
NORTH AYRSHIRE COUNCIL

29 November 2022

Cabinet

Title: **Flexible Advanced Manufacturing Space, i3 Irvine:
Phase 1, Full Business Case**

Purpose: To seek endorsement of the Full Business Case (FBC) for Phase 1 of the Flexible Advanced Manufacturing Space Project at i3, Irvine.

Recommendation: That Cabinet agrees to:

- (a) endorse the Full Business Case (FBC) for Phase 1 of the Flexible Advanced Manufacturing Space project at i3;
- (b) note the awaited outcome of a bid to the UK Government's Levelling Up Fund (LUF) 2; and
- (c) approve the submission of the FBC to the Ayrshire Economic Joint Committee (AEJC).

1. Executive Summary

- 1.1 The i3 Flexible Advanced Manufacturing Space (flexible space) project is one of two projects located at i3, in Irvine that will benefit from overall investment of £21M through the Ayrshire Growth Deal (AGD). i3 is one of North Ayrshire's key strategic sites and has benefited from Enterprise Area status since 2012. Its purpose was to attract life science companies and related industries with business rates relief and accelerated capital allowances targeted at specific areas.
- 1.2 AGD investment in the flexible space project comprises of £11M from the Scottish Government and £4M from North Ayrshire Council, to help create commercial space at i3 in a variety of formats and over a series of phases. The project is part of a wider programme of new employment space across Ayrshire funded by £69.5M from the AGD, supporting economic infrastructure and engineering and manufacturing sectors, with East and South Ayrshire Councils' developing similar projects. The overall aim is to meet an identified demand for modern business space where there has been a longstanding issue of market failure, to help grow local businesses and to attract inward investment. A further £6M is being invested in the i3 Digital Processing Manufacturing Centre (DPMC) project. The flexible space project will complement the DPMC project, with the potential to attract businesses wishing to locate close to the new DPMC facility.

- 1.3 Cabinet on 23 March 2021 agreed to support the delivery of Phase 1 of the flexible space programme, approve an allocation of £200,000 towards the development of the first phase in advance of approval of the Outline Business Case (OBC) and to note progress with the project. In addition, of relevance to this report, Cabinet on 2 November 2021 considered and agreed the development and submission of a bid with South Ayrshire Council totalling up to £40m to the UK Government Levelling Up Fund (LUF) 2, for Commercial and Low Carbon Infrastructure, including i3 as a potential project area.
- 1.4 Key changes since the Cabinet report of March 2021 are the approval of the OBC in June 2021, the likely decrease in the overall scale of flexible space that is estimated to be delivered across the programme with the funding that is available, the completion of site investigations, planning approval and tender returns for Phase 1 and the inclusion of Phase 1 in the LUF 2 funding bid referred to in paragraph 1.3 above.
- 1.5 The Full Business Case (see Appendix 1) is now available for consideration of approval following the completion of key aspects of the project set out in the paper. Costs related to Phase 1 are affordable, with tender costs received that were close to the pre-tender cost estimate and are within available capital budgets. Under the agreed governance covering the AGD, the approval of the FBC has been delegated to the Ayrshire Joint Economic Committee (AEJC) following feedback from the Scottish Government, which supported the proposals, and endorsement by Cabinet. It is anticipated that the FBC will be presented to the AEJC on 8 December 2022.

2. Background

- 2.1 The i3 Flexible Space project is focussed on investing in new business space in a variety of formats, including small terraced units for business start-ups or research and development, larger modular units in a range of sizes that are capable of sub-division and office units. The project will help address the following issues:
- High demand for industrial and office space;
 - Low vacancy rates for industrial space of 4.5% for Irvine, 4.5% for North Ayrshire and 3.4% for West of Scotland);
 - Insufficient rental values to help finance new-build speculative development;
 - Very limited funding sources available for the public sector to intervene;
 - Constraints on indigenous companies seeking to grow and expand within North Ayrshire;
 - Constraints on attracting inward investment to North Ayrshire through lack of modern premises;
 - The need to grow the local economy through adapting to modern industrial processes linked to Life Science, Advanced Manufacturing and other sectors;
 - Ageing stock of existing industrial premises that is facing obsolescence; and
 - Growing pressure through changes in legislation and customer demand, to create better configured, more energy efficient building stock and eliminate hazardous building materials.
- 2.2 Phase 1 of the project involves the construction of an 18,180 square foot (1,690 m2) light industrial unit on a 4 acre site. The unit will be capable of subdivision and with an adjoining yard and parking spaces, at Riverside Way in i3. The site and surrounding land is being purchased from Scottish Enterprise and is immediately adjacent to the

DPMC pilot project, within a central area of i3. The preparation of a masterplan has helped to guide the form and location of AGD investment focussed along the main routes of Riverside Way and Long Drive and at the large Strategic Investment Campus. The masterplan, will be accompanied by a strategic framework, setting out development aspirations for i3 (including digital infrastructure and renewables), that will be considered at a future Planning Committee.

- 2.3 This Full Business Case focusses on Phase 1 of the project which requires overall capital funding of £4.563M from a combination of £3.753M of AGD funds and £0.810M of Vacant and Derelict Land Funds. The funding supports the design and build contract, consultants and specialist advisor fees for the delivery phase, land purchase and staff costs. To help address anticipated cost inflation issues, Phase 1 was included in a LUF 2 bid to UK Government in August 2022 seeking funding to help modernise and expand North Ayrshire's commercial space for business. The outcome of the bid is awaited at the time of this report. Should the application be successful, this would fund the majority of the Phase 1 project and maintain the AGD funds for future phases of the i3 flexible space programme, with the potential to increase the total floorspace delivered.
- 2.4 The project and wider programme will also have revenue implications which are set out in section 4.1. In summary, there will be costs until the unit is occupied and related to ongoing wider site maintenance. These costs will be met from existing resources in the short term and recovered through additional rental income, received once the unit and future developments are occupied.
- 2.5 It has been necessary to reduce floorspace estimates for the overall programme due to the development of cost information as part of the development of the business case and due to the increase in costs of construction materials. Estimates within the approved Outline Business Case (OBC) suggested that approximately 9,000 metres squared (97,000 sq ft) could be funded over several phases and in a variety of formats. The attached FBC has now updated that the estimated floorspace that could be created with the available funding could be within the region of 6,000 sqm or c 65,000 sq ft and this has been flagged to the Scottish Government.
- 2.6 The project also involves the purchase of land from Scottish Enterprise which is being progressed through negotiations at the moment. This includes the project site and the wider area to enable AGD developments. An indicative purchase price has been agreed and the Council is currently awaiting feedback from Scottish Enterprise that they are content with that figure.
- 2.7 The unit will also begin to be marketed to interested businesses following the award of the contract with plans for new signage.
- 2.8 There are key risks related to the project and detailed within the FBC, this includes insufficient funds to deliver the scale of the original programme, delays to the award of the contract for Phase 1 caused by delays to the approval of the FBC or the purchase of land from Scottish Enterprise. Key risk mitigations are the inclusion of the project in the LUF 2 funding bid to seek additional funding sources and the provision of a license to undertake works if the land is still owned by Scottish Enterprise at the time of the contract award. Legal have advised that the purchase price should be agreed with Scottish Enterprise prior to any license being in place.

- 2.9 The FBC is ready for consideration of approval with a number of key legal and financial requirements now in place which are set out in 4.1 and 4.3. Phase 1 of the project has reached a critical stage as FBC approval is required to ensure that the design and build tender is awarded before the 120-day tender period expires on December 9th 2022 and to enable completion of the works by mid 2023, in order that the building is available for occupation.
- 2.10 The Full Business Case provides a strong and competent case for approval, following the completion of key aspects of the project as set out in the paper. The Scottish Government has provided comments on the FBC from both governments, indicated support for the proposal. Subject to Cabinet endorsement, the next steps are to seek final approval of the business case from the Ayrshire Economic Joint Committee and await the outcome of the LUF 2 funding bid, so that the design and build tender can be awarded. Following the award of the contract, the contractor will finalise the design, apply for building warrant and commence with the contract works.

3. Proposals

3.1 It is proposed that Cabinet agrees to:

- (a) endorse the Full Business Case (FBC) for Phase 1 of the Flexible Advanced Manufacturing Space project at i3
- (b) note the awaited outcome of a bid to the UK Government's Levelling Up Fund (LUF) 2; and
- (c) approve the submission of the FBC to the Ayrshire Economic Joint Committee (AEJC).

4. Implications/Socio-economic Duty

Financial

4.1 The main financial implications of the project for the Council are as follows:

- i) Capital - capital investment of £4.563M for Phase 1 towards a design and build contract and related costs (land purchase, staff costs, consultants fees). This is funded by AGD funding (£3.753M) and Vacant and Derelict Land Funding (£0.810M) both of which are included within the approved NAC Capital Programme. A preferred contractor has been selected for the contract following a competent tender process and the tender is within the available budget. Feedback from the Scottish Government will be a final acknowledgement that Phase 1 can proceed and that the Council can then draw down the Scottish Government grant.
- ii) Revenue - it is anticipated that there will also be revenue costs until the Phase 1 unit is occupied, such as maintenance, repairs, security, rates & utility bills, marketing and promotion, legal fees, building insurance, statutory compliance certificates and EPC costs. In addition, there will also be costs related to wider site maintenance for this Phase and future developments at i3. AGD Regeneration officers will work with colleagues in Finance to arrange for costs to be met from existing resources in the short term, to then be reimbursed once a tenant is in place and rental income starts to be received.

Human Resources

4.2 None. The project is being managed by the Council's Property Management and Investment (PMI) Team with input from AGD Regeneration officers as required.

Legal

4.3 The main legal implications for Phase 1 of the project are:

- i) Award of the tender is required within the 120-day period.
- ii) the management of grants, should the project be successful in obtaining Levelling Up Funding. NAC will require to ensure that the conditions of grant set out by UK Government are complied with. As a condition of grant, UK Government require that NAC contribute to 10% of the project costs; and
- iii) The purchase of land from Scottish Enterprise to deliver the project, including final agreement on the purchase price and the potential requirement for the provision of a licence in the interim, should the land purchase not be complete by the required date for the award of contract.

Equality/Socio-economic

4.4 The project will provide much needed new, modern and more energy efficient business space to help local businesses grow and expand and to attract inward investment to an area of above average unemployment and low business investment. It will complement the current development of the Digital Processing Manufacturing Centre (DPMC) pilot project at the adjoining site which will be operated by the University of Strathclyde.

Climate Change and Carbon

4.5 An initial assessment of carbon has been undertaken for the overall project but further work is required for Phase 1 as part of finalising the design. The selected contractor will be required to ensure that building design will facilitate and retain the ability to achieve recognised standards for CO2 emission rates (i.e. a minimum of Gold Level Aspect 1 by exceeding (TER) CO2 emission rates).

Key Priorities

4.6 The project will support the priority outcome contained in the Council Plan 2019-2024, for North Ayrshire to have an inclusive, growing, and enterprising economy.

Community Wealth Building

4.7 The wider Ayrshire Growth Deal programme of skills and inclusive growth, supports projects at i3. The project aligns with North Ayrshire Council's key strategies regarding Recovery and Renewal and Community Wealth Building, providing much needed space for businesses, whilst ensuring they contribute towards the Council's low carbon targets.

5. Consultation

- 5.1 The Council's PMI, Legal, Business Development, Planning, Sustainability, Estates and Finance Teams have been involved in the development of the project. The development of the OBC involved a local survey of businesses to establish the demand for business space and an updated report for the Irvine area by property agents has confirmed ongoing demand. The i3 masterplan has been subject to consultation with partners including those involved in the DPMC, property agents and internal colleagues and was the subject of a presentation to the Irvine Locality Planning Partnership in June 2021.

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Background Papers

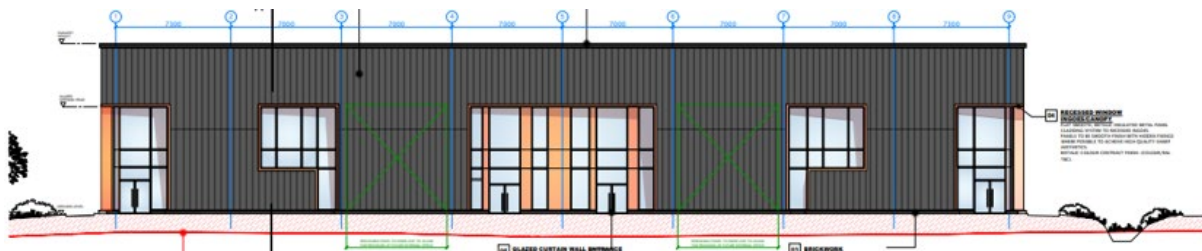
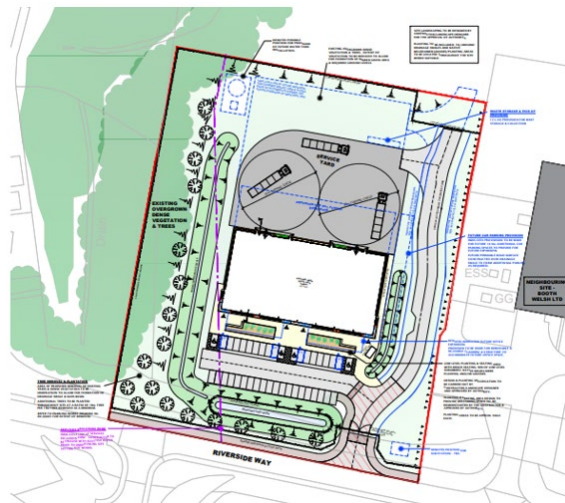
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Ayrshire Growth Deal

i3, ADVANCED MANUFACTURING SPACE Full Business Case, Phase 1

Version No.3

Issue Date: 07 November 2022



VERSION HISTORY

Version	Date Issued	Brief Summary of Change	Owner's Name
1	14.10.2022	First draft version – issued to PMO	Marnie Ritchie
2	19.10.2022	Response to PMO queries: Updated BCR values Addition of funding notes (1.5.2 & 5.2)	Marnie Ritchie
3	07.11.2022	Formatting only	Marnie Ritchie

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PART A: Project Description

What is the project about?

This project aims to build new flexible advanced manufacturing space at i3 Irvine Enterprise Area, which is a strategic site for North Ayrshire Council and has been designated as a Life Science Enterprise Area since 2012. The project will complement the proposed Digital Processing Manufacturing Centre (DPMC) which is also being supported by the Ayrshire Growth Deal (AGD) and is being delivered in partnership with NMIS (National Manufacturing Institute Scotland), University of Strathclyde, CPI (Centre for Process Innovation) and with support from Ayrshire College.

