

THE HIGHLAND COUNCIL
PLANNING, DEVELOPMENT AND INFRASTRUCTURE
COMMITTEE

| | |
|-------------|-----------|
| Agenda Item | 18 |
| Report No | PDI 52/14 |

5 NOVEMBER 2013

INVERNESS AIRPORT BUSINESS PARK – ANNUAL REPORT

Report by Director of Development & Infrastructure

Summary

This report provides Members with updated information on the current financial position of Inverness Airport Business Park Limited. Members are invited to note the report.

1. Background

- 1.1 The Inverness Airport Business Park (IABP) Limited company was established in May 2005 and is a joint venture between Highlands and Islands Airports Limited, Moray Estates and Highlands and Islands Enterprise.
- 1.2 Inverness Airport Business Park Ltd issued Loan Stock of £1.175m to the Council to reflect the cost incurred by the Council in building the new access road to the airport from the A96. The repayment of this Loan Stock will allow the Council to recover its costs in constructing the road, albeit over a period of time. The Council is currently represented on Inverness Airport Business Park Ltd. Board of Directors by Councillor Thomas Prag, whilst the Director of Development and Infrastructure currently attends an executive group in an advisory capacity. This provides the Council with the ability to closely monitor the financial situation of the Inverness Airport Business Park Ltd.
- 1.3 As reported to the Planning Environment and Development Committee in January 2011, Inverness Airport Business Park Ltd opted to defer the first repayment of the Loan Stock, amounting to £587.5k, due to be received by the Council in May 2010. This deferment was made in accordance with the Loan Stock agreement which allows the Company to defer the payment if they believe the repayment would have a prejudicial impact on their business proposals for the Business Park. Under the deferment arrangements, the 2010 repayment now becomes payable to the Council in May 2015 unless independent reviews of the Company's accounts indicate the deferred amount can be paid earlier. The company has no option but to repay the loan stock if these independent reviews provide an opinion that the repayment can be made without prejudicing the development.
- 1.4 At the time of the deferment, The Finance Service undertook a review of the company's draft Annual Accounts for 2008/09 and 2009/10 which confirmed that if repayment had been made in May 2010 it would have had a prejudicial effect on the business proposals.

2. Current Situation

- 2.1 Inverness Airport Business Park Ltd has provided the Council with a copy of their Final and Audited Directors Report and Financial Statements for the year to 31 March 2014 and these statements have been reviewed by the Finance Service.
- 2.2 The outcome of this review reflects that Inverness Airport Business Park Ltd continues to have insufficient funds to repay the Loan Stock without the payment having a prejudicial impact on their business proposals for the Business Park. Accordingly there would be no benefit to the Council of commissioning an independent review of the Company's financial affairs at this time.
- 2.3 The Balance Sheet to March 2014 indicates the net worth of the company as £291,042 (£314,799 as at March 2013) and the Profit and Loss Accounts report a loss of £23,757 (loss of £77,983 for the year to March 2013) over the same period. These figures reflect that the company has still to fully commence its trading activities and remains at an early stage in developing the business park.
- 2.4 Previously the Company has signed a development agreement with a strategic development partner to develop Phase 1 of the Business Park, which extends to c.450,000 sq.ft. This partnership is pursuing a number of opportunities. These include, in addition to the existing site occupier (Bond Helicopters), inward investment opportunities, further airside activity and local business expansion. The structure of the arrangement with the strategic development partner is that they will fund infrastructure and development costs from this point. IABP Ltd has now appointed a Business Development Manager to drive growth at the business park.
- 2.5 The Director of Finance and The Director of Development and Infrastructure will be looking at various financing options with a view to taking a report to Council with regard to restructuring the existing agreement for the repayment of the total Loan Stock amount of £1.175m by IABP Ltd.
- 2.6 In the meantime the full £1.175m will continue to be shown as an investment on the Council's Balance Sheet. If there should be a continuing trend of Inverness Airport Business Park Ltd being unable to make repayment, the Council's Director of Finance may, in the future, review the value of the investment, as shown in the Council's Balance Sheet, to reflect the risk of non-payment.

Recommendation

Members are asked to note this report.

Designation: Director of Development and Infrastructure

Date: 30 September 2014

Authors: Kenny MacInnes (Ext 2553)
Jo Tunstall Finance Service (Ext 2430)