plan 2015. However development of these sites has not been taken forward. Servicing is believed to be difficult and the land owners are understood to be reluctant to sell for industrial land values.

### Buckie

Demand for premises remains strong with 2 units currently vacant and available.

The sole remaining development site (0.39 hectares) is constrained both by proximity to housing and by required landscaping areas, which reduce the developable area to approximately 0.32 hectares. Officers are considering options to facilitate productive use of this site, including re-zoning as an opportunity site in terms of the review of the Local Development Plan.

In January 2017 the Council completed the purchase of a site extending to 18.3 hectares designated for industrial development in the Local Plan to the south of March Road Industrial Estate, adjacent to the Waste Water Treatment Plant. Planning consent has been obtained to provide roads and infrastructure to



create serviced sites ready for development on approximately 10.7 hectares, as well as the development of a 300m<sup>2</sup> business unit with yard. Development on site is expected to begin in August/September 2017 with completion due early 2018.

The business unit has been pre-let and marketing of the estate has begun in advance of development. A 1.4 hectare site is under offer which would leave nearly 9 hectares available for development, with options for further development of unserviced lands in future phases. This will provide a short, medium and long long-term supply of development land in East Moray, with potential to accommodate a large inward investment development of a commercial/industrial nature.

### Keith

There is continuing strong demand for smaller industrial premises in Keith, with all bar 1 of the Council's units occupied as at 31 March 2016.

The town has benefitted in the short term from major infrastructure works in the area – the Blackhillock substation, Moray to Caithness interconnector cable and a windfarm cable.

As part of a review of the Council's depots in East Moray, office, workshop and storage accommodation was vacated at the end of March 2017 at Balloch Road and minor refurbishment works were carried out prior to marketing. The property is initially being marketed as a single industrial depot which has potential for subdivision. Officers already have a note of interest in half the property and will monitor this interest and if required will consider options for subdivision.

Isla Bank Mills Estate has historically lagged other industrial estates in terms of occupancy levels. However works in recent years to reduce the flood risk and upgrade individual units and common areas/infrastructure has lead to it now being effectively fully occupied. There is a void area beside Unit P and officers are investigating options to utilise this space for office and workshop uses.

As a result of the high levels of occupancy at Isla Bank there is pressure on existing vehicle parking provision. Unfortunately efforts to extend and create more parking have been unsuccessful, but officers are considering how best to maximise existing space.

The Council recently completed the construction of a new road and services to provide serviced development land at Westerton Road South. All 4 sites totalling 0.78 hectares (1.93 acres) have been let on a short term basis and will continue to be marketed with a view to securing developer interest and long term tenants, for which there is currently one developer's note of interest.

The unserviced land at Isla Bank extending to 1.84 hectares is subject to flooding and is likely undevelopable without major investment in terms of servicing and flood protection.

### Lossiemouth

Demand for standard industrial buildings in Lossiemouth, has remained strong over the past year, with only 1 of the small offices in the Business Centre vacant

at 31 March 2016. A local business has obtained planning consent to erect one large workshop unit at Coulardbank Industrial Estate on a site leased from the Council, which will allow him to release 3 or 4 of his smaller units, also built on Council land, for lease to small businesses. Another business has started to construct two small workshop units for its own use on a site leased from the Council.

As part of proposals to consolidate waste facilities the current Council operation at Unit 7 Coulardbank would relocate to Moycroft in Elgin in 2019. Unit 7 is a much larger than normal unit which may be difficult to re-let. Officers will investigate options to maximise the likelihood of re-letting.

The supply of serviced industrial development land is now exhausted and although there has been a reduction in enquiries for industrial land in recent years, this is believed to reflect the lack of sites ready for development more than a slowing of the market. A site (in private ownership) to the south of the town is designated in the Moray Local Development Plan for industrial, business park and retail uses. It is unlikely to be developed for industrial or business park use unless it is serviced as a result of adjacent retail development.

The provision of additional development land in Elgin would assist meeting demand for sites in the Lossiemouth area.

#### Other Settlements

All but 1 industrial unit in Burghead, Dufftown, Rothes, Mosstodloch and Lhanbryde is currently let and demand remains strong, particularly in Lhanbryde and Rothes.

The 2.24 hectares unserviced industrial development site at Lhanbryde Industrial Estate has been partially developed by the Council for a new complex needs facility and the remainder is subject to interest from a housing association. Alternative sites may require to be investigated if further industrial development in Lhanbryde is required, although the provision of additional development land in Elgin would assist meeting demand for sites in the Lhanbryde area.

Recent discussions with businesses in Speyside have indicated demand for serviced sites and units. A large local business has acquired land to the north of Rothes and intends to develop part for its own purposes. There would be a large amount of land remaining and the company has advised that it has received interest from several distilleries seeking land for warehousing. It is amenable to selling land for commercial development, but initial site investigations have indicated the lands have very limited services and would require major investment. Officers are investigating the potential for the Council to acquire a small area initially which may be capable of development based on existing services and also intend to approach the owner and the other interested parties with a view to assessing opportunities for working collaboratively to facilitate larger development.