The project is being delivered in a number of phases. Phase 1 will provide an advanced industrial unit of 18,180 ft² (1,690 m²) GIFA to a shell specification suitable for Classes 4, 5 and 6, capable of subdivision to a maximum of 4 self-contained units with a rear service yard and parking spaces, on a total site area of 16,355 m² or 4 acres. Subsequent phases of the FBC will be submitted to cover future phases of the project.

This Full Business Case (FBC) for Phase 1, follows on from an Outline Business Case (OBC) for the overall project which was approved in June 2021. NAC is seeking the timely endorsement of the FBC by the Scottish Government and its subsequent approval by the Ayrshire Economic Joint Committee (AEJC) to enable the construction works contract to be awarded by December 2022 and the works to be completed by mid-2024. Timelines are critical to ensure that the tender award takes place before the 120-day period expires for tenderers holding their costs. Future updates to this FBC will be submitted for subsequent phases of the project.

Tenders have been received for the Phase 1 contract works and the details are contained within the Commercial Case in Section 4. It should be noted that these details are limited following advice from the Council's Corporate Procurement Unit, who advised that the sharing of commercial information should be limited prior to the award of the tender.

Why is it being undertaken?

Phase 1 of the project will contribute towards meeting current demand for new industrial space within North Ayrshire and Ayrshire, where there is a longstanding issue of market failure that discourages the private sector from building new space. It will help grow local businesses and attract inward investment to an area of above average unemployment and low business investment. It will also help to address a growing issue of ageing, obsolete industrial space. The new space also provides the opportunity for interest from businesses linked to the DPMC project to take up space, helping create a cluster of industry and innovation at i3.

How does it fit within the wider Deal?

This project contributes to the wider AGD Economic Infrastructure Programme, addressing economic underperformance by helping position Ayrshire as the go-to region for smart manufacturing and digital skills and by improving access to employment opportunities.

What is being proposed?

The approved OBC proposed that the project would involve the phased delivery of approximately 9,000 m² (97,000 sq ft) of floorspace in a variety of building types to suit varying needs, ranging from larger 20,000 sq ft to 40,000 sq ft units capable of subdivision, to small, terraced business incubation units and class 4 offices. A masterplan has been developed to show the potential location and scale of development. The majority of the buildings are proposed to be located within a central area of i3, creating a cluster area with the proposed DPMC. A small number of units are also proposed at the large Strategic Investment Campus site at i3, to stimulate interest in this area. The masterplan will be accompanied by a strategic framework

that is currently being prepared to set out wider aspirations and investment proposals for i3, in addition to this project and the DPMC project.

It should be noted that a review of costs as part of the development of Phase 1 has identified that the anticipated cost of delivering each phase is likely to be higher than the indicative estimates contained in the approved OBC. This has been highlighted to the PMO and Government as it is considered that the level of floorspace that can be delivered will be lower than that approved in the OBC at 9,000 sq m. Current projections estimate that the amount of floorspace that may be delivered could be reduced to 6,000 sq m and this has been accounted for in the economic modelling. In order to offset these increased costs, allocations from the Vacant and Derelict Land Fund have supported the development of and are supporting the delivery of Phase 1. In addition, an application for Levelling Up Funding has been submitted for the Phase 1 unit, for which the outcome is currently awaited. This funding application assessment process is running parallel with the FBC process. Should the application process be successful Phase 1 would be delivered using Levelling Up Fund monies and the Council would request that the AGD allocations are held to support future phases at i3.

How will it be delivered?

The overall project is being delivered in phases, allowing for a review of the market at key stages. Each phase will be designed by a professionally qualified team, led by architects and tendered in packages over a number of phases through either a traditional procurement route or a design and build route. Phase 1 is the subject of this FBC and has been developed with support from the Council's architects and quantity surveyors and has been tendered as a design and build contract.

What outcomes will it deliver and by when?

The outcomes anticipated over the next 8 to 10 years include the delivery of much needed modern business space, new jobs and construction jobs, support to SMEs, additional GVA, access to related employability and skills programmes for local people including those from disadvantaged or protected characteristic groups and removal of sites from the vacant and derelict land register. A Benefits Realisation Plan has been prepared for the overall project in conjunction with the Ayrshire Growth Deal PMO and Phase 1 will contribute to these outcomes.

Who will use it and why?

The project will be marketed widely to local companies, including SME's looking to grow and expand and to inward investment companies from Ayrshire, Scotland, the UK and beyond. A marketing campaign is currently being prepared for Phase 1.

What are the headline figures around what is being proposed? - headline financials

An allocation of £15M from the Ayrshire Growth Deal has been agreed for the i3 Flexible Space project, comprised of £11M from Scottish Government and £4M from North Ayrshire Council. Overall £21M is being invested at i3 by the Ayrshire Growth Deal, with a further allocation of £6M contributing to the DPMC project. It is anticipated the funds will be invested over a period of 8 to 10 years with the first unit available in 2024.

Phase 1 will invest up to £4.56M of committed capital funding towards the first unit, supported by Vacant and Derelict Land Funds and the potential for Levelling Up Funding as an alternative source to increase the funds available to deliver the programme.

PART B: The Five Cases

1. EXECUTIVE SUMMARY

1.1 Introduction

This Full Business Case (FBC) seeks approval for investment in Phase 1 of the i3 Flexible Advanced Manufacturing Space project of up to a maximum of £4.56M of capital, including a contract with a supplier, to undertake the construction of an 18,180 sq ft (1,690 sq m) industrial unit as a first phase of the project. The delivery of the next phases of the project will be set out in subsequent updates to the FBC.

This FBC follows on from the approval of the project's Outline Business Case (OBC) in June 2021, to invest funding of £15m in the delivery of approximately 97,000 sq ft (approx. 9,000 sq m) of flexible advanced manufacturing space at i3, Irvine's Enterprise Area (see Figure 1). The project includes the delivery of business space in various configurations, aiming to meet demand in a series of phases, responding to market requirements and with a focus on high value sectors. This includes chemical and life science manufacturing, more general local demand and opportunities for space emerging from the development of a Digital Processing Manufacturing Centre (DPMC) at i3, supported by £6m of AGD investment, with industry and academic partners, including the National Manufacturing Institute Scotland (NMIS), University of Strathclyde, Centre for Process Innovation (CPI) and with support from Ayrshire College and Scottish Enterprise. There is now a commitment to a pilot phase of the DPMC project at Booth Welsh, which immediately adjoins the Phase 1 flexible space site. Refurbishment works are now underway following the signing of a lease agreement by the University. Underpinning this overall AGD investment at i3, is the strength of demand and market failure in the local property market and the need for economic growth.

Figure 1: Project location



It should be noted that the estimated floorspace that can be delivered for the available AGD budget is now likely to be lower than that estimated in the approved OBC. This is explained further in paragraph 1.1.3 below.

1.1.1 Project aims & objectives

The main investment objectives of the overall project are:

- To create flexible business space capable of meeting manufacturing requirements for chemical and life sciences, but also for a wide range of other high value sectors;
- To create a centre of digital innovation which offers digital tools, support and innovation scaled to a national market supporting a restructure of the regional economy to deliver advanced manufacturing;
- To create serviced industrial land and capable of immediate development;
- To create opportunities for employment and inclusive growth with particular emphasis on making connections to local communities, schools and colleges in preparation for employment, particularly in areas of deprivation and targeting people drawn from disadvantaged or Protected Characteristic groups including women and young people;
- To attract mobile and private sector investment both from abroad and from indigenous companies; and
- To create a sustainable, high quality business location and R&D cluster, capable of meeting and keeping pace with the changing demands of high value manufacturing sectors and complementing national initiatives including NMIS

The project also aligns with Inclusive Growth & Community Wealth Building objectives (See Appendix F).

1.1.2 Project scope

The scope of the overall project is to contribute to the AGD's Economic Infrastructure Programme using £15m of AGD investment, to create modern flexible advanced manufacturing space that addresses the current issues businesses and inward investors are facing, with lack of modern business space provision in Ayrshire, impacting on business growth and expansion.

The project is focused on delivering this space at i3, east of Irvine town centre. The area was developed as part of Irvine New Town from the early 1970s. Given that the town was originally planned with a much higher population than realised, and due to differing industrial structures at the time, the i3 area is of significant scale and covers around 132 ha. While i3 offers the Strategic Investment Campus site (see Figure 1) with potential to accommodate an inward investment of scale, many parts of i3 remain undeveloped and are in private ownerships. The flexible space development will help to address this by focusing AGD development within a central area around Riverside Way. The inclusion of flexible space and the proposed DPMC centre within this area will help to provide a sense of consolidation, focus and provide services and networking opportunities for businesses (see Figure 2)

The advanced manufacturing space proposed will complement the DPMC project and provide modern space in a number of phases. While separate business cases, the two projects are linked, as the DPMC will help to raise the profile of i3 and encourage business investment and growth with a focus on Industry 4.0. The proposed investments are part of a new strategy for i3 that allows:

- The central Riverside Way area to be developed as a core commercial space and service area for i3, that includes the majority of the proposed flexible space and proposed DPMC within a statement building that also offers associated central services and which may require some investment from the flexible space programme; and
- The scale of installed infrastructure and public sector land ownership offered by the large Strategic Investment Campus site identified in Figure 1, above, to be the proposed location for part of the flexible space to encourage initial occupiers and to be offered for major company relocation or inward investment.

The proposed Phase 1 unit includes the following specifications:

- a shell only specification to allow for flexibility, with service pop-ups suitable for Classes 4, 5 and 6
- capable of subdivision to a maximum of 4 self-contained units
- 18,180ft² (1,690m²) GIFA, internal height 8 metres clear, site area 16,355m²
- rear service yard from a private access road, facilitating heavy goods vehicles and articulated lorry manoeuvring.
- storage areas for waste collection and provision of infrastructure to facilitate future installation of sprinkler system tank, areas for SUDs and substation
- 38 car parking spaces, 4 accessible parking bays, 4 7.2KV charging points, covered cycle & scooter storage
- expansion possible by 50% maximum to north of the site & potential to create office section to south of building
- gated access, intruder alarm and internal & external security lighting
- provision for air-source heat pumps and ventilation systems to allow for ease of future installations.
- design to allow for solar panel provision

The unit will be constructed immediately adjacent to the proposed DPMC Phase 1 pilot facility which has recently received FBC approval and will be open in early 2023. Both these project phases will begin to create the cluster of activity at i3.

1.1.3 Project phases

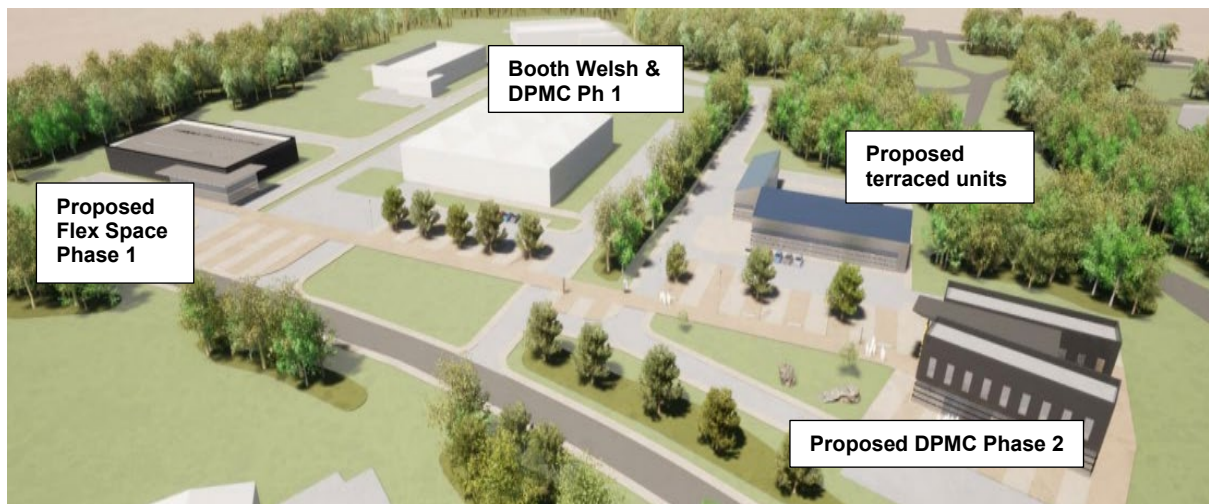
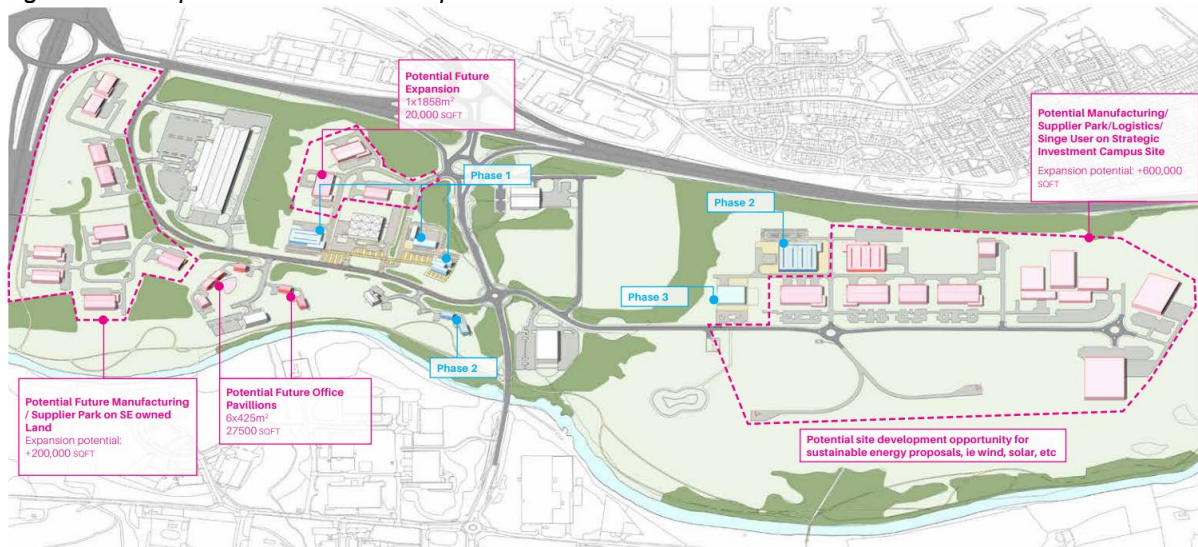
The OBC anticipated that the following range of units in Table 1 would be delivered in a number of phases through the £15m investment. This was informed through market assessment and includes the Phase 1 unit highlighted in red, which has been developed to delivery stage and is the subject of this FBC.

