



APPENDIX I

INDUSTRIAL PORTFOLIO

ANNUAL REPORT 2017-18



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 12 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 Development Plan incorporates Scottish Government 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 Local Outcomes Improvement 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 2018, the Council's industrial portfolio comprised 177 industrial buildings with a total floor area of 34,871m²; 126 development and ground leases with a total site area of 19.01 hectares (47 acres) and a stock of serviced and unserviced land for future development totalling 21.59 hectares (53.33 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 set out below:-

2013/2014	£1,336,000
2014/2015	£1,422,000
2015/2016	£1,607,000
2016/2017	£1,753,000
2017/2018	£1,756,000

The income for 2017/18 stated above is on a like for like basis with previous years. However following auditors advice Finance has adopted new accountancy practise which has included deducting £69,000 from 2017/18 and allocating it to 2016/17. The amended figure for 2017/18 based on the new methodology is therefore £1,687,000. This was however a one off allowance and future years' figures should be on a like for like basis.

APPENDIX III illustrates the gross rental income generated by the industrial portfolio over the period 2008-2017.

As stated in last year's annual report although rents are continuing to increase at rent review and new lettings the portfolio's rental income was likely to remain similar in 2017/18 to that achieved in 2016/17, as unlike in recent years no new units came on stream in 2017/18. In addition a number of larger units were vacated in late 2016 which were slow to re-let (larger units typically take longer to let than smaller units). However by the end of 2017/18 all bar one of those larger units had been re-let and it is anticipated that the portfolio's rental income will increase significantly in 2018/19.

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.

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 at review is assessed in accordance with the provisions of the rent review clause of each lease, which invariably refers to the level of market rental at the rent review date.

The level of rent and insurance (over 28 days old) outstanding at financial year end (2017/18) was £81,762. The % debt on this basis for the last five years is:-

2017/18 - 4.66%
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.

A system of charges to recover the Council's costs of pursuing outstanding rent has recently been introduced. This is primarily designed to persuade habitual late payers to pay timeously, improve the Council's cash flow and cut staff resources required to pursue debts. It is not expected to generate significant additional revenue to the Council.

b) Occupancy Levels

Occupancy levels of industrial land and buildings in Moray continue to remain high with 13 buildings vacant at 31 March 2018, giving a floor area occupancy level of 94.4% 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
2013/14	91.8%	91.8%
2014/15	84.8%*	93.9%
2015/16	98.66%	97%
2016/17	96.1%	95.4%
2017/18	94.4%	92.7%

* 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 on a short term basis 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 demand 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 2018.

APPENDIX VIII identifies all the buildings that were vacant as at 31 March 2018, 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 5 years as follows:-

2013/14 -	£220,000
2014/15 -	£112,000
2015/16 -	£21,500
2016/17 -	£0
2017/18 -	£70,500

d) Expenditure

In recent years the Council has invested in general upgrading works to the Industrial Portfolio. During 2017/18 the Council invested £65,037 of revenue and £1,823,664 of capital in the Industrial Portfolio and in supporting industrial development in Moray through the following projects:-

1. Developing new serviced sites at March Road (Rathven Industrial Estate) Buckie
2. Developing a new unit at March Road (Rathven Industrial Estate) Buckie
3. Site preparation at former go kart track site, Chanonry, Elgin
4. New roof at Unit X Isla Bank, Keith
5. Flood Risk Assessment, Mosstodloch Industrial Estate
6. New fencing, Mosstodloch Industrial Estate
7. Drainage designs at Isla Bank, Keith
8. Drainage works at Isla Bank, Keith
9. Refurbishment of former Balloch Road Depot, Keith
10. Roof repairs Units W and P Isla Bank, Keith
11. New security fencing at March Road East, Buckie
12. Miscellaneous repairs, maintenance and minor improvements at various locations

e) Rate of Return

The asset value of the industrial portfolio as at 31 March 2018 totalled £19.26M. The gross rental income for the year 2017/2018 was £1,756,000. After deduction of property running costs, plus staff and administrative costs the net rental income was £1,367,000, which represented a return on capital of 7.10%. The rate of return is reported exclusive of capital financing and some staff costs. This compares to a rate of return in 2016/17 of 7.28%, with the change due to a slight increase in capital financing costs.