## **7. Future Trends for the Council's Industrial Portfolio**

- a) Occupation levels in the industrial portfolio remain at a very high level with demand for premises in most settlements in Moray outstripping supply.

Although there are signs of a slight slowing of demand in East Moray due to the downturn in the oil industry, barring an unforeseen change of circumstance in the local economy, occupancy levels will continue to remain generally high in the short/medium term.

- b) A number of the Council's properties are occupied by Council services. Where opportunities arise officers will seek to relocate Council services to free the properties for letting to private enterprises.
- c) There is a shortage of serviced land ready for development across Moray. However as part of a programme of proposals to secure land in various locations the purchase of a long term supply of land in Buckie was concluded in January 2017. Meanwhile officers are actively exploring opportunities to expand industrial land provision in Forres and Rothes. There is a critical shortage of serviced development land in Elgin; however the development of a Business Park at Barmuckity will greatly improve the situation.

Industrial land designations are being considered as part of the review of the Local Development Plan.

- d) For decades there has been very little private sector provision of industrial property to let in Moray. However several units for speculative let are currently under construction and more are being planned/investigated by private developers – in Buckie, Elgin, Forres and Lossiemouth. These have been facilitated by the Council investing in infrastructure to provide serviced sites. Officers will monitor their progress and take account of this activity in assessing future property needs.
- e) Rental levels have increased steadily in recent years. Rents are expected to continue to rise and although there has been a levelling of the rate of rental growth of industrial units they are expected to continue to outstrip inflation. The rental income generated by the industrial portfolio has been boosted by the development of 19 new business units in the last 4 years and letting of new development sites.
- f) A significant amount of the portfolio was provided during the 1960s and 1970s and condition surveys are used to identify backlog maintenance/repair. Although tenants are obliged to carry out some of the outstanding repairs/maintenance where their leases include an obligation to maintain and repair their properties, some of the outstanding works, particularly those of an inherent nature, due to the age of the property require to be addressed by the Council - an ongoing refurbishment programme is in place to ensure the portfolio continues to meet the needs of businesses.
- g) Whilst the revenue repairs budget is sufficient at present to meet ongoing repairs and maintenance needs, as the portfolio expands and the newer units age, there will likely be a future requirement to increase the revenue repairs budget.
- h) Inspection of the Industrial Portfolio's private estate roads and parking areas in 2013 revealed that nearly half of these areas required works within 4

years to ensure businesses on estates can continue to access their properties and to avoid claims against the Council for damage to vehicles. A prioritised programme has seen the roadways at industrial estates in Buckie, Dufftown, Elgin, Forres, Keith, Lossiemouth and Mosstodloch upgraded in the last 4 years. Most of the remaining repairs are comparatively minor and are being carried out as revenue repairs, at an annual cost in the region of £10,000 to £15,000 per year.

In the medium to long term it is expected that more substantial investment will be required to maintain the integrity of the estate roads.

- i) Currently Energy Performance Certificates (EPCs) are required for properties for lease above 50m<sup>2</sup> which meet certain criteria (mainly the presence of heating systems in buildings). However the Energy Act 2011 enables regulations to be passed which would prohibit the letting of properties with poor EPC ratings (currently thought likely to be set at ratings above E). In England and Wales the new regime is expected to take effect in 2018, whilst it is less clear at present as to when the Scottish Government will introduce the regulations. Officers are monitoring the development of these regulations, which would potentially impact on approximately 35 units and will investigate cost effective means of complying.
- j) Mosstodloch Industrial Estate has suffered flooding on several occasions during periods of exceptional rainfall, despite significant investment by the Council in upgrading the surface water drainage system. Officers are working jointly with Highlands and Islands Enterprise and businesses in the vicinity and specialist consultants have been jointly appointed to identify a solution.
- k) In ensuring the portfolio remains responsive to needs, the Council will continue to consider acquiring/adding property which assists the objectives of the industrial portfolio.
- l) The Council will consider the sale of properties in limited circumstances in accordance with its existing policy - where retaining a property is no longer in the Council's best interests and/or a property no longer supports the objectives of the industrial portfolio.
- m) New Rateable Values of non-domestic properties came into effect on 1 April 2017 and officers have made all tenants aware of their right to appeal. The Council is considering appealing the new Rateable Values of certain let properties where it is felt there is a particular risk of the Council being exposed to significant empty property rates liability.
- n) The Council continues to work closely with Highlands and Islands Enterprise (HIE) and private sector developers to ensure a co-ordinated and complimentary approach to property provision. HIE concentrates on the provision of larger, higher specification/amenity properties, whereas the Council focuses on smaller more general industrial properties.

- o) In the last decade the Council has let several units for sports/fitness uses as well as animal grooming uses. At the end of such leases there are requirements to obtain planning consent for re-use for general industrial/commercial uses, which often also triggers obligations to upgrade properties to comply with current building standards. Whilst leases provide for the costs of this to be borne by tenants, in practice it can be problematic to enforce and causes delays in re-letting vacant properties – with obvious financial implications for the Council.