Table 1: Flexible Advanced Manufacturing Space profile at OBC stage

Description	Size - sq m	Size – sq ft
<i>Phase 1</i>		
Terraced unit, capable of subdivision	232	2,500
Terraced Units, capable of subdivision	465	5,000
Modular building (capable of subdivision and or expansion)	1,858	20,000
Serviced plot	tbc	tbc
<i>Phase 2</i>		
Two office pavilions (2 x 425 sq.m.)	850	9,150
Modular building (capable of subdivision and or expansion)	3,716	40,000
<i>Phase 3</i>		
Modular building (capable of subdivision and or expansion)	1,858	20,000
Total estimated floorspace	8,979 sq m	96,650 sq ft

These configurations are shown in the i3 draft Masterplan. Please see the excerpts below in Figure 2 which shows the proposed buildings in blue as part of the i3 AGD investment and the potential development in other areas of i3 in red, should funding become available. The image also shows the proximity of the two i3 AGD projects at i3.

Figure 2: excerpt from i3 draft masterplan



It should be noted that due to cost increases, the scale of floorspace is now likely to be reduced. For the purposes of this FBC it has been assumed that the estimated floorspace that could be delivered would be in the region of 6,000 m² for which the profile could be as shown in the table below

Table 2: Flexible Advanced Manufacturing Space profile – reduced

Description	Size - sq m	Size – sq ft
<i>Phase 1</i>		
Terraced unit, capable of subdivision	232	2,500
Terraced Units, capable of subdivision	465	5,000
Modular building (capable of subdivision and or expansion)	1,690	18,180
Modular building (capable of subdivision and or expansion)	1,858	20,000
Modular building (capable of subdivision and or expansion)	1,858	20,000
Total estimated floorspace	6,103 sq m	65,680 sq ft

1.1.4 Structure and content

This Full Business Case (FBC) sets out details related to Phase 1 of the project. The format used is the Five Case Model and follows the AGD Project Management Office (PMO) template. Subsequent updates to this FBC will be submitted for future phases of the project.

1.2 Strategic case

1.2.1 The strategic context

The following table summarises the strategic drivers for this investment with the associated national, regional and local strategy, plan or policy listed below:

Table 3: Strategic Drivers for Investment in Advanced Manufacturing Space at i3

UK Policy Agenda	Scottish Government Policy	Ayrshire Regional Policy
UK Industrial Strategy, 2018	Scotland's National Strategy for Economic Transformation, 2022	NAC Local Development Plan 2
UK 2021 Life Sciences Vision	Refreshed Economic Action Plan for Scotland 2019-20	NAC Council Plan 2019-24
	Scotland's Economic Strategy, 2015	North Ayrshire Environmental Sustainability & Climate Change Strategy 2021 - 23
	A Manufacturing Future for Scotland, 2016	North Ayrshire Council Community Wealth Building Strategy 2020-2025
	Making Scotland's Future: a draft recovery plan for manufacturing & subsequent programme	NAC Economic Recovery and Renewal Approach 2020
	Scotland's 2018 – 2032 Climate Change Plan, Updated 2020	Irvine Locality Planning Partnership Plan
	Life and Chemical Sciences Manufacturing Strategy for Scotland	Ayrshire Growth Deal Agreement
	Skills and Investment Plan for Scotland's Life and Chemical Sciences	South and East Ayrshire Economic Development Strategies
	Life Sciences Strategy for Scotland 2025 Vision	Regional Economic Strategy for Ayrshire (in preparation)
	Chemical Sciences Scotland Strategic Plan 2025	
	Green Data Centres and Digital Connectivity Vision and Action Plan, 2021	
	Shortlist for Data Centre Site Selection in Scotland 2021	
	Digital Strategy for Scotland, 2017	
	Shaping Scotland's Economy: Inward Investment Plan 2020	
	Covid Scotland's Strategic Framework Oct 2020	

This £15m project is part of an overall investment of £21m that is being sought for i3 through the Ayrshire Growth Deal, with committed funding secured from UK Government (£5m), Scottish Government (£11m) and North Ayrshire Council (£5m). £6m is focussed on the creation of the DPMC project with partners which will assist in driving demand for space at i3 and raising the profile of i3. It will provide a unique facility and hub for businesses within process manufacturing sectors (including Pharmaceutical Products, Oil & Gas, Chemicals and Chemical Products, Agrichemicals (under life sciences), Food & Drink, Fast moving consumer goods (FMCG) and Water (collection, treatment, supply) that are seeking to improve their productivity and modernise their processes through digital automation. It will also have the potential to provide events and meeting space, R&D space, bio-manufacturing facilities and sector support. The UK

Government's £5m contribution and a £1m contribution from North Ayrshire Council are supporting the DPMC project.

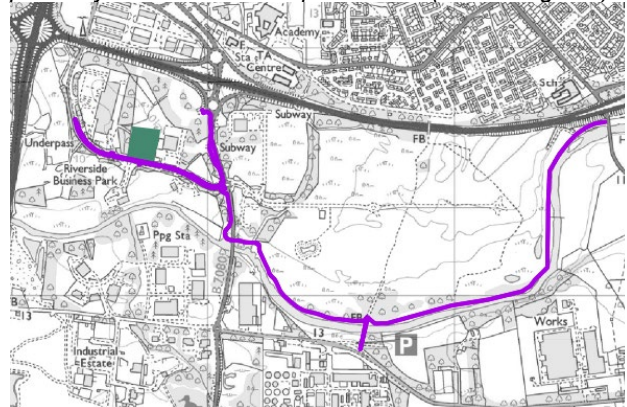
A separate Business Case includes investment towards a subsea fibre optic cable and associated infrastructure that may have opportunities for Irvine as a potential landing point. The AGD digital proposal will ensure that Ayrshire has the digital infrastructure, skills and ambition which is critical to future growth and participation in the economy. This investment will put in place a key piece of the connectivity infrastructure to help attract global businesses, enable the potential creation of a datacentre cluster of national significance and make Ayrshire a world-class digitally connected region that is attractive to investors across many elements of the digital economy. The Heat Map at Appendix A illustrates the strengths of relationships between the AGD projects and the i3 project. The AGD Project Links Table at Appendix B, provides further detail on particular AGD projects where there are strong links.

I3 is also the focus of a number of projects being led by other Council teams. This includes recent improvements to active travel connections to i3 (see Photo 1) and proposed improvements, should Levelling Up funding be secured (see Figures 3 & 4).

Figure 3: new active travel path connections from i3, Riverside Way to Irvine



Figure 4: proposed improved active travel routes in proximity to Phase 1 Flex Space unit i3 (shown in green)



The Council is also investigating the feasibility of a solar farm proposal on the southern section of the Strategic Investment Campus site (shown in Figure 1).

1.2.2 The case for change

AGD funding is required in order to meet demand for modern industrial accommodation in the face of acute market failure. This is preventing private sector investment in speculative industrial development across Ayrshire and most non-prime locations in Scotland. Recent research commissioned by NAC has identified the following issues that demonstrate the requirement for investment:

- High demand for industrial and office space;
- The need to grow the local economy through adapting to modern industrial processes linked to Life Science, Advanced Manufacturing and other sectors;
- Low vacancy rates for industrial space of 4.5% for Irvine, 4.5% for North Ayrshire and 3.4% for West of Scotland. (These figures were previously 4%, 6% and 4% respectively at OBC stage);
- Insufficient rental values to support financially viable, new-build speculative

- development;
- Very limited funding sources available for the public sector to intervene;
- Constraints on indigenous companies seeking to grow and expand within North Ayrshire;
- Constraints on attracting inward investment through lack of modern premises;
- Ageing stock (avg. 36 years) of existing industrial premises that is facing obsolescence; and
- Growing pressure through changes in legislation and customer demand, to create better configured, more energy efficient building stock and eliminate hazardous building materials.

The overall i3 proposal has included engagement with the following partners and local stakeholders through discussions and through commissioned research.

- AGD PMO Team
- Key Advisors (Scottish Enterprise)
- Local businesses
- Irvine Locality Planning Partnership
- Local industry leaders
- Academia – NMIS, University of Strathclyde, CPI and Ayrshire College
- Other Council teams

1.3 Economic case

1.3.1 OBC long list and short list

In terms of the best option for delivery of the overall programme for this project to meet demand, a wide range of potential options were considered in terms of location, interventions and scale of interventions, funding sources and timescales, shown in the table below. A preferred option is identified for each category and three options were then considered in greater detail within the Economic Case:

- Do Nothing – the Counterfactual Option;
- The Preferred Option: Flexible Space, Phased; and
- The Ambitious Option: Flexible Space, Accelerated.

The **Critical Success Factors** used when evaluating the long list of options below included:

- How does the option satisfy the AGD Vision & key themes?
- How does the option provide a holistic fit and synergy with other national, regional and local strategies?
- How does the option optimise value for money?
- Is the option viable and can it be delivered?
- Will the option meet an identified market demand, remove a constraint and how will it affect existing supply?
- Can the option be funded by both the up-front capital and future revenue?

The long list for the OBC stage and the overall programme, is shown in the table below:

Table 4: Assessment of Options at i3 – Long List

OPTIONS

1. LOCATION	1.1 i3 Enterprise Area (EA)	1.2 Other North Ayrshire Site	1.3 Other Ayrshire Sites
	i3 is one of two locations in Scotland marketed by SDI for manufacturing linked to life sciences & related sectors. It has key locational benefits for investors, with existing established businesses. Preferred Option	A limited number of other North Ayrshire sites have capacity to accommodate new development but are unable to offer the locational advantages of i3, installed infrastructure capacity and existing business base. Discounted Option	Irvine has key sector and cluster strengths in life sciences, and is therefore an attractive proposition for investors in comparison to other Ayrshire sites. Discounted Option
	2.1 Site Preparation Only	2.2 Flexible Space on all Sites	2.3 Flexible Space
	Create prepared site platforms at i3, ready for immediate development. This would offer a low-cost option but would fail to meet the needs of life sciences and related manu-facturing businesses for premises. Discounted Option	Flexible space across the whole i3 area, including the large Strategic Investment Campus could mean the space would be too dispersed, reducing its impact and chance to create a central cluster of activity. Potential Future Option	Delivering flexible space on a phased basis linked to the DOMC proposal, and that addresses market need for business space with the opportunity to review the specification after Phase 1. Preferred Option
	3.1 Small-Scale / Cautious	3.2 Mid-Scale Market Ready	3.3 Large-Scale / Ambitious
	Developing 1 or 2 shell buildings to test market interest but discounted due to value for money factors i.e. there is clear demand for the units proposed but developing in smaller phases will ultimately increase costs. Discounted Option	Similar to Option 2.3, a market-ready proposition that balances forecast demand, level of risk, cost efficiencies and future flexibility. Preferred Option	Similar to Option 2.2, cost savings could be made if large-scale flexible space was delivered. This could significantly increase costs and risks, overstep the known level of demand and is likely to be in advance of need. Discounted Option
	4.1 Seek AGD Funding	4.2 Seek Other Public Funds	4.3 Seek Private Partner
	AGD funding through the public sector allows business space to be provided in the face of market failure as development is not viable for the private sector. Consideration to be given to a rolling development programme utilising development income. Preferred Option	There are no alternative public sector funding sources identified to deliver this scale of intervention. We will continue to scan the market to identify other funding sources and respond accordingly. Potential Future Option	Attracting private investment to develop new business space was considered but has been discounted due to its lack of viability in Ayrshire. This option will be reviewed as a future option. Discounted Option
	5.1 Immediate	5.2 Phased Approach	5.3 Postpone
	Similar to 2.2 and 3.3, there is potential to develop the whole of the i3 site immediately. This would deliver cost savings to the public sector but would also increase risk and remove the option to adapt the size/ layout of proposed space on demand. Discounted Option	Delivering the AGD investment through a phased approach minimises risk – this creates flexible manufacturing space, alongside the DPMC project, to meet immediate demand and allows further phases of flexible space, based on take-up of Phase 1. Preferred Option	The project could be planned, designed, costed, approved and all relevant permissions secured but construction postponed til occupier interest is secured. This option fails to meet the current market need for good quality business units that are ready for occupation Discounted Option

The short-list for the OBC stage is shown in the table below:

Table 5: Assessment of Options for i3 - Short List

Option 1 Do Nothing	Option 2 (Preferred) Flexible Space, Phased	Option 3 (Ambitious) Flexible Space, Accelerated
Delivers no additional floorspace Attracts 0 occupiers Delivers 0 gross jobs	Delivers 8,830 sqm floorspace (NIA) Attracts 8 to 16 occupiers Delivers 162 net jobs	Delivers 8,830 sqm floorspace (NIA) Attracts 8 to 16 occupiers Delivers 162 net jobs
Investment Level AGD NAC & SG £0 Other Funding £0	Investment Level AGD NAC £4M AGD SG £11M	Investment Level AGD NAC £4M AGD SG £11M
Delivery Timescale N/A	Delivery Timescale (21/22) to (27/28)	Delivery Timescale (21/22) to (24/25)

The conclusion of the Economic Appraisal for the OBC was that a phased delivery of the floorspace was the preferred approach. Phase 1 has been progressed as a first unit to accelerate the programme as much as possible and has been developed during the challenges of COVID.

Whilst Option 2 of a phased delivery was the preferred option, Section 3 provides an analysis of options specifically for delivering Phase 1, which is the subject of this FBC and Appendix D provides detail on the economic modelling. In summary, the options considered for Phase 1 were:

- Option 1: Do nothing
- Option 2: Preferred Option, Deliver 18,180 sq ft Phase 1 unit with occupancy achieved half way through 24/25
- Preferred Option: Sensitivity Check – Negative Impact – assumes unit subdivided into 4 with 100% occupancy achieved in 2027/28
- Preferred Option: Sensitivity Check – Positive Impact – assumes unit fully occupied at the start of 24/25
- Option 3: Deliver Phase 2 instead – comprised of two sets of terraced units and one modular unit

1.3.2 The procurement

The procurement for the Phase 1 of the project involves North Ayrshire Council procuring a contract for the build of the industrial unit and surrounding grounds. The Council sought tenders through Public Contracts Scotland (PCS) Portal for contractors to undertake the works Riverside Way, i3 in Irvine. The Council had an available budget £4.56M.

A total of two suppliers submitted tenders and were assessed at the pre-qualification stage by the NAC's Corporate Procurement Team, in terms of initial pass / fail criteria and by the service team following which the two suppliers proceeded to the quality evaluation stage. At the evaluation stage the assessment was made based on 80% cost and 20% quality. Suppliers were assessed against a number of criterion for quality. The two suppliers then proceeded to the commercial envelope stage where they were scored overall and a competent bid was identified from the highest scoring contractor.

1.3.3 Key findings and the preferred option

The findings from the procurement for Phase 1 of the project relate to the quality and cost assessment of bids related to capital expenditure for the refurbishment works. The quality and commercial assessments identified a preferred bidder for the works and in accordance with the tender process this supplier should be the preferred bidder based on their combined scores.