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. Therefore, to date, the changes have had only a small financial impact and it is envisaged this will continue to be the case 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.

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.

The latest Moray Employment Land Audit, which was considered by the Planning and Regulatory Services Committee on 19 June 2018, highlights that whilst there is a reasonable area available the number and choice of sites across all settlements is limited and that 48% of the established supply has some form of constraint that is likely to prevent the land being developed in the next five years.

A review of Employment Land designations and policy is currently underway as part of preparations for the next Local Development Plan. The land requirements and policy options to aid site delivery were explored in the Main Issues Report published in January 2018.

The Moray Economic Strategy identifies the need for the provision of additional serviced industrial land and buildings across Moray to meet business needs.

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

Buckie

Demand for premises remains strong with only 1 unit vacant at 31 March 2018.

Having purchased 18.3 hectares of land in January 2017 the Council recently completed the first phase of the new Rathven Industrial Estate which provides 8.2 hectares of serviced sites and a new business unit (3 Newtonhill Spur) extending to 319 m² as well as options for further development of unserviced lands in future phases. This now provides 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.

Officers are pursuing firm interest from four parties seeking to secure sites at Rathven Industrial Estate as well as interest in the new unit.

A 0.39 hectares development site at March Road West is constrained both by proximity to housing and by required landscaping areas, which reduce the developable area to approximately 0.32 hectares. Officers are pursuing a new interest in the site from a local business, but meantime have made representations to the Local Development Plan review to have the site re-zoned as a mixed use Opportunity Site.

Elgin

Demand for industrial buildings in Elgin has remained strong over the past year, as at 31 March 2018 95% of the Council's units were occupied.

Provisional agreement has been reached with a local developer to lease a Council site at Chanonry to develop 18 units for lease on a speculative basis and the company is currently pursuing planning consent for its proposals. In addition another local developer is nearing completion of the construction of 4 new business units for speculative let at Chanonry, again on a site leased from the Council.

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 2.71 hectares of remaining 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 1.25 hectares at Chanonry which was formerly used by the Flood Contractor and is being prepared for letting.

Privately there is a 2.1 hectare site at Linkwood East which has been partially serviced and developed, leaving a net developable area of approximately 1.6 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 4.31 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 has begun constructing infrastructure at Barmuckity (branded as Elgin Business Park) and officers are aware of significant developer/occupier interest.

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 Development Plan 2015 designates approximately 12 hectares to the north of the town for business uses of an office/research and light industrial nature, however officers are not aware of any current proposals to develop the area.

In considering last year's annual industrial report a query was raised at Committee about improving pedestrian access through Pinefield Industrial Estate, Elgin, particularly for school children. Since then the provision of an active travel route between Pinefield and East End Primary School has been approved as part of the Elgin Transport Strategy and will be considered for funding within that context.

Forres

Demand for industrial units in Forres remains strong with high occupancy rates and cannot be met at present. This is despite the development by the Council of 9 new small units at Waterford in recent years. This demand/supply imbalance for smaller units has been exacerbated by the lack of development land to meet the needs of those tenants who might otherwise have developed and relocated to their own premises.

Construction of a new garage premises on Council land at Greshop by a local business means all development sites at Waterford Circle and Greshop Industrial Estates have now been let.

The former Moray Timber sawmill is leased to Network Rail for use as a depot whilst carrying out upgrading works to the Aberdeen–Inverness railway. Although the railway improvement works are understood to be nearing completion the company's lease is not due to expire until 29 March 2019. Meantime the Council has begun marketing the property to try and secure a new tenant and minimise any potential void period.

As part of Network Rail's works the level crossing at Waterford Road has been stopped up and a new bridge constructed over the railway to the west of the former Moray Timber building. This provides improved access to the existing businesses at Waterford as well as potentially opening up further land in private ownership for development.

