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## **TWEEDBANK DEVELOPMENT UPDATE**

**Report by Executive Director and Service Director Assets & Infrastructure**

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**Scottish Borders Council**

**20<sup>th</sup> December 2018**

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### **1 PURPOSE AND SUMMARY**

1.1 **This report provides an update on the development of all projects being undertaken at Tweedbank and an update on the concluded acquisition of Lowood Estate.**

1.2 Council previously considered reports in respect of:

- a) The development of SBC land at Tweedbank on 30 November 2017 and 29 March 2018,
- b) The City Deal on 31 May and 28 June 2018,
- c) The acquisition of Lowood Estate on 21 December 2017, 25 January and 31 May 2018
- d) The Tweedbank Masterplan and Supplementary Planning Guidance on 25 January 2018

This report is the first opportunity to provide a single update on all of these projects in the public domain, a number of the previous reports have been considered in private given the commercial nature of the issues being addressed.

1.3 Good progress is being made on each element of the proposals and the details set out within the report fulfil the previous request of Council that the work be reported in the public domain within a single report whenever possible. Given the recent acquisition of Lowood Estate this is the first opportunity for such a report.

### **2 STATUS OF REPORT**

2.1 This report is in public but protects certain confidential financial and personal information pertaining to individual businesses, site sales and developments.

### **3 RECOMMENDATIONS**

**3.1 It is recommended that Council:**

- (a) Notes the content of this report and the progress of development in respect of the projects at Tweedbank;**
- (b) Notes the details of the acquisition of Lowood Estate;**
- (c) Notes the continued development of the City Deal proposals and agrees to the proposed timing of report(s) to Council in respect of considering the Full Business Case;**

## **4 COUNCIL OWNED SITES AT TWEEDBANK - UPDATE**

- 4.1 Council previously agreed to the development of four Council owned sites linked to the wider development of Tweedbank. The plan attached to this report as Appendix 1 set out the four sites.
- 4.2 The Borders Railway Blueprint of November 2014 outlined a vision for how the Borders Railway would help to attract more people to live and work Midlothian and the Scottish Borders, and make the regions more attractive locations for businesses to invest. The Blueprint stated: "We want to connect and grow communities and grow our businesses and the number of higher value and better paid jobs they provide". To help achieve this, the Blueprint committed to providing a number of incentives to support growth in more productive business activity, including the flagship transformation of the Tweedbank Industrial Estate area as a 21st century business location.
- 4.3 **SITE 1**
- The former location for the Great Tapestry of Scotland at Tweedbank has been identified as a location for business centre to be built and managed by Scottish Enterprise (SE). The Council's role in this project is to transfer land owned by the Council to Scottish Enterprise to allow them to deliver this building. SE have recently secured approval for funding from the Borders Railway Leadership Group for support for the project. Final approval of funds will now be sought from Scottish Ministers.
- 4.4 The Business Centre will comprise a two storey building of 1000 square metres with a range of facility options including shared co-working space, individual office suites, bookable meeting rooms, social / kitchen space, shower and toilet facilities, parking provision and lockable cycle storage. It is anticipated the construction will be concluded in December 2020.
- 4.5 This proposal meets the requirement to provide high quality modern business space to stimulate business growth and job creation, enhancing the area's inward investment offer particularly to high value innovative sectors as well as meeting the needs of indigenous businesses. It may also help over time to address inequalities in the local labour market providing access to better quality, higher paid jobs.
- 4.6 The estimated economic impact against a project cost of £3M is a GVA of £49.6M, creating up to 42 jobs and up to 39 construction jobs. The estimated benefit to cost ratio is £17:£1. These are strong figures and underpin the proposal's approval by the Blueprint Leadership Group and recommendation for funding to Scottish Ministers.
- 4.7 **SITE 2**
- The Council's Eildon Mill buildings occupy a prominent corner site facing the Borders Railway terminal but are no longer fit for purpose in the overall context of the Tweedbank Masterplan. A demolition warrant was obtained in October 2017 and the existing buildings have been vacated. A demolition contract has been let with demolition scheduled to commence in January 2019. This will allow the site to be sold as a 'build ready'. Negotiations are at an advanced stage to sell the site to a Scottish Enterprise Account Managed company which has significant investment and expansion plans. The sale of this land will be at current market value.