1.4 Commercial case

1.4.1 Agreed products and services

Goods and services are being sought as part of one fixed price contract for Phase 1 of the Advanced Manufacturing Space project. This relates to the construction of an industrial unit and its associated grounds. Tenderers were invited to submit tenders on a fixed price basis and were then evaluated by North Ayrshire Council. It should be noted that the tender remains open for a period of 120 days from the tender return date (12 August 2022). The tender will expire on 09 December 2022.

For the overall project commissioned services are likely to include the following:

- Quantity surveying
- Architecture
- Geotechnical
- Cost consultants
- M&E
- Site investigation work
- Land based engineering works
- Office / Industrial building construction company

1.4.2 Agreed risk allocation and charging mechanism

Risks that could affect the successful implementation of the project have been identified and are set out in detail in the risk register attached as Appendix E. This includes details of risk owners, risk evaluation and mitigation measures. A key risk at the moment is the uncertain length of time to endorse and approve the FBC prior to the award of the contract within the required timescale and to ensure that the land purchase process is concluded.

The payment mechanism agreed with the service provider with respect to the planned construction works will involve submission of invoices by the contractor at agreed stages of the works, which will be certified for payment by NAC. Depending on the outcome of the current LUF bid, NAC may then submit a grant claim to the UK Government in retrospect for the works.

1.4.3 Key contractual arrangements

The Form of Contract for the project is the SBCC Design and Build Contract for use in Scotland (DB/Scot), 2016 edition incorporating Amendment 1 February 2018. The key contractual clauses are as follows:

- Clause 4.18.1 Retention Percentage – 3%
- Clause 6.4.1 Contractors Insurance – injury to persons or property - £10,000,000
- Clause 6.5.1 Insurance – Liability of Employer - £10,000,000
- Clause 6.7 Insurance of the works – Option A applies (By Contractor)
- Clause 6.15 Contractors Designed Portion Professional Indemnity Insurance - £10M

There are no personnel implications and TUPE does not apply.

It would be inappropriate to incorporate contract clauses for occupiers of the completed units. However, there is an opportunity to work with tenants to maximise impacts and benefits for local people and local businesses through supply chains and local procurement mechanisms.

1.4.4 Agreed implementation timescales

The key milestones and delivery dates for the overall Phase 1 project are shown in detail in the table below.

Table 6: Flexible Space Project Milestone Activity, Phase 1

FLEXIBLE SPACE, PHASE 1: Milestone Activity	Est. Date	Quarter (financial year)	Status
---	-----------	-----------------------------	--------

Procure professional team to progress detailed design, Phase 1 (20,000 sq ft unit)	Completed		
Consultation with Planning and stakeholders on draft masterplan	Completed		
Completion of flexible space outline designs through masterplan process	Completed		
Approval of Outline Business Case	Completed		
Ground investigations complete	Completed		
Submission of detailed planning application	Completed		
Planning permission granted	Completed		
Tender advertised	Completed		
Outcome of Levelling Up Fund bid (estimated date)	31 Oct 22	Q3 22/23	Ongoing
Endorsement of FBC by NAC Cabinet	29 Nov 22	Q3 22/23	Not started
Transfer of land from SE	02 Dec 22	Q3 22/23	Ongoing
Endorsement of FBC by Scottish Government	Tbc	Q3 22/23	Not started
FBC Approved by Joint Committee	Tbc	Q3 22/23	Not started
Contract award and construction begins, Phase 1 (20,000 sq ft unit)	08 Dec 22	Q3 22/23	Not started
Construction works complete, Phase 1 (20,000 sq ft unit)	mid 24	Q3 23/24	Not started
Building available for occupation	mid 24	Q1 24/25	Not started
Reporting Outputs/Outcomes/CWB	31 Oct 24	Q3 24/25	Not started
Delivery of subsequent Phases (incl revision & approval of any OBCs/FBCs)	Tbc	Tbc	Not started

1.4.5 Accountancy treatment

It is envisaged that the assets underpinning the delivery of the service will be on the balance sheet of the organisation should the development remain in the ownership of NAC.

1.5 Financial case

The financial implication of this procurement is a commitment by North Ayrshire Council, to a contract with a maximum value within the budget available for the delivery of the Phase 1 over the course of 2023, into 2024. The capital funds comprise of the following, within the table below. A current Levelling Up Funding bid, if successful, will mean that the majority of AGD funds are not required for Phase 1 and the Financial Profile will require to be revised to show the additional leverage.

Table 7: Flexible Advanced Manufacturing Space, Phase 1 - Source of Capital Funds

Source	Amount
North Ayrshire Council AGD contribution (remaining balance)	£3,753,000
Vacant & Derelict Land Funds (remaining balance)	£810,000
Total	£4,563,000

1.5.1 Financial expenditure

The majority of the financial expenditure for this procurement will take place across financial year 2023/24 (excluding retention) and the contract is expected to be complete by mid-2024.

1.5.2 Overall affordability and balance sheet treatment

The proposed works have been the subject of a best value procurement exercise. The award of the tender will require to be signed off by the Ayrshire Economic Joint Committee, following endorsement from NAC's own Cabinet. The Council has ensured there are sufficient funds in place to cover the project and the tender cost is below the budget available.

The table below is a current summary of the project's financial appraisal. Proposed investment is in phases. NAC will be responsible for ongoing maintenance of the buildings and management, through an appointed agent. Anticipated rental income for Phase 1 is £127,500 per annum.

The project involves purchase of land from Scottish Enterprise. As this involves another public agency it is not anticipated to be of significant risk. The process will involve approval from each organisation. The cost of purchase is being covered separately by the Vacant and Derelict Land Fund.

Table 8: Flexible Space Financial Profile – Capital – updated

Year	0	1	2	3	4	5	6	7	8	9	10	Total
	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	
£ millions	£	£	£	£	£	£	£	£	£	£	£	£
Scot Govt	23	56	0	0	100	400	2,419	7,591	411	0	0	11,000
NAC	11	28	122	208	3,053	578	0	0	0	0	0	4,000
AGD Total	34	84	122	208	3,053	978	2,419	7,591	411	0	0	15,000
VDLF	0	0	0	200	614	0	0	0	0	0	0	814
Flex Space Total	34	84	122	408	3,694	978	2,419	7,591	411	0	0	15,814
Phase 1 Profile	11	28	122	208	3,053	578						4,000
Current Funding Applications for noting:												
LUF 2*	0	0	0	tbc	tbc	0	0	0	0	0	0	tbc

*Assumption that LUF award will be timebound and be required to be used prior to other sources of funding. If LUF bid successful NAC funding will move to end of programme utilising LUF first SG funding second and NAC funding last to deliver the programme.

It is anticipated that the completed project will generate income from the following:

- Ongoing rental income through the lease of completed units; and
- One-off capital receipts from the sale of buildings and/or development plots.

The option of re-investing the rental income back into the i3 Enterprise Area will be considered, to ensure longer term benefits for the area and the potential to reinvest in additional floorspace, as a way of addressing market failure.

A draft Risk Register is included at Appendix E. The main financial risks are expected to be:

- Design and technical studies result in additional costs beyond the contingencies and optimism bias allowed for;
- Slippage / delay in the programme that incurs additional costs;
- Unforeseen project complexities that require additional funding;
- Insufficient availability of non-financial resources for the delivery of the project;
- Risks that the key milestones are not achieved; and
- Risk that the project does not proceed as an AGD project.

1.6 Management case

1.6.1 Project management arrangements

Phase 1 of the Flex Space Programme, which is the subject of this FBC, will be managed by the Council's PMI (Property Management and Investment) team and will follow the PRINCE2 methodology as much as possible. Project Management responsibilities sit with PMI who have led on the development of the design on behalf of the Growth and Investment Team who have acted as client. PMI will continue this role as part of the delivery stage and will report to the Council's internal Project Board for the contract. Overall responsibility will rest with Director of

Growth and Investment reporting to the Chief Executive. All personnel will be experienced and professionally qualified in their respective roles.

NAC has established internal governance arrangements for the management of its AGD project(s) organised through a Project Board, which comprises of officers from Growth and Investment, PMI, Legal and Finance. The NAC Project Board has overall authority and responsibility for Project Delivery including the Business Case prior to submission to the NAC Executive Leadership Group for approval and prior to submission to the Programme Management Office (PMO).

The Board has a Project Management responsibility but no decision-making powers. The Project Board provides a mechanism for accountable project management delivered by regular progress reporting and updates and coordination of any aspects of the project associated with infrastructure, employability, business and innovation strands.

1.6.2 Benefits Realisation and Risk Management

The AGD PMO recently produced a Benefits Realisation Plan for the AGD projects. The purpose of the Plan is to demonstrate, to local, regional and national stakeholders, how the AGD will capture the outputs, outcomes, impacts and community benefits resulting from Deal investments including the Flexible Advanced Manufacturing Floorspace project at i3. It sets out approaches to project monitoring and reporting, including definitions guidance and deal programme and project evaluation

The NAC Project Board will be responsible for managing the risks and benefits realisation for Phase 1 of the project and the remainder of the Flex Space Programme, through reporting to the PMO and Government using the Pentana system. Day to day management will be the responsibility of the Project Lead and the Council's PMI Team as Project Manager.

1.6.3 Post project evaluation arrangements

Project monitoring and evaluation will be managed through AGD governance arrangements to monitor the projects outputs and outcomes. The project will be subject to regular review meetings to discuss progress, programme, financial and technical matters.

1.7 Recommendation

It is recommended that the Full Business Case for Phase 1 of the Flexible Advanced Manufacturing Space project at i3 in Irvine is approved. Should the Council be successful in its current Levelling Up Funding bid, the Council would propose to invest its project funds in later phases of the project programme. Further phases of the project will be subject to the submission of updated versions of the Full Business Case.

I hereby recommend the approval of the scheme as set out in this Full Business Case to proceed to the delivery of the scheme.

Signed

Date: xx November 2022
Senior Responsible Owner
Project Team

2. THE STRATEGIC CASE

2.0 Introduction

This Full Business Case is for the approval of investment in Phase 1 of the Advanced Manufacturing Space project at i3 in Irvine. It is focussed on appointing a contractor to construct an 18,180ft² (1,690m²) GIFA industrial unit with yard space.

Structure and content of the document

This FBC has been prepared using the agreed standards and formats for business cases. The approved format is the Five Case Model, which comprises the following key components:

- **strategic case** section. This sets out the case for change, together with the supporting investment objectives for the project.
- **economic case** section. This demonstrates that the organisation has selected the most economically advantageous offer which best meets the existing and future needs of the service and is likely to optimise value for money (VFM)
- **commercial case** section. This sets out the content of the proposed deal
- **financial case** section which confirms funding arrangements, affordability and the effect on the balance sheet of the organisation
- **management case** section which details the plans for the successful delivery of the scheme to cost, time and quality.

The purpose of the strategic case is to explain and revisit how the scope of the proposed project or scheme fits within the existing business strategies of the organisation and provides a compelling case for change, in terms of existing and future operational needs. In this respect, there is a growing case for the project to provide new energy efficient industrial building stock in North Ayrshire to support the local economy. In addition, the project has the potential to support the i3 DPMC Phase 2 project with the potential to provide some of the advanced manufacturing space within the DPMC facility.

The project at i3 is part of a wider strategy to modernise the Council's commercial estate which has been the subject of a recent bid to the Levelling Up Fund and has been the focus of targeted investment using some of North Ayrshire's Vacant and Derelict Land Fund allocation.

To note, the Strategic Case remains the same, as set out previously within the approved Outline Business Case of June 2021. However, it should be noted that key scope changes have been made in relation to the scale of floorspace that is estimated to be delivered. At SOC and included in the Heads of Terms, this was estimated as 150,000 square feet, at OBC stage 97,000 square feet was estimated. Based on current estimated costs for the delivery of Phase 1, which is the subject of this FBC, this overall figure is likely to reduce again. This matter has already been flagged to Government and is addressed in this FBC.

Since the OBC was approved, the Council has developed the Phase 1 scheme to tender stage with planning permission granted and has updated the financial profile. A masterplan has been developed that shows where the overall programme of space could be located at i3 and a Benefits Realisation Plan has also been prepared.

Ayrshire Growth Deal

The Ayrshire Growth Deal Agreement (November 2020) commits the Scottish Government and UK Government to work collaboratively with the Ayrshire Councils and regional partners to deliver the Ayrshire Growth Deal that will help transform the Ayrshire economy. The AGD Agreement advises the following regarding i3 projects including the Flexible Space programme:

Both Governments and North Ayrshire Council, will support new developments at the i3 Irvine Enterprise Area Advanced Manufacturing Space in Irvine, which will create a National Digital Processing Industry Hub and advanced manufacturing flexible space. This will serve digital processing industries, building on current Life Science Clustering at the site, and facilitate R&D activity, start up, spin out, and growth of Life Science businesses and other advanced manufacturing opportunities. This will see investment of up to £11 million from the Scottish Government, £5 million from the UK Government, and £5 million from North Ayrshire Council. The National Digital Processing Industry Hub will be developed at i3 with links to the National Manufacturing Institute for Scotland in partnership with Strathclyde University and industry. The project also includes construction of flexible business space capable of meeting the requirements of Chemical and Life Sciences manufacturing, Digital Automation and other advanced manufacturing opportunities. The combined offer at i3, centred round the National Digital Processing Industry Hub, will attract a range of supply chain and digital technology SMEs and start-ups and offer strategic capacity to secure major digital process sector investment at i3.

Part A: the strategic context

2.1 Organisational overview

North Ayrshire Council is delivering Phase 1 of the project and subsequent phases and is seeking other funding support to help deliver as much advanced manufacturing floorspace as possible, including Levelling Up Funding. The Council is leading on the following areas of work:

- Masterplanning for i3, including planning, masterplanning and conceptual development of future i3 flexible space and DPMC;
- Targeting Vacant and Derelict Land funding allocations to help support the project;
- Funding bids to improve the Council's commercial space for businesses, including Phase 1 of the i3 Flexible Space programme;
- Land assembly in conjunction with Scottish Enterprise to create a cluster of development within a central area of i3;
- Project management of the design and development of the Phase 1 of the project by NAC's own architects and surveyors
- Active travel proposals to improve connections between i3 and Irvine;
- Solar and wind feasibility at the large Strategic Investment Campus site.
- Securing community benefits outcomes from the Growth Deal projects, aligning with the Council's Community Wealth Building Strategy.

This work will complement the DPMC i3 project which is in partnership with University of Strathclyde, NMIS and CPI. NAC is acting as an enabler and facilitator for the project, using the Ayrshire Growth Deal investment as a catalyst.