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.

Proposals are being progressed (in terms of the review of the Local Development Plan) for 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/costs and are in negotiations with HIE to purchase 4 hectares of land for the development of serviced sites and units for lease to small businesses.

Keith

There is continuing strong demand for smaller industrial premises in Keith. Although 5 Units were vacant at 31 March 2018, three were let shortly thereafter, one is under offer and the other is to be refurbished.

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.

Minor refurbishment works to the former Council's depots at Balloch Road were completed in autumn 2017 and approximately half has subsequently been let to a distribution company. Marketing of the remainder of the depot identified that

prospective tenants would like better access and a more open layout internally and works to resolve these issues are currently being designed and costed.

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 helped improve demand and the estate has been near to full occupancy for the last 2 years. Unit Y was occupied by a landscaping firm, but requires refurbishment for re-letting. Works have been designed, costed and agreed with a whisky barrel company which is expected to take entry in early course. This will see the estate fully let again. Officers have been investigating options to bring void areas beside Unit P (which is occupied by the Council as a records store) into productive use and agreement has been reached for an adjoining tenant to lease an area as a small store. The remaining larger void area could be cost effectively adapted for use with Unit P, but is not well suited to separate occupation.

As a result of the high levels of occupancy at Isla Bank there is pressure on existing vehicle parking provision. Works are being arranged to provide an additional 7 spaces and officers are investigating the feasibility of further new parking provision.

The Council completed the construction of a new road and services to provide serviced development land at Westerton Road South in 2015. Three sites totalling 0.7 hectares (1.7 acres) are currently let on a short term basis. The sites continue to be marketed with a view to securing developer interest/long term tenants and currently there are two developer notes 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, which is considered unviable.

Lossiemouth

Demand for standard industrial buildings in Lossiemouth, has remained strong over the past year, with all bar 1 of the Council's units occupied as at 31 March 2018.

A local business is nearing completion of a 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 is nearing completion of 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 early 2020. Unit 7 is a much larger than normal units and 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 are currently let and demand remains strong, particularly in Lhanbryde and Rothes.

Following the development of a new complex needs facility 1.69 hectares of unserviced development land remains adjacent to Lhanbryde Industrial Estate which is suitable for wider uses including residential due to its Local Development Plan designation as an Opportunity Site. There has been interest in the site from a housing association and 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 is developing part for its own purposes. The company has indicated that it would in principle be amenable to selling adjacent land to the Council to facilitate small scale commercial/industrial development. Officers are investigating this and another site owned by the same company to the south of Rothes. Meantime another local developer is contemplating the provision of small industrial units on a site to the south of Aberlour and officers will liaise with that firm to ensure any proposals for small scale industrial property provision in Speyside is complementary to private sector provision.

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. 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 as detailed in **APPENDIX IX**. 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 in Moray. However as part of a programme of proposals to secure land in various locations the purchase and servicing by the Council of land in Buckie provides a long term supply in East Moray. Meanwhile officers are close to agreeing terms to secure additional industrial land in Forres and are actively exploring opportunities to expand industrial land provision in Speyside.

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 by private developers – in Elgin, Forres and Speyside. The majority 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 5 years and letting of new development sites.

The abattoir at 9 Linkwood Place has a rent of £63,600 per annum, which is the highest in the portfolio. This property has recently been vacated by the tenant and although the lease is not due to expire until September 2019 officers are currently actively working to attract a new meat/food processing operator to the property. Indications to date are that it will be difficult to secure another food use. Given the property's size and specialist fit out, re-letting is likely to be difficult and a void period is anticipated. Officers expect that the rent will need to be reduced and/or works carried out to strip out the specialist fittings and fixtures in order to attract a tenant for an alternative use of the property.

In addition the lease of the former Sawmill at Waterford Circle, Forres to Network Rail which has a rent of £59,000 per annum, the second highest in the portfolio is due to expire on 29 March 2019. The property is being marketed in advance of the lease termination and has attracted interest from a number of local businesses looking to expand their operations. However given its size and "basic" specification there is a risk of a significant void period in 2019/20.