4.8 The estimated economic impact against a project cost of £2.5 million is potentially £16M of GVA. It would create a maximum of 16 jobs and a maximum of 33 construction jobs. The estimated benefit-to-cost ratio is £7:£1.

4.9 **SITE 3**

Quarry Site – East is a section of the vacant land owned by the Council on the north side of Tweedbank Drive nearest Radio Borders. Council Officers and the Business Gateway team have been in discussions with the owners of a Borders based manufacturing business in relation to their ambitious expansion plans. It is proposed that the Council will develop and sell land to the east of the land between Borders Railway and Tweedside Park. This land will extend to the current boundary with Tweedside Park at Radio Borders and Menzies Distribution building. The current proposal is for the sale of a 'build ready serviced site' in which the Council will provide road access, initial site clearance, ground levelling and utility connections. This work will be carried out as part of the Site 4 work see update below. The Council intends to sell this serviced land at current market value. The Council understands that will allow the business to develop and deliver their own purpose built manufacturing building using a delivery team assembled by them. This project will secure the future of significant manufacturing company in the Borders with potential for its growth and future employment also secured.

4.10 The estimated economic impact against a project cost of of £2.3 million is potentially £39 million of GVA. It would create a maximum of 42 jobs and a maximum of 30 construction jobs. The estimated benefit-to-cost ratio is £18:1.

4.11 **SITE 4**

Quarry Site - West is a section of the vacant land owned by the Council on the north side of Tweedbank Drive nearest the Railway Station Access Road. The building project linked most closely to the Council is the development of a new 'Class 4' modern office building to the land immediately to the east of the Borders Railway station at Tweedbank. The land in this area was acquired from Lowood Estate at the time of the delivery of the Borders Railway. The proposal will see approximately 1,500m<sup>2</sup> of office space built for which the Council will retain ownership and management of. The building is currently being designed over 2 storeys with a prominent aspect facing the Borders Railway terminus. As a prominent building, its location and orientation will form a sense of place and add significance to the other prominent buildings proposed within the Masterplan. There will be associated car parking and servicing to the east and road access will take place from an extended Tweedside Park.

4.12 A design team has been appointed and are currently working on designs. Under the Simplified Planning Zone (SPZ) for Tweedbank it is not envisaged that a planning application will be required for this building project, subject to following the associated conditions of the SPZ. The emerging design for this building also provides for a future expansion option should there be a need to increase the size of the building.

4.13 The Council has commissioned a Design Team who have progressed the design proposals to RIBA Stage 4 – the Technical Design. This concludes with the production of tender documents with the appointment of a

construction contractor and necessary sub-contractors following conclusion of the procurement process. The procurement will commence early in 2019.

- 4.14 In advance of construction works commencing site preparation works are being delivered. Shrubs and other vegetation were cleared from the site in November. The necessary access road for both Quarry Sites East and West connecting Tweedside Park to the Railway Access Road will follow with works starting early in 2019.
- 4.15 The estimated economic impact against a project cost of £4.5 million is potentially £75M million of GVA. It would create a maximum of 60 jobs and a maximum of 59 construction jobs. The estimated benefit-to-cost ratio is £17:£1.

## **5 ACQUISITION OF LOWOOD ESTATE**

- 5.1 Lowood Estate was acquired by the Council on 6 December 2018. The property comprises a compact residential estate set on the south bank of the River Tweed and extends to 44.38 hectares (109.66 acres). It includes an attractive and substantial principal dwelling and a further eight residential properties. Of the total land area approximately 15.78 hectares (38.99 acres) is parkland and a further 14.28 hectares (35.29 acres) is woodland. This is a significant area of land within the wider 98-hectare Tweedbank Masterplan area. A detailed location plan is attached at Appendix 2.
- 5.2 The Council paid £9.6 million for the estate (lower than the price cap previously agreed by Council) and is now finalising the expenses due on the purchase which will form part of the overall project cost.
- 5.3 The existing Lowood Estate has several tenants occupying the residential properties. The Council has ascertained the basis of those existing agreements. Following extensive legal review these residential properties are now held by Lowood Tweedbank Ltd, a company wholly owned by SBC. The tenant's existing lease arrangements will continue and the Council will act as property manager. SBC Property officers held face to face meetings immediately in advance of acquiring the estate with each tenant. These were positive discussions with no immediate issues identified by any tenant.
- 5.4 There is a commercial plant nursery operating on the Lowood Estate. As with the residential properties the Council has continued the existing lease arrangements allowing the Nursery to continue to operate normally.
- 5.5 There is a requirement to maintain the land to current standards. It is intended that responsibility for this will fall to the tenants through seasonal grass park lets. The estate land forms part of a larger holding which is registered for Basic Payment Scheme purposes and all farm entitlements. The Assets & Infrastructure team, with Officers from the Neighbourhoods Service, will be taking the lead in managing the estate with other sections such as Roads or Property assisting where necessary to manage the land and associated infrastructure. Costs will be contained within current budgets.