2.2 Business strategies

The purpose of the project aligns across a breadth of local, regional, national and UK policies. Summaries of relevant plans, policies and strategies have been outlined in the tables below. In particular, since the approval of the OBC there has been a growing focus on Recovery and Renewal as a result of the COVID pandemic, Community Wealth Building, Levelling Up and the importance of projects contributing to the reduction of carbon emissions.

2.2.1 Strategic policy context

The broad policy framework is summarised with additional supporting information on specific policies. The following table provides an overview of relevant policies and strategies.

Table 9: National Policy and Strategies

National Policy and Strategies		
Policy	Objectives	Relevance for i3 Project
UK Industrial Strategy 2018	<ul style="list-style-type: none"> Building on strengths and extending excellence into the future Closing the gap between UK's most productive companies, industries, places and people Making UK one of the most competitive places in the world to start or grow a business Recognises the importance of cross-sector collaboration & opportunities of Grand Challenges. 	<ul style="list-style-type: none"> Using innovation to drive productivity and earnings A broader focus encouraging collaboration between sectors (e.g. life sciences, pharma, processing industries) helping address Grand Challenges.
UK 2021 Life Sciences Vision	<ul style="list-style-type: none"> Building on scientific successes and methods of working related COVID-19 to help tackle future disease challenges focussed on silent pandemics such as cancer, obesity, dementia, ageing. Its aim is for the UK to be recognised as an international hub for Life Sciences, attracting investment and skilled jobs. 	<ul style="list-style-type: none"> The project will support the formation of manufacturing clusters and the levelling up agenda through establishing the project within an area of need.
Scotland's National Strategy for Economic Transformation, 2022	<ul style="list-style-type: none"> Identifies five programmes to drive improvements in Scotland's economy – stimulating entrepreneurship, opening new markets, increasing productivity, developing skills required for the next decade and ensuring fairer and more equal economic opportunities 	<ul style="list-style-type: none"> The project will support improvements in the local economy by providing modern business space to attract inward investment and help local companies grow and expand.
Shaping Scotland's Economy: Inward Investment Plan 2020	<ul style="list-style-type: none"> The Plan focuses efforts on nine areas of opportunity where Scotland has global strengths. The Plan acknowledges that the Covid-19 crisis has placed digital at the forefront of the response and subsequent recovery steps across the private, public and third sectors Key role to grow Scotland's manufacturing sector, strengthen supply chain linkages and increase productivity using advanced manufacturing technologies such as automation, AI and digital manufacturing techniques 	<ul style="list-style-type: none"> Giving priority to investors who can build local supply chains, provide new skills and invest in research. Nine priorities and three themes underpin Inward Investment. 3 themes all applicable to i3 are: Digital / High Value Manufacturing / Net Zero.
Refreshed Economic Action Plan 2019/20	<ul style="list-style-type: none"> Creating a climate neutral and inclusive economy based on Scotland's Economic Strategy. 	<ul style="list-style-type: none"> Supports investment through AGD to enable unlocking of economic assets, including i3.
Scotland's Economic Strategy 2015	<ul style="list-style-type: none"> Increasing growth & tackling inequality through investment, innovation, inclusive growth and regeneration Need for locally focused and community-based approaches, specifically recognising the persistent economic challenges in North Ayrshire 	<ul style="list-style-type: none"> Developing capability in key growth sector of life sciences Helping foster a culture of innovation and R&D Supporting inclusive growth and opportunities through regional cohesion
A Manufacturing Future for Scotland, 2016	<ul style="list-style-type: none"> Innovative manufacturing and utilisation of leading edge technologies, driving competitive advantage Co-ordinating national innovation resources and assets to be appropriate for manufacturing base Creating an environment where businesses of all sizes, in all manufacturing sectors can innovate and adopt new novel technologies 	<ul style="list-style-type: none"> Linking up with NMIS and other centres of excellence Enabling collaboration between businesses, RTOs & academia by providing a focal point and promoting an open innovation ethos

National Policy and Strategies		
Policy	Objectives	Relevance for i3 Project
Making Scotland's Future – A Recovery Plan for Manufacturing & related Programme, 21	<ul style="list-style-type: none"> Co-ordinating national innovation resources and assets to be appropriate for the manufacturing base Creating an environment where businesses of all sizes and in all manufacturing sectors can innovate and adopt new novel technologies Encouraging and supporting our manufacturing businesses to put investment in the best available technologies at the core of their business going forward. Work with Innovate UK to align interventions and promote opportunities around digital for manufacturing, driving manufacturing readiness and stimulating innovation to uncover new sources of revenue from manufacturing. 	<ul style="list-style-type: none"> Linking up with NMIS and other centres of excellence Enabling collaboration between businesses, RTOs and academia by providing a focal point and promoting an open innovation ethos Co-ordinating national innovation resources and assets to be appropriate for the manufacturing base. In particular, interaction with both new and existing centres of excellence will provide an environment where innovation and demonstration opportunities can be developed.
Scotland's 2018 to 2032 Climate Change Plan, Updated 2020	<ul style="list-style-type: none"> Sets out Scotland's Ambitions to reduce carbon emissions and achieve net zero emissions by 2045, set by the Climate Change Act 2019 	<ul style="list-style-type: none"> The project will contribute through the provision of modern and energy efficient commercial space built on vacant and derelict land at i3.
Life and Chemical Sciences Manufacturing Strategy for Scotland	<ul style="list-style-type: none"> Establishing a strong platform for manufacturing growth through strong communication between the Life and Chemical Sciences sectors Improving the translation of research into application Strengthening UK's case (including supply chains) for manufacturing businesses 	<ul style="list-style-type: none"> Enabling commercialisation of research by providing a focal point between academia and industry Building up service offering at i3 to attract businesses
Skills & Investment Plan for Scotland's Life and Chemical Sciences	<ul style="list-style-type: none"> Four priority areas: addressing specific skill shortages, ensuring national coverage of skills and training provision, increasing exposure to, and understanding of, industry, enhancing practical experience 	<ul style="list-style-type: none"> Developing Scotland's life and chemical sciences capability Encouraging engagement between HE/FE and industry
Life Sciences Strategy for Scotland 2025, Vision	<ul style="list-style-type: none"> Making Scotland the location of choice for Life Sciences businesses, researchers, healthcare professionals and investors while increasing Life Sciences contribution to Scotland's economic growth Four key priority areas: business environment, innovation & commercialisation, internationalisation, and sustainable production 	<ul style="list-style-type: none"> Developing Scotland's life sciences capability Linking with the Life Sciences Innovation Centres.
Chemical Sciences Scotland Strategic Plan 2025	<ul style="list-style-type: none"> Establishing Scotland as a world class centre of high value manufacturing as well as delivering a skill investment plan to provide easy access to training and education to support the growth of the chemical sciences sector 	<ul style="list-style-type: none"> The project will provide opportunities for the sector to locate to i3, in close proximity to the DPMC project.
Scotland's Digital Strategy 2017	<ul style="list-style-type: none"> Recognising that digital is at the heart of economic growth in Scotland. 	<ul style="list-style-type: none"> Support for focus on digital automation at i3 as part of wider AGD project
Green Data Centres and Digital Connectivity Vision and Action Plan, 2021	<ul style="list-style-type: none"> attract new investors that require high-speed data transit to locate in Scotland and take advantage of enhanced terrestrial and international fibre connectivity build on its capacity to generate energy from renewable sources 	<ul style="list-style-type: none"> Potential for i3 to accommodate such development and build on opportunities arising from the subsea cable AGD project

National Policy and Strategies		
Policy	Objectives	Relevance for i3 Project
	<ul style="list-style-type: none"> ensure that the full economic and social potential of technologies, such as 5G, Internet of Things (IoT) and Artificial Intelligence (AI), are realised across all parts of Scotland improve Scottish competitiveness and internet resilience providing direct links to other countries and markets 	
Shortlist for Data Centre Site Selection in Scotland, 2021	<ul style="list-style-type: none"> Joint study by Scottish Futures Trust/Host in Scotland, Crown Estate Scotland and Scottish Enterprise, emerging from Green Data Centres and Digital Connectivity Vision and Action Plan. Providing an overview of potential data centre locations in Scotland. 	<ul style="list-style-type: none"> Identifies i3, Irvine as one of 10 sites in Scotland where such development could be accommodated
Covid Scotland's Strategic Framework Oct 2020	<ul style="list-style-type: none"> The Scot Govt's approach and principles remain those we set out in our Framework for Decision-Making, based on clinical evidence, expert advice, and a balanced assessment of the risks. 	<ul style="list-style-type: none"> Recent reports from both the Advisory Group on Economic Renewal and the Education and Skills Strategic Board have been clear that economic recovery needs to be grounded in well-being and a green recovery, with skills and jobs in the digital economy or similar, and with a clear need to focus on the future of young people.

Of specific relevance is the overall project's relationship to the UK Industrial Strategy 2018 and Scotland's Economic Strategy 2015, which are mapped out below.

UK INDUSTRIAL STRATEGY, 2018								
Relationship to i3 Advanced Manufacturing Space Project								
Five Foundations of Productivity					Grand Challenges			
Ideas	People	Infrastructure	Business Environment	Places	AI & Data Economy	Clean Growth	Future of Mobility	Ageing Society
The world's innovative economy.	Good jobs and greater earning powers for all..	A major upgrade to the UK's infrastructure.	The best places to start and grow a business.	Prosperous communities across the UK (inc local Industrial Strategies).	Put UK at forefront of AI & data revolution	Maximise advantages for UK industry from the global shift to clean growth.	Become world leader in way people, goods and services move.	Harness power of innovation to help meet needs of ageing society.

SCOTLAND'S ECONOMIC STRATEGY, 2015			
Relationship to i3 Advanced Manufacturing Space Project			
Increasing Competitiveness & Tackling Inequality			
Investing	Innovation	Internationalisation	Inclusive Growth
Providing new physical assets that create opportunities for investment and business expansion and growth.	Fostering innovation opportunities through the provision of new space that can complement the DPMC project at i3.	Attracting investment and collaboration opportunities.	Identifying fair work opportunities & commitment to community benefits through contracts linked to the delivery of the project.

2.3 Other organisational strategies

2.3.1 AGD Programme

The AGD programme links to Governments' objectives of increased growth and prosperity. Post the development of NAC's Strategic Outline Case, NAC has been working closely with the other Ayrshire Councils regarding the complementarity of projects and has coordinated activity through the Ayrshire Growth Deal Leadership Group and Project Management Office (PMO). Themes initially identified as having the greatest potential to support inclusive growth through the Inclusive Growth Diagnostic for Ayrshire, remain critical to the fortunes of the Ayrshire economy. Evidence emerging since the initiation of lockdown suggests that many of the themes and sectors are critical to supporting rescue and recovery as well as being best positioned to support the renewal phase in the longer term. Appendix F provides an initial analysis of inclusive growth objectives for the project which will be developed as the project progresses. The key themes identified in the Strategy as being critical to economic recovery and renewal phases are:

Advanced Manufacturing	Aerospace/space	Clean Growth
Community Wealth Building	Food & Drink	Life Sciences
Visitor Economy	Business	Connectivity
Digital	Innovation	Skills

The development of detailed actions and subsequent delivery of themes is framed through a Community Wealth Building approach that seeks to harness assets, resources, community strength and relationships within Ayrshire to deliver improved outcomes for our communities.

2.3.2 Regional Policy Context

The Advanced Manufacturing Floorspace project has the potential to support two of North Ayrshire's economic development objectives: creating employment opportunities and positioning the area as a leading location for business within the Glasgow city region.

Key local strategies are, North Ayrshire Council Plan & Local Development Plan and strategies to address Community Wealth Building, Recovery and Renewal and Net Zero Carbon targets. These set out a long-term vision for growth and provide a policy framework for determining planning applications and policy context for Ayrshire Growth Deal projects. The following table outlines the key objectives of these documents and the potential opportunities for the Flexible Space Programme arising from them. In addition, Appendix A sets out how the project specifically aligns with Inclusive Growth and Community Wealth Building objectives.

The project has the potential to deliver against the policy objectives of key strategies set out at both the Scottish and regional levels. The proposition is also in line with the Scottish Government's inclusive growth agenda, targeting regional imbalances in economic activity. The key messages from these strategies are outlined below. In addition, NAC is currently preparing the Regional Economic Strategy for the area which will be of relevance to this project.

Table 10: Regional & Local Policy & Strategies

Regional and Local Policy and Strategies		
Policy	Objectives	Relevance for i3 Project
Ayrshire Growth Deal Heads of Terms and Agreement	<ul style="list-style-type: none"> Focus on aerospace, space and life sciences, as well as building on Ayrshire's existing strengths in food and drink, tourism, manufacturing and engineering Driving inclusive economic growth through creation of new high quality jobs and opportunities Up to £11m from the UK Government for a subsea fibre optic cable to have its landing point in Irvine Digital infrastructure – up to £3m investment from the Scottish Government to attract global businesses, 	<ul style="list-style-type: none"> Linking in with the digital infrastructure agenda Possible links with the sustainability agenda In partnership with Strathclyde University and industry, a Digital Hub facility will be developed at i3 to incorporate relevant

Regional and Local Policy and Strategies		
Policy	Objectives	Relevance for i3 Project
	enable the potential creation of a datacentre cluster of national significance and make Ayrshire a world-class digitally connected region that is attractive to investors across many elements of the digital economy	testing/ R&D equipment and specialist staff
NAC Local Development Plan 2	<ul style="list-style-type: none"> Safeguards key business & industrial sites Identifies ways to support areas for specific new residential development to cross fund new or improved employment space 	<ul style="list-style-type: none"> i3 is identified as a strategic business location, including opportunities for a large single user or major multiple investments, as well as a high amenity business park
NAC Council Plan 2019 - 2024	<ul style="list-style-type: none"> Has priorities linked to Aspiring Communities and Inspiring Places including inclusive growth and an enterprising local economy and effective infrastructure and digital connectivity. 	<ul style="list-style-type: none"> The i3 project would strongly support these priority outcomes.
North Ayrshire Environmental Sustainability & Climate Change Strategy, 2021	<ul style="list-style-type: none"> Setting out targets and priorities to achieve net zero carbon 	<ul style="list-style-type: none"> I3 has the potential to support the strategy by ensuring this project seeks to provide developments that generates minimum carbon. In addition, a feasibility study is currently being undertaken by the Council to consider a solar and wind farm development at i3.
North Ayrshire Community Wealth Building Strategy 2020-2025	<p>Working in partnership with communities and businesses to create a fair local economy, reducing poverty and inequality. 5 Pillars seek to strengthen existing local resources based on:</p> <p>Procurement Employment Land and Assets Financial power Plural Ownership</p>	<p>Working within localities to facilitate place-based Community Wealth Building activities on procurement, employment, assets and ownership. Promote Fair Work practices and position Ayrshire as a Fair Work region.</p>
NAC Economic Recovery and Renewal Approach 2020	<p>The Covid-19 pandemic has had a major impact on our local economy and the Council has acted decisively to support our local businesses and communities who have been negatively affected by the economic impact. The approach recognises that as we emerge from the Covid-19 health and economic crisis, we cannot return to business as usual, and that is particularly the case with our economy where we must build back better, fairer and greener. We will use our economic levers across the Council and our new economic model of Community Wealth Building to develop a Green New Deal for North Ayrshire.</p>	<p>The approach to economic recovery and renewal will support an inclusive and green economic recovery. Green Jobs Fund to support just transition and green adaptation Investing in our commercial estate including improving the sustainability of assets</p>
LOIP – Irvine Locality Plan	<p>The Irvine Locality Planning Partnership has identified their key priorities as:</p> <ul style="list-style-type: none"> Mental Health Employability Increased residents' sense of control and influence 	<ul style="list-style-type: none"> The i3 project will support the Partnerships priority of employability.
South and East Ayrshire Economic Development Strategies	Various documents	Project will deliver impacts and benefits across Ayrshire, contributing to the aims and objectives of economic development strategies for both South and East Ayrshire Councils.
Regional Economic Strategy for Ayrshire, (in preparation)	The new Regional Economic Strategy for Ayrshire is currently being developed and will identify a number of strategic growth opportunities.	I3 will be identified as a site with significant growth opportunity for the Strategy

