

Perth & Kinross Council

28 February, 2024

**Perth West
Enabling Infrastructure at Perth Eco-Innovation Park**

Background paper

Purpose

This paper provides Members with an update on the Perth West development.

To secure future industrial and commercial occupiers at the proposed Perth EcoInnovation Park (PEIP) investment in enabling infrastructure is required. This infrastructure will also enable new housing development (including the proposed net zero carbon Lamberkine Village) and therefore the greater proportion of the enabling infrastructure costs will be recovered through future developer contributions. The paper therefore also updates on the funding position and indicative income streams to offset the estimated expenditure.

Background information

It is difficult for private developers to raise finance for upfront infrastructure investment because there is no obvious return to a lender. Such infrastructure is normally provided by the public sector with a long-term legal obligation on developers to meet a reasonable and proportionate cost through developer contributions. Without public intervention at Perth West, the employment land at the PEIP will not be provided in advance of housing development, weakening Perth's competitiveness given the undersupply of available, serviced industrial and commercial plots.

Perth West will support the delivery of key Council's strategies:

- PKC Corporate Plan: develop a resilient, stronger and greener economy, tackle climate change and support sustainable places, and tackle poverty.
- PK Climate Change Strategy and Action Plan: a national net zero exemplar for decarbonisation of transport and energy.
- Tay Cities Regional Economic Strategy and the emerging Perth and Kinross Economy Action Plan: create better paid and higher skilled jobs and high value economic outputs in energy and clean technologies, support an enterprising mindset.
- Perth City Plan: make Perth a carbon-neutral city by 2040.
- Perth and Kinross Local Development Plan 2 (LDP2): promote the sustainable economic growth of the area to the year 2029.

LDP2 allocated 262.3ha for residential, commercial and community uses at Perth West (Site MU70). The southern part of Perth West allocation is promoted by the landowner, the John Dewar Lamberkine Trust (JDLT) (see Appendix 1). Planning

Permission in Principle was granted in November 2023 (application reference 20/00667/IPM). It includes 1,500 homes (Lamberkine Village) up to 26ha of commercial development (PEIP) and other community infrastructure (see Appendix 2).

Because of the short supply of available employment land in the Perth area (and indeed across the wider Council area), and the need to diversify Perth's economy, the strategic rationale is to start with the provision of employment land in advance of residential development. This requires investment in enabling infrastructure to access the site and deliver the first phase of the development: Specifically, the enabling infrastructure will:

- Deliver an underpass under the A9 to access the site and establish active travel infrastructure from Perth West into Perth City. This will minimise the impact of traffic generated by the development and support sustainable transport choices.
- Deliver a commercial business park with of 11ha of serviced employment land (PEIP Phase 1).
- Support business growth and create high value jobs in the clean growth sector. Approximately 1000 jobs could be created when the PEIP is fully developed and occupied over both phases.
- Create a national exemplar of net zero carbon development. Phase 1 will incorporate a smart local energy system, where energy can be generated, stored and used locally.

A second, longer-term phase will provide up to 15ha of employment land and 500 homes, subject to further private sector infrastructure provision.

Progress

A Project Board and Project Team have been established and are meeting regularly to progress several workstreams critical to the development of the site:

- Now that JDLT has vacant possession of the tenanted farm, land transfer of 11 ha for PEIP Phase 1 and the related road infrastructure is being negotiated with JDLT.
- Heads of Terms with JDLT for the transfer of PEIP Phase 1 are being drafted.
- In terms of appropriate contributions toward enabling infrastructure delivery costs, preparatory works to identify a methodology for the apportionment of costs is underway, and discussions will continue with JDLT to incorporate this into a legal agreement/contract which will require to be in place before any construction contract is let.
- A Section 75 agreement (Planning Obligation) has been signed with JDLT relating to the Planning Permission in Principle (application ref: 20/00667/IPM). Contributions are agreed for primary education mitigation, land or equivalent financial sum for healthcare facility, relevant sports and play facilities to serve the development, contribution toward Transport Scotland's Broxden Roundabout

improvement works, and financial contribution for Perth Transport Futures Phases 1 and 2.

- A planning consent was issued to JDLT in November 2023. Detailed planning applications (Approval of Matters Specified in Conditions) will have to be submitted before any development can commence.
- A Procurement Strategy was prepared for design work for the underpass and related works and a contractor selected, but the contract for this early-stage work cannot be awarded pending the Council’s capital budget consideration.

Financing and Revenue Generation

Table 1 below shows the estimated costs (derived from cost consultant estimates) for Phase 1. For clarity this has been broken down into sections and varying ranges of Optimism Bias (OB) applied and shown as a percentage. The initial cost estimates included an OB of 30% given that only outline designs have been prepared, but those that generally apply to roads infrastructure (23% structures, 15% roads) have also been included. The selection of OB will depend on how much risk the Council would be willing to accept. The costs make an assumption on inflation, but do not include land purchase costs.