## **6 DEVELOPMENT OF THE TWEEDBANK MASTERPLAN**

- 6.1 Council previously approved the Tweedbank Masterplan and agreed that this should be progressed most effectively to Supplementary Guidance. Officers prioritised the development of the Simplified Planning Zone and

associated Supplementary Guidance and this was previously approved by Council. Subsequently the Main Issues Report currently out for public consultation brings forward further consideration of the Masterplan.

- 6.2 It is now possible to commence work on the Supplementary Guidance in the light of the acquisition of Lowood Estate and this will commence early in 2019 and is anticipated to be completed in the final quarter of 2020.
- 6.3 In parallel with the development of the Supplementary Guidance an appropriate marketing and development strategy will be developed for Lowood Estate. This will require careful analysis of both desirable public and private sector potential uses and will need to ensure an appropriate balance between the two. This strategy will be heavily influenced by the emerging Supplementary Planning Guidance and is likely to be come forward to Council for approval at the same time.

## **7 CITY DEAL UPDATE**

- 7.1 Council agreed to establish a Joint Committee under Section 57 of the Local Government (Scotland) Act 1973 with City of Edinburgh, East Lothian, Fife, Midlothian, and West Lothian Councils; and that the Council's Leader would represent the Council on the Joint Committee to oversee the management of the City Deal. That Joint Committee has met twice and is fulfilling the strategic decision making role required of it in terms of approving Full Business Cases for submission to both Governments and the monitoring of the deal delivery role.
- 7.2 Council approved the outline business case for the Tweedbank development proposals in June 2018. Work has progressed very well since then and it is anticipated that the Full Business Case will be available in January 2019 for consideration by Council. It is recommended that the approval process for the Full Business Case is as follows:
  - Initial Scottish Government Review 18 January
  - Scottish Borders Council – 31st January
  - City Deal Executive Board – 14th February
  - City Deal Joint Committee – 1st March

Consideration by Council on 31 January would allow any necessary amendments to be considered at Council on 28 February. Whilst this is only the day before the City Deal Joint Committee it would ensure that Council has the opportunity to consider the absolutely final Full Business Case before approval by the Joint Committee and submission to Scottish Government.

## **8 ECONOMIC DEVELOPMENT**

- 8.1 The Borders Railway Blueprint of November 2014 outlined a vision for how the Borders Railway would help to attract more people to live and work Midlothian and the Scottish Borders and make the regions more attractive locations for businesses to invest. This build on the previous work of the South of Scotland Alliance which identified the development opportunity at Tweedbank linked to the Borders Railway.
- 8.2 The Blueprint stated: "We want to connect and grow communities and grow our businesses and the number of higher value and better paid jobs they provide". To help achieve this, the Blueprint has invested in a series of masterplans, particularly for housing and new business space, along key

locations in the Borders Railway Corridor. Four areas were identified as suitable candidates for Masterplanning: Tweedbank, Galashiels, Newtongrange and Stobhill/Gorebridge, which were considered to have the greatest opportunity for transformational impact creating significant economic, social and environmental benefits. A key part of the delivery of the Tweedbank Masterplan is the strategic opportunity to purchase the Lowood Estate.