The i3 Advanced Manufacturing Space project fits with these strategies through:

- supporting the growth of key sectors to build competitive advantage & economic contribution;
- enabling sector growth by addressing a critical market failure in the provision of high quality modern business sites and premises to attract and retain business activity;
- creating jobs and economic value (GVA), filtering through the rest of the economy via sector supply-chain activity;
- enhancing Scotland's reputation as a key location for life sciences, and attracting manufacturing activity based on embedded skills and expertise of Ayrshire's workforce;
- making best use of existing embedded infrastructure assets and investments at i3;
- positioning i3 as a key strategic location within the Glasgow City Region, providing opportunities for major investment;
- realising new investment and jobs in North Ayrshire arising from Enterprise Area status;
- providing high quality development space and opportunities, set within a highly competitive infrastructure and quality environment;
- supporting the two overarching goals for economic development in North Ayrshire – becoming a leading location for doing business – and creating employment opportunities (and multiplier benefits) that will help to reduce worklessness and inequality;
- delivering economic impacts and outcomes spread across Ayrshire (and beyond) and contributing to business and job growth targets, through direct and indirect/induced supply chain linkages; and
- delivering a completed development that meets the LDP site designation for business and industrial use

In summary, as demonstrated, there is a good strategic rationale for the i3 project. It contributes to the aims, objectives and aspirations of the AGD, and of key Government strategies linked to industry and achieving a low carbon, inclusive economy.

Part B: the case for change

2.4 Investment objectives

Investment objectives for the i3 Advanced Manufacturing Space project were set out within the OBC as follows:

1. To create flexible business space capable of meeting manufacturing requirements for chemical and life sciences, but also for a wide range of other high value sectors.
AGD investment will overcome market failure barriers and deliver 97,000 square feet of high quality business by 2030
2. To complement planned AGD investment in a Digital Hub and related services at i3 and the proposed new National Manufacturing Institute Scotland (NMIS) development.
AGD investment will provide a new focus for modern industry at i3 and for Ayrshire. In particular, the proposed Digital Hub has the potential to operate as a satellite of NMIS, focussing on specialised sectors.
3. To create serviced industrial land capable of immediate development.
AGD investment will make best value use of a key asset by enabling prime industrial land to be developed by 2030.

4. To attract mobile investment both from abroad and from indigenous companies.
AGD investment will meet identified market opportunities for mobile investment and could accommodate between 8 to 16 companies at i3 by 2030.
5. To create opportunities for employment and inclusive growth with particular emphasis on making connections to local communities, schools and colleges in preparation for employment
AGD investment will create floorspace that will accommodate 162 net jobs by 2031. Through the wider AGD project activity, businesses will be engaged in activities that seek to maximise opportunities for local people and local people will be engaged to ensure they have the skills, qualifications and aspirations to take advantage of these opportunities.
6. To create a sustainable, high quality business location capable of meeting and keeping pace with the changing demands of high value manufacturing sectors.
AGD Investment will remove a market constraint and create modern and flexible business accommodation that will be attractive to occupiers long into the future.

Since the approval of the OBC it has been identified that the project is unlikely to deliver as much floorspace as in this respect it is likely that the scope of the objectives in terms of the quantity of floorspace produced and job creation, is likely to be lower (see 1.1.3).

2.4.1 Strategic need

A number of studies have been commissioned to inform the development of the i3 AGD projects. These studies highlight the key strengths of the local economy in terms of manufacturing activity (particularly around life sciences and engineering), industrial heritage, the role of international businesses, key infrastructure assets and proximity to Glasgow. However, it is well recognised that the area is underperforming economically and has some serious challenges around depopulation, productivity, economic growth rates, skills levels and lack of fit for purpose modern business space.

The priority for the i3 project is to build on the area's key strengths and help to address these longer-term challenges. Through the Growth Deal, partners are looking to support 'transformational' and 'catalytic' projects that can change perceptions and turn around the long-term economic performance of the area.

The advanced manufacturing space proposed will complement the DPMC and provide modern space in a number of phases. While separate business cases, the two are linked, as the DPMC will help to raise the profile of i3 and to encourage business investment and growth with a focus on Industry 4.0. The proposed investments are part of a new strategy for i3 that allows:

- The central Riverside Way area to be developed as a core commercial space and service area for i3, including, subject to masterplanning, the majority of the proposed flexible space and proposed DPMC within a statement building also offering associated central services; and
- The scale of installed infrastructure and public sector land ownership offered by the large Strategic Investment Campus site identified in Figure 1, above, to be offered for major company relocation or inward investment, which may require some investment from the flexible space programme.

A further Digital Outline Business Case includes investment towards a subsea fibre optic cable and associated infrastructure, that may have opportunities for Irvine as a potential landing point. The AGD digital proposal will ensure that Ayrshire has the digital infrastructure, skills and ambition which is critical to future growth and participation in the economy. This investment

will put in place a key piece of the connectivity infrastructure to help attract global businesses, enable the potential creation of a datacentre cluster of national significance and make Ayrshire a world-class digitally connected region that is attractive to investors across many elements of the digital economy. The Heat Map at Appendix A illustrates the strengths of relationships between the AGD projects and the i3 project.

2.5 Existing arrangements

Presently there are no existing arrangements in place to support the supply of new industrial property in North Ayrshire and Ayrshire, in order to meet the demand from local companies and potential inward investment companies. This is due to prolonged market failure within the area making it unviable for the private sector to deliver such development.

Our strategic objective is to create jobs and bring economic activity to Ayrshire. In order to do this, we need to improve the offer that we can make to investors by providing well-serviced development sites and business space that is ready for occupation.

2.6 Business needs

AGD funding is required in order to meet demand for modern industrial accommodation in the face of acute market failure. This is preventing private sector investment in speculative industrial development across Ayrshire and most non-prime locations in Scotland. Studies commissioned by NAC have identified the following issues that demonstrate the requirement for investment and the creation of new modern business space as a priority for the Council. This was set out within the project's Outline Business Case and is summarised below.

- High demand for industrial and office space;
- Low vacancy rates for industrial space of 4.5% for Irvine, 4.5% for North Ayrshire and 3.4% for West of Scotland. (These figures were previously 4%, 6% and 4% respectively at OBC stage);
- Insufficient rental values to support financially viable, new-build speculative development;
- Very limited funding sources available for the public sector to intervene;
- Constraints on indigenous companies seeking to grow and expand within North Ayrshire;
- Constraints on attracting inward investment through lack of modern premises;
- Ageing building stock (average 36 years) of existing industrial premises that is facing obsolescence;
- Constraints due to companies being less accessible to disabled or mobility impaired job seekers / trainees; and
- Growing pressure through changes in legislation and customer demand, to create better configured, more energy efficient building stock and eliminate hazardous building materials.

A more recent study by Ryden in January 2022 has confirmed this as an ongoing issue for the area:

Figure 5: Gateway Building i3, delivered by the public sector, 2018



2.6.1 Property market assessment

Property market consultants assessed and reviewed the potential to invest in new industrial and office property at i3 through the AGD funds for the OBC. This included assessment of supply and demand in North Ayrshire. An updated survey was done in January 2022 which re-confirmed this as an ongoing significant issue for the local industrial property market with vacancy levels being even lower for North Ayrshire and West of Scotland and a slight half percent increase for Irvine. The tables below show the differences between current supply of office and industrial and what is significant demand, in particular, for industrial space. However, whilst there is significant demand, the report highlights that rental values are insufficient to support financially viable, new build speculative industrial and office development.

2.7 Potential business scope and key service requirements

The project will seek to address the business needs set out in section 2.6 by providing a range of types of industrial and office space to meet market demand. The proposed units will be as flexible as possible in their design. Phase 1 has been designed with the potential to be subdivided to a maximum of four units. It has already been highlighted that the project scope will be impacted upon by increased costs, affecting the amount of floorspace that can be delivered. Based on Phase 1 costs it is likely that the amount of floorspace could reduce from 9,000 sq metres (97,000 sq ft) to around 6,000 sq m. However alternative sources of funding, including LUF, are currently being explored.

The project is seeking to attract a wide variety of occupiers, including local SMEs and inward investors including opportunities through the location of the Digital Processing Manufacturing Centre (DPMC) in close proximity at i3.

A masterplan has been developed to show the potential location and scale of development. The majority of the buildings are proposed to be located within a central area of i3, creating a cluster area with the proposed DPMC. A small number of units are also proposed at the large Strategic Investment Campus site at i3, to stimulate interest in this area.

2.8 Main benefits criteria

This section describes the main outcomes and benefits associated with the implementation of the potential scope in relation to business needs. These are set out in the table below. In addition, a Benefits Realisation Plan has recently been prepared for the project and a Benefits Realisation Logic Chain is included in Appendix C.

Table 11: Investment Objectives and Stakeholder Benefits

Objectives	Benefits for Stakeholder Groups
1. To create flexible business space capable of meeting manufacturing requirements for chemical and life sciences, but also for a wide range of other high value sectors.	<ul style="list-style-type: none"> • New business units will be occupied by Ayrshire/Scottish/ UK/ overseas businesses • Created/safeguarded jobs will generate economic value – jobs, GVA, turnover for Ayrshire and Scotland • Supply chain outcomes will be created for other Ayrshire and Scottish businesses • Design and construction contracts will generate turnover for Ayrshire and Scottish contractors • Construction jobs and training outcomes will be created ,primarily for Ayrshire people and particularly drawn from disadvantaged or Protected Characteristic groups.
2. Create a centre of digital innovation which offers digital tools, support and innovation scaled to a national market supporting a restructure of the regional economy to deliver advanced manufacturing.	<ul style="list-style-type: none"> • University and College presence at i3 offering training and business development opportunities. • Cluster of R&D and spin off opportunities • Providing employment, skills development, community wealth building and supply chain growth opportunities • Providing the private sector with opportunities for upskilling, business transformation and increased productivity
3. To create serviced industrial land and capable of immediate development.	<ul style="list-style-type: none"> • Development plot will be available for indigenous Ayrshire/ Scottish, UK-owned and foreign investors • Design and construction contracts will generate turnover and jobs for Ayrshire and Scotland
4. To create opportunities for employment and inclusive growth with particular emphasis on making connections to local communities, schools and colleges in preparation for employment, particularly in areas of deprivation.	<ul style="list-style-type: none"> • New employment outcomes – direct and indirect through supply chains • Work experience and training places for school and college students • Job market entrants and low skilled workers increasing soft and basic skills through provision of local jobs. • Residents of deprived areas gaining access to opportunities • University presence enabling additional educational and training opportunities • Delivery of enhanced public transport connection that opens up employment opportunities
5. To attract mobile and private sector investment both from abroad and from indigenous companies.	<ul style="list-style-type: none"> • New employment and training outcomes • Demonstrate attractiveness of Scotland as excellent location for life sciences manufacturing • Increased investment confidence
6. To create a sustainable, high quality business location and R&D cluster, capable of meeting and keeping pace with the changing demands of high value manufacturing sectors and complementing national initiatives including NMIS	<ul style="list-style-type: none"> • Enhancement and maintenance of attractiveness of Ayrshire as a location, meeting modern business needs and promoting Industry 4.0 services. • Large, visible and modern development that clearly shows Ayrshire is Open for Business • Recognised as part of a national strategy for improving digital technology

2.9 Main risks

The main business and service risks associated with the potential scope for this project are shown in the table below together with their counter measures. A number of these risks are highlighted in the most recent Ayrshire Growth Deal Implementation Plan 2022 and these have been highlighted in the Risk Ref column as (IP). The risk register is included in Appendix E and listed in Table 12 below. In summary, the main risks related to this project are considered to be:

- Failure to obtain approval for the project's Full Business Case.
- All sources of funding for the project are insufficient to deliver the original project outcomes
- Delays to the project timescales caused by issues such as approvals, land acquisition, protected species, statutory consents, procurement, market volatility
- The project fails to attract enough of its target audience to generate sufficient income.

The likely increase in costs from the indicative costs included in the approved OBC have been reported to the PMO and Scottish Government on the basis that that project is unlikely to deliver the amount of business space set out in the OBC. It was agreed that Phase 1 of the project should progress to tender stage to test the construction market. In addition, the Council has included Phase 1 of the project in a bid to the Levelling Up Fund to help mitigate this issue. The tender returns have come in within the budget available which will enable Phase 1 to progress and the outcome of the LUF bid is awaited, which if successful, will provide leverage to help deliver the overall programme. The land purchase is currently progressing with Scottish Enterprise and an additional risk has been added recently in relation to utilities requirements.