The enabling infrastructure could be delivered in sections. Section 1 will only take the road beyond the underpass and would rely on future developer-led investment to deliver sections 2 and 3, without any certainty that the employment land would be provided within a reasonable timeframe. In addition, there would be no Tay Cities Deal grant which is attached to embedded smart road infrastructure. Section 2 will take the road up to the entrance of PEIP and initial housing development. Section 3 will platform sites and provide connecting services at the PEIP, allowing site marketing and occupation.

Table 1: Estimated costs

Section		Cost (£m) 30% OB	Cost (£m) 23% OB	Cost (£m) 15% OB
1	Underpass + Tweed Place Link	18.78	17.77	16.62
2	Underpass + Innovation Highway Link to PEIP	25.20	23.86	22.31
3	Underpass + Innovation Highway Link to PEIP + Platforming + Utilities	32.84	31.35	29.65

In March 2023 (Report 23/73), the Council approved funding of **£10m** towards the cost of delivering the enabling infrastructure for Phase 1 of Perth West development from the balance of its investment capacity and remitted officers with reflecting the remaining cost of the enabling infrastructure as part of the development of an updated Capital funding strategy for consideration in 2024.

An application to the UK Levelling Up Fund for **£10m** was submitted at Round 2 but was unsuccessful, and based on feedback a revised application was under preparation for Round 3 when Ministers opted not to call for any new or revised

applications. The UK Government remains interested in the project but to date has not offered any alternative grant funding solution. Dialogue continues.

Table 2 below shows indicative income from developer and occupier contributions, plot sale receipts and grants to offset the Council's costs for Phase 1. It is intended that the contributions from developers and occupiers will be apportioned based on the use of enabling infrastructure by commercial and residential users. More detailed work is required to complete this income projection in advance of the capital budget setting.

Table 2: Indicative income

Sources	Income (£m)
Sale of 90% of employment land (11ha =27 acres) @ £190,000/acre	5
Developers' contributions from residential use of enabling infrastructure still to be negotiated but based on development of 1,000 residential units. Developers/business occupiers' contributions from employment use of enabling infrastructure based on 11 ha.	13 (indicative)
Tay Cities Deal grant towards additional innovative solutions to be embedded in the enabling infrastructure (Perth Innovation Highway)	5
TOTAL	23

Receipts of **c£5m** from sales of serviced employment land have been based on estimated market prices. There is strong interest from businesses in the transport, logistics and energy sector to occupy the PEIP and develop innovative uses, for example Stagecoach is interested in developing a state-of-the-art Electric Vehicle facility.

Members need to be aware that contributions from developers/occupiers have still to be negotiated and are therefore not secured. Work is ongoing to identify potential target sums for such contributions towards Phase 1. The contributions are focusing on the development of 1,000 residential units for which a plan has been produced by JDLT, and 11 ha for PEIP, although the level of contributions will not be agreed before Council's meeting on 28 February 2024. It is also anticipated that a second planning application, by Muir Homes, will be submitted during 2024 and associated developer contributions will also be required, potentially spreading the cost between two private developers rather than solely obligating JDLT. An indicative amount of £13m has been included in table 2.

However, an estimated **£3m** of pre-construction expenditure, mostly related to site investigation and design cannot be commenced because this is not a fully committed capital project. As it stands even with budget agreement, Phase 1 is unlikely to be completed before 2028.

A Tay Cities Deal grant of **£5m** has been earmarked for Perth Innovation Highway which is the innovation element of the enabling infrastructure involving the installation of digital infrastructure and Intelligent Transport Systems to manage transport in and around the site and the corridor between the site and Perth city

centre. A Full Business Case (in preparation) needs to be approved by the Tay Cities Region Joint Committee mid-2024.

Benefits

Perth West will deliver a new neighbourhood for Perth and is central to meeting the Council's housing and employment land supply. The PEIP has the potential to be a net zero carbon employment site of national significance in terms of driving regional productivity and a just transition to net zero. The benefits include:

- Creation of net zero neighbourhood (Lamberkine Village) supporting a large portion of Perth's new housing requirements.
- Enhance sustainable connectivity through walking and cycling and innovation.
- Generate net zero energy and support decarbonisation including transport.
- Generate additional tax revenues.

More specifically, the benefits generated by the PEIP would include:

- Increased productivity by increasing employment in high productivity, high skills and wage sectors.
- Catalyse further development and private investment in the city.
- Attract innovative businesses in new clean growth sectors.
- Diversify Perth's economy to broaden job opportunities, raise skills levels, and average earnings.

Risks

Though a solution is being worked on with the landowners, the Council does not yet have formal commitment from any developers in terms of contributions, leading to a potential financial and reputational risk. However, these risks are mitigated in that no construction contract would be awarded until all legal agreements are in place.