- 8.3 Following the high level 'economic impact appraisal' which was carried out by Scottish Enterprise on behalf of the Council on the development of the Tweedbank Masterplan and the Lowood Estate reported on 21 December 2017, further work has been commissioned by the Council a financial model has been commissioned which outlines both the development costs and estimated economic impacts of both the full Masterplan and the specific Lowood Estate area of that plan.

In summary, this financial model has estimated the following potential economic impacts from the development of both the Lowood Estate and the wider Tweedbank Masterplan:

#### **Lowood Estate**

This project would cost £90 million, including the cost to purchase the land. It would potentially generate £150 million of Gross Value Added (GVA) in the Scottish Borders economy. It would create a maximum of 179 jobs and a maximum of 173 construction jobs. The project would give a benefit-to-cost ratio of £2:£1 (comparing the value of the economic benefits with the cost of the Lowood Development).

#### **Overall Tweedbank Masterplan**

This project would cost £203m and would potentially generate £1.3 billion of GVA. It would create a maximum of 1,412 jobs and a maximum of 1,276 construction jobs. The project would give a benefit-to-cost ratio of £8:£1 (comparing the value of the economic benefits with the cost of the overall development).

- 8.4 It is that evident from market analysis and the lack of current speculative development in the region, that without a comprehensive approach, strong Council leadership and public-sector pump priming these development opportunities are unlikely to be delivered in the immediate future. A comprehensive masterplan-based approach with a significant land holding controlled by the Council will now allow continual sensitivity analysis so that a balance between viable and unviable uses can be struck.

## **9 IMPLICATIONS**

### **9.1 Financial**

- (a) The Council's Capital Financial Plan, including support from the Borders Railway Blueprint and Scottish Enterprise has funding of £7M to allow the four delivery projects to proceed. Reporting of this will be through normal Capital monitoring to Executive Committee and via the Borders Railway Blueprint Leadership Group.
- (b) Following approval of the Full Business Case for the City Deal proposals agreement will be reached with Scottish Government and City Deal partners for the drawdown of the £15M City Deal Funds

(c) **Financial Model**

The Council has developed a detailed financial model for the costs of acquisition of the Lowood site and the wider redevelopment of Tweedbank. The model shows the costs of development of the various tranches of the Tweedbank development, including Lowood, as these are currently understood along with and the associated economic benefits and a range of scenarios associated with funding. The full development appraisal of the site is now in draft; however, initial modelling indicates that the Council's investment in the site should be recouped through the development phases through the onward sale of the site with 179 jobs created during the construction phase and a further 173 jobs created in the post construction period, and a potential economic impact of £150 million GVA in the economy.

- (d) The Council is currently assessing whether to opt to tax the new site; to ensure there is no future impact on the Council's partial VAT exemption.

9.2 **Risk and Mitigations**

- (a) A high-level risk register has been prepared as part of the wider Tweedbank development proposals. This will be maintained by the Project Board.
- (b) As part of the next element of works, the Council will seek to identify suitable development partners, both public and private sector, to ameliorate any development risk through the acquisition of the Lowood Estate as part of a considered and planned long term strategy.

9.3 **Equalities**

There are no immediate implications from this report.

9.4 **Acting Sustainably**

There are no immediate implications from this report. There are though clear implications as to how utilising this land could support the sustainability policies contained within the Local Development Plan

9.5 **Carbon Management**

There are no immediate implications from this report.

9.6 **Rural Proofing**

There are no immediate implications from this report.

9.7 **Changes to Scheme of Administration or Scheme of Delegation**

There are no implications from this report.

## 10 CONSULTATION

- 10.1 The Chief Financial Officer, the Monitoring Officer, the Chief Legal Officer, the Chief Officer Audit & Risk, the Chief Officer HR, and the Clerk to the Council will be consulted and any comments received will be reported to Council.

### Approved by

**Name**  
**Title**

**Signature** .....

### Author(s)

Name	Designation and Contact Number
Rob Dickson	Executive Director

**Background Papers:** [insert list of background papers used in compiling report]

**Previous Minute Reference:** Scottish Borders Council – 30 November 2017  
Scottish Borders Council – 21 December 2017  
Scottish Borders Council – 25 January 2018  
Scottish Borders Council – 29 March 2018  
Scottish Borders Council – 31 May 2018  
Scottish Borders Council – 27 June 2018

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