Table 12: Flexible Advanced Manufacturing Space – Project Risks

I3 FLEXIBLE ADVANCED MANUFACTURING SPACE – GENERAL RISK REGISTER			
Ref	Type	Risk Description	Counter Measure
I3FL-R01 (IP)	Outputs & Outcomes	Anticipated outputs and outcomes are not delivered.	Ensure BC addresses sensitivity of outcomes Clear Evaluation & Monitoring Framework Benefits Realisation Plan has been prepared
I3FL-R02	Outputs & Outcomes	The overall impact of i3 AGD programme is limited, as the Business Case for the i3 DPMC facility fails.	The DPMC proposal has a strong supporting evidence base. FBC for DPMC Phase 1 has been approved DPMC Phase 2 FBC requires approval.
I3FL-R03	Outputs & Outcomes	The project fails to achieve more inclusive growth and/or reduce poverty by increasing the income of people in deprived areas or protected characteristic groups	Benefits Realisation Plan prepared to identify targets.
I3FL-R04	Timescales / Programme	Delays to overall project programme and key milestones	Prepare a detailed project programme with considered time allowances and review regularly.
I3FL-R05 (IP)	Timescales / Procurement	Delays caused by Procurement	Seek early agreement on procurement routes Include anticipated tender packages within the Council's Procurement Wave Plan
I3FL-R06	Timescales / Environment	Delays caused by environmental considerations	Protected Species/Habitat risk has been assessed at an early stage. Review of site studies required at key stages. Ensure seasonal work/study requirements are accounted for in programme.
I3FL-R07	Timescales / Environment	Delays caused by site investigation work and findings	Instruct SI work at early stage of project
I3FL-R08	Timescales / Regulatory	Delays caused by objections	Advance programme of local & stakeholder engagement.
I3FL-R09 (IP)	Timescales / Regulatory	Delays caused by statutory consent processes	Zoned & allocated site Pre-App discussion with North Ayrshire Council Planning Assess Protected agree programme for consents

I3 FLEXIBLE ADVANCED MANUFACTURING SPACE – GENERAL RISK REGISTER			
Ref	Type	Risk Description	Counter Measure
			Advance Species/Habitat risk at early stage Prepare programme of stakeholder engagement
I3FL-R10	Timescales / Regulatory	Delays caused by land acquisition / lease agreement processes.	Early engagement with land/building owners. Ensure programme allows for third party approvals.
I3FL-R11	Timescale / Business	Potential delays in Full Business Case approval.	BC developed in accordance with Green Book Stakeholder Risk Assessment Early Market Input/ Partner & Commercial Input Review CAPEX and OPEX costs Review Governance Arrangements Adjustments to spec at each phase to meet changing demands.
I3FL-R12	Timescale / Contractor	Delays when the contractor is on site.	Identify appropriate construction contract to remove/ reduce risk of cost over-run.
I3FL-R13	Timescale / Business / Professional	Delays caused by resource management and project management issues.	Internal AGD team has been identified. Review project resource requirements regularly. Ensure external teams have robust procedures in place for replacing resource if required.
I3FL-R14	Regulatory	Planning/building warrants are not granted.	LDP supports development of site for this use. Ensure local members briefed/updated on project. Hold pre-app discussion with NAC Planning Assess Protected Species/Habitat risk Formally agree programme for consents Advance programme of stakeholder engagement
I3FL-R15	Regulatory	Compliance with State Aid / Subsidy regulations.	Engage with State Aid Unit at appropriate stage. Partners to identify specific Subsidy Risks within the project
I3FL-R16	Financial	Design and technical studies result in additional costs beyond the contingencies and optimism bias allowed for.	Develop and validate project briefs and specifications for each phase Benchmark costs. Ensure early infrastructure cost tested and informed by SI work. Provide Optimism Bias allowances compliant with Green Book Provide for contingency & inflation.
I3FL-R17	Financial	Slippage / delay in the programme incurs additional costs.	Instruct appointed project team to address this within Risk Register. Selected procurement route will seek to ensure contract type has less risk for client.
I3FL-R18 (IP)	Financial	There are unforeseen project complexities that require additional funding.	Provide for contingency Provide Green Book compliant Optimism Bias allowances. Similar project has been delivered previously.
I3FL-R19 (IP)	Financial	Rental income lower than forecast	Market review and comparator analysis to identify appropriate rent but ultimately down to actual market demand on completion

I3 FLEXIBLE ADVANCED MANUFACTURING SPACE – GENERAL RISK REGISTER			
Ref	Type	Risk Description	Counter Measure
I3FL-R20	Financial	Lack of budget to support interested tenants to fit out shell of building	Identify at an early stage and with Business Growth Team, how this can be supported.
I3FL-R21	Financial	Lack of budget to support maintenance of buildings until tenants take occupancy, if buildings are classified and non -operational.	Identify at an early stage with Finance and Estates, how this can be supported.
I3FL-R22	Professional	Lack of project management experience.	Ensure experience project management team, both in-house and any external support. Budget allows for appointment of required expertise.
I3FL-R23	Professional	Poor change management procedures.	Clear and agreed procedures set in place for internal change management and for external processes with design team and contractor.
I3FL-R24	Professional	Specification – design issues on-site	Adopt best practice design and ensure flexibility for subsequent division/ alteration of premises.
I3FL-R25	Timescales / Contractual	Delays caused by contractor on site.	Identify appropriate construction contract to remove/ reduce risk of cost over-run
I3FL-R26	Contractual / Political	Failure to deliver community benefits – training, employment	Incorporate appropriate community benefits into contract terms and resource appropriately
I3FL-R27	Contractual	Issues with co-ordination on-site - contracts, visitors	Ensure main contractor has appropriate procedures for site management
I3FL-R28 (IP)	Reputational / Political	The project's Full Business Case fails.	Heads of terms signed with UK and Scottish Governments, OBC approved. Development of FBC in accordance with Green Book and with strong supporting evidence. Draft masterplan provides overall vision.
I3FL-R29 (IP)	Reputational	Demand for the project diminishes and there is no interest from occupiers.	Flexible design to maximise potential interest from occupiers. Recent research has established demand. Prepare project marketing particulars.
I3FL-R30	Reputational	Market expectations are not met.	Scale/ quality/ design based on identified market needs Recent research has established demand. Continue to review demand and business needs with Partners including SE and SDI. Involve relevant business engagement partners.
I3FL-R31	Reputational	Businesses interested in units decide not to progress	Ensure ongoing engagement with businesses to prepare suitable Heads of Terms.
I3FL-R32 (IP)	External	The COVID pandemic has a detrimental impact on the project, including delay to project's development and delivery and a reduction in demand for the project.	Anticipating some delay arising from COVID 19 recovery. Early analysis identifies that the need for the project is unlikely to be diminished (in fact the need may be greater). Continued economic analysis and development of recovery plans should be implemented and robust project scoping should continue to ensure the project meets needs.
I3FL-R33	External	BREXIT has a detrimental impact on the project, including the overall	Cost monitoring as part of projects.

I3 FLEXIBLE ADVANCED MANUFACTURING SPACE – GENERAL RISK REGISTER			
Ref	Type	Risk Description	Counter Measure
		cost of the project and potential delays eg cost of and timescale for delivery of specific materials.	Make adjustments to programme and cost areas within budget, based on experience of other relevant projects.
I3FL-R34	External	Cost inflation has a detrimental impact on the project in terms of capability to deliver the overall proposed programme of floorspace	Value engineer proposals where possible. Seek additional sources of funding to boost budget. Alter industrial / office space specifications and formats where possible.
I3FL-R35	Timescales / Financial	Utilities cause delays eg surface water drainage connections, sub-station requirement	Utility companies to be approached and applications to be submitted at an early stage.

2.10 Constraints

There are no significant internal constraints to the delivery of the i3 Advance Manufacturing Space project. North Ayrshire Council will bring together an experienced delivery team supported by internal or external design, project management and contract skills as required. The completed units will be owned and managed by NAC in line with existing estates management and will be marketed via a number of appropriate sources.

COVID is having an impact on the supply and lead in times for materials which has resulted in the programme for the works being estimated to take longer than prior to COVID.

2.11 Dependencies

Phase 1 of the project is subject to the following dependencies that will be carefully monitored and managed throughout this phase of the project:

- FBC endorsement by Government
- FBC Approval by Ayrshire Economic Joint Committee
- Land purchase from Scottish Enterprise
- Award of contract by NAC following Joint Committee approval
- Demand from businesses for the space and commitment to a lease
- Input from local schools and colleges for work placements and training outcomes;
- Market interest from potential occupiers for the completed unit;
- Availability of skilled workforce to take up job opportunities; and
- Support from SE and SDI in marketing the completed proposition to potential investors and offering appropriate business support.

In addition, the success of the main project is dependent on a number of factors including:

- Input from local schools and college (s) for work placements and training outcomes; and
- Longer term - seeking the support from a public transport provider for a new bus route to ensure the location and the job opportunities can be accessible to and affordable for local people, including people with disabilities.

3. THE ECONOMIC CASE

3.1 Introduction

In accordance with the Capital Investment Manual and requirements of HM Treasury's Green Book (A Guide to Investment Appraisal in the Public Sector), this section of the FBC documents the procurement process and provides evidence to show that we have selected the most economically advantageous offer, which best meets our service needs and optimises value for money. It should be noted that this process relates specifically to Phase 1 of the Programme, which is for one 18,180ft² (1,690m²) GIFA industrial unit. **The level of information provided regarding the procurement process has been informed by discussions with NAC's Corporate Procurement Unit and is in accordance with the Council's Standing Order.** The Council's Corporate Procurement Unit has advised that details of the bidders, their final costs and the evaluation scores, must be kept confidential prior to the award of the tender, as this would be a breach of the Council's Standing Orders. Details of the contract award will be published on Public Contracts Scotland and North Ayrshire Council's contract register when the successful bidder is awarded.

3.2 Critical success factors

The critical success factors (CSFs) shown within the OBC were as follows in the table below:

Table 13: Critical Success Factors

Critical Success Factors	Measures to Address Critical Success Factors
BUSINESS NEEDS: How does the option satisfy the AGD Vision & key themes?	<ul style="list-style-type: none">Supporting economic growth for Ayrshire and Scotland by attracting next generation manufacturing businesses.
STRATEGIC FIT: How does the option provide a holistic fit and synergy with other national, regional and local strategies?	<ul style="list-style-type: none">Supporting growth of the life sciences sectorDelivering net additional economic outcomes
BENEFITS OPTIMISATION: How does the option optimise value for money?	<ul style="list-style-type: none">Cost per job for public sector
POTENTIAL ACHIEVABILITY: Is the option viable and can it be delivered?	<ul style="list-style-type: none">Site capacity to accommodate floorspace
MARKET CAPACITY: Will the option meet an identified market demand, remove a constraint and how will it affect existing supply?	<ul style="list-style-type: none">Level of market demand to take the completed units / development plots
POTENTIAL AFFORDABILITY: Can the option be funded both the up-front capital and future revenue?	<ul style="list-style-type: none">Availability of AGD or other public / private funding

3.3 The long-listed options, Flexible Space Programme

The long list evaluated within the OBC was as follows and related to the overall programme:

Table 14: Assessment of Options at i3 – Long List

OPTIONS			
1. LOCATION	1.1 i3 Enterprise Area (EA)	1.2 Other North Ayrshire Site	1.3 Other Ayrshire Sites
	i3 is one of two locations in Scotland marketed by SDI for manufacturing linked to life sciences & related sectors. It has key locational benefits for investors, with existing established businesses. Preferred Option	A limited number of other North Ayrshire sites have capacity to accommodate new development but are unable to offer the locational advantages of i3, installed infrastructure capacity and existing business base. Discounted Option	Irvine has key sector and cluster strengths in life sciences and is therefore an attractive proposition for investors in comparison to other Ayrshire sites. Discounted Option
2. INTERVENTION	2.1 Site Preparation Only	2.2 Flexible Space on all Sites	2.3 Flexible Space
	Create prepared site platforms at i3, ready for immediate development. This would offer a low-cost option but would fail to meet the needs of life sciences and related manufacturing businesses for premises. Discounted Option	Flexible space across the whole i3 area, including the large Strategic Investment Campus could mean the space would be too dispersed, reducing its impact and chance to create a central cluster of activity. Potential Future Option	Delivering flexible space on a phased basis linked to the DOMC proposal, and that addresses market need for business space with the opportunity to review the specification after Phase 1. Preferred Option
3. SCALE	3.1 Small-Scale / Cautious	3.2 Mid-Scale Market Ready	3.3 Large-Scale / Ambitious
	Developing 1 or 2 shell buildings to test market interest but discounted due to value for money factors i.e. there is clear demand for the units proposed but developing in smaller phases will ultimately increase costs. Discounted Option	Similar to Option 2.3, a market-ready proposition that balances forecast demand, level of risk, cost efficiencies and future flexibility. Preferred Option	Similar to Option 2.2, cost savings could be made if large-scale flexible space was delivered. This could significantly increase costs and risks, overstep the known level of demand and is likely to be in advance of need. Discounted Option
4. FUNDING SOURCES	4.1 Seek AGD Funding	4.2 Seek Other Public Funds	4.3 Seek Private Partner
	AGD funding through the public sector allows business space to be provided in the face of market failure as development is not viable for the private sector. Consideration to be given to a rolling development programme utilising development income. Preferred Option	There are no alternative public sector funding sources identified to deliver this scale of intervention. We will continue to scan the market to identify other funding sources and respond accordingly. Potential Future Option	Attracting private investment to develop new business space was considered but has been discounted due to its lack of viability in Ayrshire. This option will be reviewed as a future option. Discounted Option
5. TIMESCALES	5.1 Immediate	5.2 Phased Approach	5.3 Postpone
	Similar to 2.2 and 3.3, there is potential to develop the whole of the i3 site immediately. This would deliver cost savings to the public sector but would also increase risk and remove the option to adapt the size/ layout of proposed space on demand. Discounted Option	Delivering the AGD investment through a phased approach minimises risk – this creates flexible manufacturing space, alongside the DPMC project, to meet immediate demand and allows further phases of flexible space, based on take-up of Phase 1. Preferred Option	The project could be planned, designed, costed, approved and all relevant permissions secured but construction postponed til occupier interest is secured. This option fails to meet the current market need for good quality business units that are ready for occupation Discounted Option

Preferred way forward

The preferred way forward at SOC and OBC stages was AGD funding (4.1) to deliver flexible space (2.3) at i3 Enterprise Area (1.1) through a mid-scale intervention (3.2) within a phased timescale (5.2), as follows:

Table 15: Preferred Way Forward – OBC

4.1 Seek AGD Funding	2.3 Flexible Space	1.1 i3 Enterprise Area	3.2 Mid-Scale Market Ready	5.2 Phased Approach
AGD funding through the public sector allows business premises to be provided in the face of market failure as development is not viable for the private sector. Consideration will be given to a rolling development programme utilising development income.	Delivering flexible space on a phased basis that complements the DPMC proposal, and that addresses market need for business space with the opportunity to review the specification after Phase 1.	i3 is one of two locations in Scotland marketed by SDI for manufacturing linked to life sciences & related sectors. It has key locational benefits for investors, with existing established businesses.	Similar to Option 2.3, a market-ready proposition that balances forecast demand, level of risk, cost efficiencies and future flexibility.	Delivering the AGD investment through a phased approach minimises risk – this creates flexible manufacturing space and the Digital Hub to meet immediate demand and allows further phases of flexible space, based on take-up of Phase 1.