The Council's Waste Management Service is due to relocate from Unit 7 Coularbank Industrial Estate, Lossiemouth, to new facilities at Moycroft in early 2020. This property has a current rent of £24,400 per annum. Officers will start marketing in advance of the move, but again given its size there is a risk of a significant void period.

Given the above the rental income on these three units is considered secure for 2018/19 and it is anticipated that the portfolio's rental income will increase in 2018/19. However there is a distinct risk of voids at these three large properties and reduced rental income in 2019/20.

- 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) Over the last 5 years a prioritised programme has seen the roadways at industrial estates in Buckie, Dufftown, Elgin, Forres, Keith, Lossiemouth and Mosstodloch upgraded to ensure businesses on estates can continue to access their properties and to avoid claims against the Council for damage to vehicles. Details of further upgrading works planned for 2018/19 are provided in Section 9 below.

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 50m² 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.

The Scottish Government recently consulted on draft proposals to make non-domestic properties more energy efficient and is planning further consultation in 2019 ahead of new regulations in 2021. Officers will monitor developments closely.

- 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. The Council, working collaboratively with Highlands and Islands Enterprise and businesses in the vicinity commissioned specialist consultants to carry out a flood risk assessment, including potential costed solutions. This has been shared with the Council's partners and responses are awaited.
- 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 made all tenants aware of their right to appeal. The Council appealed the new Rateable Values of certain let properties where it was felt there was 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) From 1 April 2018 unmetered water charges of non-domestic properties have been 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 2018/19 and a programme of minor works is being progressed. This includes road repairs, roof repairs, clearing fly tipping, fencing works and minor miscellaneous works at various locations.

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

The latest Council Employment Land Audit states that there is a shortage of general industrial land in Forres. Although 20.5 hectares on the north-eastern edge of town is identified in the Moray Local Development Plan 2015 there is little likelihood of it being developed in the foreseeable future and consideration is being given to removing this designation in favour of more suitable sites in the Waterford area as part of the Local Development Plan review.

Network Rail has constructed 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 in this area.

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. In addition one of the proposed routes for the A96 dualling would impact on this land.

Highlands and Islands Enterprise (HIE) 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. Officers have prepared costed designs and are in discussions with HIE with a view to the Council acquiring land for more general light industrial uses. Consideration is being given to a higher standard and specification of unit than normally provided in order to be compatible with the general design standards at the Enterprise Park and also to widen the variety of accommodation available to businesses. There is money in the capital plan for the purchase and provisional terms are expected to be agreed with the land owner in early course.

3. 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 new unit were completed in March 2018.

4. Provision of serviced industrial development land in Elgin

Accommodation works have been carried out to provide serviced industrial development sites, utilising the Council's sites which became available after completion of the Elgin Flood Scheme. One is under offer and due to strong demand a closing date for offers is shortly to be set in respect of the other.

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.

5. 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 at that location, as well as at a site to the south of Rothes owned by the same firm. In addition officers are liaising with a local development company which has plans to provide industrial property on land it owns land to the south of Aberlour.

9. 2018/19 Projects

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

- a) Acquire land at the Enterprise Park, Forres.
- b) Investigate provision of new sites in Speyside.

- c) Estate road improvements at Dufftown, Pinefield (Elgin), Isla Bank (Keith), and Newmill Road (Keith).
- d) Refurbishment of Unit Y Isla Bank, Keith.
- e) Provide roller doors at Unit A Balloch Road, Keith.
- f) Drainage solution at Mosstodloch Industrial Estate.
- g) Drainage works at Isla Bank, Keith.
- h) Roof works at West Road, Forres.
- i) Fencing at March Road East, Buckie.
- j) Complete site preparation at Chanonry, Elgin.

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

10. Future Projects

The existing approved capital budget for industrial development is sufficient to progress the current development projects, excepting the provision of development land in 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 in Moray 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. In this respect condition surveys of the portfolio are expected to be completed shortly.

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.