Properties in residential, retail, mixed use areas are considered appropriate for sports/leisure/animal grooming. Units on industrial estates have been designed for industrial type uses and there are limited alternatives for such uses outwith established industrial estates. In addition the Council has had little difficulty letting industrial properties for industrial/commercial uses and in managing the portfolio a general presumption has been made against sports, leisure, and animal grooming uses in industrial buildings.

- p) From 1 April 2018 unmetered water charges of non-domestic properties will be based on new Rateable Values which came into effect on 1 April 2017. This is likely to result in increased costs for many of the Council's tenants.

## **8. Development Projects**

Updates on current projects previously approved by the Economic Development and Infrastructure Services Committee are provided below.

1. Continue to make provision for refurbishment and maintenance works to the Industrial Portfolio.

The Industrial Estates Revenue Budget contains an element of £70,185 for repairs, maintenance, minor development and improvement works in the revenue plan for 2017/18 and a programme of minor works is being progressed. This includes road repairs, electrical fixtures and fittings upgrades, sewer repairs, landscaping, new fencing/gates and external lighting improvements at various locations.

2. Upgrading of Roadways at Waterford Circle Industrial Estate, Forres

This project followed the completion of the 2<sup>nd</sup> phase of new industrial units and was completed in May 2016, within budget.

3. Consideration should be given to the provision/acquisition and servicing of land for further industrial development in Forres.

20.5 hectares on the north-eastern edge of town is identified in the Moray Local Plan 2015.

Network Rail is constructing a new road link from the A96 to Waterford Industrial Estate, which as well as improving access to existing properties may create opportunities to service additional land. Meanwhile the

designation of land for industrial use is being considered as part of the review of the Local Development Plan.

Officers had discussions with land owners in Forres to identify opportunities to acquire land, however they have either sought land values well above industrial use value or been otherwise reluctant to facilitate development at this time.

Highlands and Islands Enterprise has approximately 13 hectares of serviced land available at the Forres Enterprise Park suitable for businesses with higher design and amenity requirements than traditional industrial uses. However the company has agreed in principle to dispose of land to the Council for more general light industrial uses and officers are currently carrying out a detailed feasibility assessment, with a view to bringing forward proposals through the Council's capital planning process.

4. Investigate the provision of serviced industrial development land in East Moray

The Council completed the purchase of 18.8 hectares of land at March Road East, Buckie in January 2017 and the servicing of Phase 1 (approx. 10.7 hectares) as well as the construction of a garage property are expected to begin on site in August/September 2017.

5. Provision of serviced industrial development land in Elgin

Accommodation works have been carried out/are being arranged to provide serviced industrial development sites, utilising the Council's sites which became available after completion of the Elgin Flood Scheme. These are both now under offer.

Options for the provision of a long term supply of industrial development land in Elgin are limited at present, although the imminent development of a business park at Barmuckity will greatly improve the situation.

6. Provision of serviced industrial development land in other locations

Land to the north of Rothes was recently acquired by a large manufacturing business and officers are in discussions with the company about utilising any land it does not require.

9. **2017/18 Projects**

It is projected that the current capital programme will be delivered within the approved budget. The main projects are as listed below:-

- a) Investigate provision of new sites in Forres and Speyside.
- b) Develop Phase 1 infrastructure and new building at Rathven Industrial Estate (March Road, Buckie).
- c) Preparation for letting and private development of former flood contractor site at Grampian Road, Elgin.
- d) New roof at Unit X Isla Bank, Keith.

- e) Refurbishment of Unit Y Isla Bank, Keith.
- f) Drainage solution at Mosstodloch Industrial Estate.
- g) Drainage works at Isla Bank, Keith.
- h) Provide toilet and small office in unit at Balloch Road, Keith.

Detailed proposals on the industrial development programme for 2018/19 will be taken forward through the Council's budget setting process.

## **10. Future Projects**

The existing capital budget for industrial development is sufficient to progress the current development projects, excepting the provision of development land in Forres and Speyside. There is a need for the provision of more serviced industrial land and small business units in various locations in Moray – as evidenced by the Property Demand Study carried out by the Council in March/April 2016 in partnership with Highlands and Islands Enterprise, Business Gateway and the Chamber of Commerce. This showed continuing demand for additional serviced sites and units, particularly in Elgin and Forres.

Officers will work with private developers who have recently shown interest in providing business units. This will influence assessments of whether there is a future need for the Council to develop more units, including whether there is a need to provide units of a size/specification which is not being provided by the market.

Many of the industrial development projects are financially viable because they utilise previous public sector investment in infrastructure at the Council's industrial estates in the 1970's and 1980's and it is unlikely that there will be any significant new provision of serviced development land, to address current shortages, without further major public sector investment, as the returns are not sufficient for the private sector compared to the costs and risks.

Officers will continue to assess the need for refurbishment of the Council's existing stock of properties to ensure the portfolio continues to meet business needs.

The Council will continue to explore opportunities with private/public sector partners and proposals for future development of the industrial portfolio will be brought forward through the Council's asset management and capital planning processes.