The Council does not yet have formal commitment from any potential PEIP business occupiers, leading to a potential financial and reputational risk. The challenge for businesses is that they cannot commit without certainty of delivery. This conundrum is the principal driver of market failure in the provision of employment land in many parts of the country.

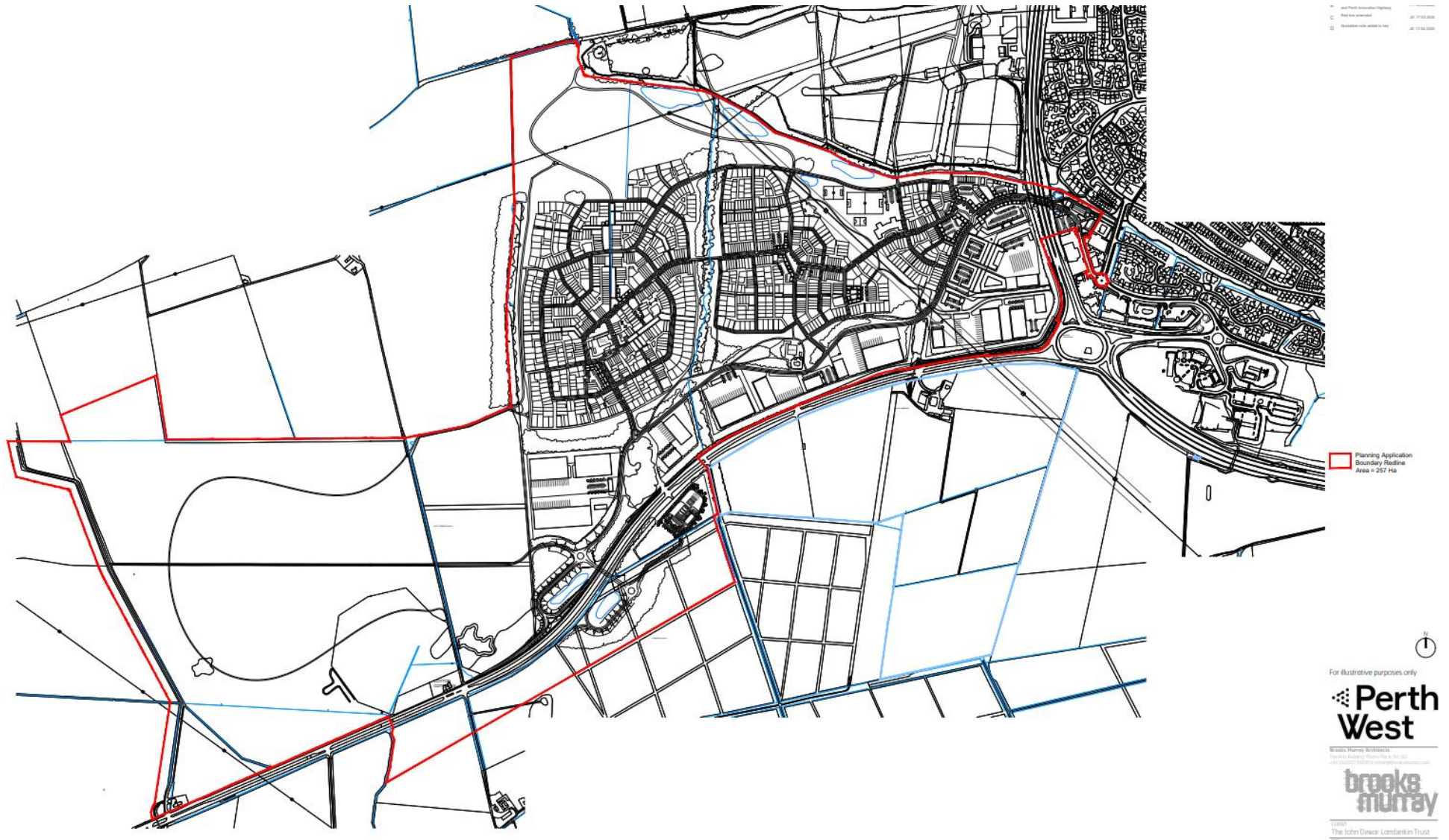
Timetable

An indicative timeline, should the budget be approved by Council in February 2024, would be:

- Design Consultant appointed by April 2024
- Infrastructure planning and concept design works commenced by April 2024
- Planning permission granted by March 2026
- Contractor in place by March 2027
- Construction starts by March 2027
- Main construction completed by December 2028.

It should be noted that there may be an opportunity to accelerate this programme through early identification of opportunities and collaborative working from all parties who are engaged to deliver the contract.

Appendix 1: Extent of Perth West JDLT area (planning ref: 20/00667/IPM)



Appendix 2: Indicative phasing plan and land uses (planning ref: 20/00667/IPM)