3.4 Short-listed options, Flexible Space Programme

The short-listed options shown within the OBC were as follows and are summarised in the tables below for the overall i3 Flexible Space Programme.

- Option 1 – do nothing
- Option 2 – the preferred option – flexible space, phased
- Option 3 – ambitious option – flexible space, accelerated

Table 16: Assessment of Options for i3 - Short List

Option 1 Do Nothing	Option 2 (Preferred) Flexible Space, Phased	Option 3 (Ambitious) Flexible Space, Accelerated
Delivers no additional floorspace Attracts 0 occupiers Delivers 0 gross jobs	Delivers 8,830 sqm floorspace (NIA) Attracts 8 to 16 occupiers Delivers 162 net jobs	Delivers 8,830 sqm floorspace (NIA) Attracts 8 to 16 occupiers Delivers 162 net jobs
Investment Level AGD NAC & SG £0 Other Funding £0	Investment Level AGD NAC £4M AGD SG £11M	Investment Level AGD NAC £4M AGD SG £11M
Delivery Timescale N/A	Delivery Timescale (21/22) to (27/28)	Delivery Timescale (21/22) to (24/25)

In addition, the following table provided a review of each of the short-listed options, considering how each performed against the Critical Success Factors for the i3 project.

Table 17: Review of Critical Success Factors for Shortlisted Options for Overall Flexible Space Programme

	1. Do Nothing	2. Preferred	3. Accelerated
BUSINESS NEEDS: How does the option satisfy the AGD Vision & key themes?	<ul style="list-style-type: none"> Delivers no additional floorspace 	<ul style="list-style-type: none"> Delivers 8,830 sq metres (NIA) of advanced manufacturing floorspace that will support economic growth 	<ul style="list-style-type: none"> Delivers 8,830 sq metres of advanced manufacturing floorspace in one phase.
STRATEGIC FIT: How does the option provide a holistic fit and synergy with other national, regional and local strategies?	<ul style="list-style-type: none"> Attracts no business occupiers Delivers no jobs 	<ul style="list-style-type: none"> Attracts approx. 8 to 16 occupiers Delivers 162 net jobs (Direct & Indirect) Strong synergy with national Advanced Manufacturing and Chemical and Life Science Strategies. 	<ul style="list-style-type: none"> Attracts 8 to 16 occupiers Delivers 162 net jobs (Direct & Indirect) Strong synergy with national Advanced Manufacturing and Chemical and Life Science Strategies.
BENEFITS OPTIMISATION: How does the option optimise value for money?	<ul style="list-style-type: none"> There is no value for money as the project is not delivered. 	<ul style="list-style-type: none"> The option delivers floorspace on a phased basis allowing time for review and ensuring the accommodation meets market requirements. 	<ul style="list-style-type: none"> The option delivers all floorspace within one phase but at risk and with possible financial liabilities.
POTENTIAL ACHIEVABILITY: Is the option viable and can it be delivered?	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> This development option can be accommodated at i3. 	<ul style="list-style-type: none"> This development option can be accommodated at i3.
MARKET CAPACITY: Will the option meet an identified market demand, remove a constraint and how will it affect existing supply?	<ul style="list-style-type: none"> Market demand not met. 	<ul style="list-style-type: none"> This development option has been profiled against detailed market knowledge. 	<ul style="list-style-type: none"> This development option is likely to be in advance of market need.
POTENTIAL AFFORDABILITY: Can the option be funded both the up-front capital and future revenue?	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> £15m AGD funding is required. Future revenue costs will be met from revenue returns (rent and plot sales). 	<ul style="list-style-type: none"> £15m AGD funding is required. Future revenue costs will be met from revenue returns (rent and plot sales).

Preferred Option

The preferred and agreed option at OBC stage was a phased approach to flexible space as shown in the table above. In considering moving forward to deliver the first phase, it was agreed that the Council would progress an initial unit at i3 that was originally part of the first Phase, with assistance from internal resources and making use of the Council's AGD £4M allocation if required. In scoping out options for delivery of Phase 1, the following options have been considered in the table below.

Whilst Option 2 of a phased delivery was the preferred option for the overall programme of flexible space, Table 18 provides a summary of options specifically for delivering Phase 1, which is the subject of this FBC.

Table 18: Phase 1 Flexible Space Options

Business as usual	Do Nothing
Preferred Option	Deliver 18,180 sq ft (1,690 m ²) unit with occupancy achieved half-way through 24/25
Deliver Phase 2 instead	Deliver two sets of terraced units and one modular unit (2,504 sq m)
Preferred Option Sensitivity Check – Negative Impact	Unit subdivided into 4 with 100% occupancy achieved in 2027/28
Sensitivity Check – Positive Impact	Assumes unit fully occupied at the start of 24/25

3.5 The procurement process

3.5.1 The Long List Criteria

The project was procured through the Public Contracts Scotland portal as an open tender for a one-off contract to construct an advanced factory unit with a budget value of £3,787,000.00. The tender was published from 21 June to 12 August 2022 and two bids were received and subsequently evaluated. The bids that were initially assessed on a pass / fail questions following which the two bids progressed to the quality assessment stage and then to the commercial stage. As mentioned in paragraph 3.1 the Council's Corporate Procurement Unit has advised that details of the bidders, their final costs and the evaluation scores, must be kept confidential prior to the award of the tender, as this would be a breach of the Council's Standing Orders. Details of the contract award will be published on Public Contracts Scotland and North Ayrshire Council's contract register when the tender is awarded to the successful bidder.

3.5.2 Long list

The two bids received were assessed on their response to pass/fail questions and as a result of this assessment, both bids were then assessed in terms of the quality evaluation.

3.5.3 Short list criteria

The quality evaluation stage accounted for 20% of the score. Following the completion of the quality evaluation, the two bidders proceeded to the commercial evaluation stage which accounted for 80% of the score. The commercial evaluation involved a review of the bids including an arithmetic check, rate analysis and a review of tender qualifications, with any clarifications sought from bidders where necessary.

3.5.4 Short list

Following the commercial evaluation two bidders were assessed and scored and ranked according to the quality and cost assessments. All bids were within the budget with, a preferred bidder selected that is within the available budget.

3.6 Economic appraisal

3.6.1 Introduction

This section provides an overview of the costs and benefits associated with the main Advanced Manufacturing Flexible Space project generally, including the focus of this FBC, the delivery of construction contract for an advanced factory unit of 18,180 sq ft (1690 sq m) and on a total site of 4 acres.

3.6.2 Estimating benefits

Methodology

The Outline Business Case (OBC) set out the benefits associated with each option for the main Flexible Space project and the AGD PMO undertook economic modelling for the overall project. The key findings from this analysis were presented in the OBC. As part of this Full Business Case, economic modelling has been undertaken for Phase 1 only, the outcome of which is contained in Appendix D. In addition, a Benefits Realisation Plan has been developed to add to this work, which is detailed in the paragraphs below.

Description, sources and assumptions

The benefits identified fell into the following **main** categories. In each case, the sources and assumptions underlying their use is explained.

- **Quantitative – cash releasing benefits:** financial benefits that the project will help generate. These include direct benefits such as rental income and indirect benefits - such as business rate receipts;
- **Quantitative – non-cash releasing benefits:** societal benefits which can be monetised and expressed in Gross Value Added (GVA) terms.
- **Qualitative – non-cash releasing benefits:** these are assessed separately in paragraph 3.7.2

Table 19: Main Benefits

Type	Direct to Organisation(s)	Indirect to Organisation(s)	To society
Quantitative (or quantifiable)	<ul style="list-style-type: none"> • Rental income 	<ul style="list-style-type: none"> • Business rates receipts • Provision of additional new space for businesses 	<ul style="list-style-type: none"> • Reduction in area of vacant and derelict land
Cash releasing	<ul style="list-style-type: none"> • Reduction in grounds maintenance costs once tenant moves in 		<ul style="list-style-type: none"> • Accelerated/enabled construction activity • Carbon efficiency savings for tenant.
Non-cash releasing			<ul style="list-style-type: none"> • Productivity gains to existing businesses
Qualitative (or non-quantifiable)			<ul style="list-style-type: none"> • Improvement in appearance of part of business park.

The estimated benefits arising from Phase 1 of the project, in relation to this procurement exercise, relate mostly to the potential for benefits through rental income, the provision of new

space for businesses, the appointment of contractors and enabled construction activity with the potential to support training places, maintain jobs and support SMEs through the contract.

The economic modelling for Phase 1 in Appendix D for the Preferred Option, would in summary deliver the following:

- 27 construction jobs
- 36 direct and indirect jobs
- £22,670,631 GVA
- £91,718 GVA per head
- positive economic impact with an estimated Benefit Cost Ratio of £1.30: £1

A Benefits Realisation Plan has been developed for the Ayrshire Growth Deal projects and has identified the outcomes, outputs and impacts that could be measured for the overall Flexible Space project. These are listed below, and it's anticipated that Phase 1 will provide those benefits at a smaller scale.

Table 20: i3 Flexible Advanced Manufacturing Space - Outputs, Outcomes and Impacts, Benefits Realisation Plan

Ref	Indicator	
	Outputs	
AGD/O/1	Direct/Indirect jobs	
AGD/O/2	Construction jobs	
AGD/O/3	Safeguarded jobs	
AGD/O/4	Community Benefits	
AGD/O/5	Jobs retained	
AGD/O/6	Jobs secured	
AGD/O/7	New or upgraded roads/junctions/cycle pathways	
AGD/O/8	Journey time savings/modal shifts	
AGD/O/9	Development space unlocked	
AGD/O/10	Reduced vacant & derelict land	
AGD/O/11	Digital Infrastructure	
AGD/O/12	New Residential Energy Supply	
AGD/O/13	Visitors	
AGD/O/14	Start-Ups	
AGD/O/15	Private sector investment	
AGD/O/16	Leverage: (including LA, HE/FE, Private Sector and any other leverage	
AGD/O/17	Income Levels	
AGD/CB/O/1	Training places / Weeks	✓
AGD/CB/O/2	Training places / accredited qualification main-contractor	✓
AGD/CB/O/3	Training places / accredited qualification sub-contractor	✓
AGD/CB/O/4	Schools Outreach	✓
AGD/CB/O/5	CWB Support Places	✓
AGD/CB/O/6	Fair Work Accreditation	
AGD/CB/O/7	SME's supported	
AGD/CB/O/8	Regional Supplier Spend	✓
AGD/CB/O/9	Work Experience	✓
AGD/CB/O/10	Total jobs created by NSAfC projects (Apprentices)	
AGD/CB/O/11	Total jobs created by NSAfC projects (Graduates)	
AGD/CB/O/12	Total jobs created by NSAfC projects (New Entrants)	
AGD/CB/O/13	Construction Careers Information, Advice & Guidance (CCIAG) Events	
AGD/CB/O/14	Number of learners receiving an Industry certification – main contractor	✓
AGD/CB/O/15	Number of learners receiving an Industry certification – sub-contractor	✓
AGD/CB/O/16	Number of Training Plans for sub-contractors	
AGD/CB/O/17	Site visits by Colleges	✓

AGD/CB/O/18	Supply Chain Briefings to sub-contractors	✓
AGD/CB/O/19	Business Skills Supports for sub-contractors	
AGD/CB/O/20	Support for the Third Sector	
AGD/CB/O/21	Softer community benefits delivered to Ayrshire as part of the project	✓
Outcomes		
AGD/OT/1	Job Levels (new and maintained)	
AGD/OT/2	Development Space uptake	
AGD/OT/3	Digital usage patterns	
AGD/OT/4	Reduced (net) Fuel Poverty	
AGD/OT/5	Increase in visitor spend	
AGD/OT/6	Start-up performance/survival	
AGD/OT/7	Additional investment (including FDI)	✓
AGD/OT/8	Improved business productivity	
AGD/CB/OT/1	CWB participant well-being uplifts	
AGD/CB/OT/2	Fair Work implementation	
Impacts		
AGD/I/1	Net additional jobs created/ maintained	✓
AGD/I/2	Net additional returns on investment	✓
AGD/I/3	Net changes in Fuel Poverty	
AGD/I/4	Net additional user productivity	
AGD/I/5	Follow on investment	✓
AGD/I/6	Reduced levels of deprivation within the region	
AGD/I/7	Increased income levels	
AGD/CB/I/1	Wider uptake of Well Being/Fair work	
AGD/CB/I/2	Net uplifts in regional supplier spend	
AGD/CB/I/3	Case Studies – qualitative community impacts	✓

In addition, the preferred bidder has committed to a number of Community Benefits.

3.6.3 Estimating costs

In terms of Phase 1 of the Flexible Space Programme, a pre-tender estimate was undertaken by the project that was within the available budget of for the delivery of Phase 1.

3.6.4 Cost appraisal conclusions

The supplier selected as a result of the cost assessment of the bidders has a tender value which is below the overall available budget.

3.7 Qualitative benefits appraisal

The qualitative benefits associated with the Flexible Space Programme generally, were set out within the Outline Business Case.

3.7.1 Methodology

The appraisal of the qualitative benefits was undertaken via the following process for the OBC:

- Identifying the benefits criteria relating to each of the investment objectives
- Weighting the relative importance (in percentage terms) of each benefit criterion in relation to each investment objective
- Scoring each of the short-listed options against the benefit criteria on a scale of 0-9
- Deriving a weighted benefit score for each option

3.7.2 Qualitative benefits criteria

The benefits criteria were weighted as follows for each investment objective, as part of the OBC. Specific qualitative benefits have been added for Phase 1 of the Flexible Space but maintaining the original percentages. Phase 1 will contribute to achieving these benefits.

Table 21: Qualitative Benefits Criteria

Objectives	Qualitative Benefits, Flex Space Programme	Flex Space Phase 1	Weight
1. To create flexible business space capable of meeting manufacturing requirements for chemical and life sciences, but also for a wide range of other high value sectors.	<ul style="list-style-type: none"> New business units will be occupied by Ayrshire/ Scottish/ UK/ overseas businesses Created/safeguarded jobs will generate economic value – jobs, GVA, turnover for Ayrshire and Scotland Supply chain outcomes will be created for other Ayrshire and Scottish businesses Design and construction contracts will generate turnover for Ayrshire and Scottish contractors Construction jobs and training outcomes will be created, primarily for Ayrshire people and particularly drawn from disadvantaged or Protected Characteristic groups. 	X X X	20%
2. Create a centre of digital innovation which offers digital tools, support and innovation scaled to a national market supporting a restructure of the regional economy to deliver advanced manufacturing.	<ul style="list-style-type: none"> University and College presence at i3 offering training and business development opportunities. Cluster of R&D and spin off opportunities Providing employment, skills development, community wealth building and supply chain growth opportunities Providing the private sector with opportunities for upskilling, business transformation and increased productivity 	 X X	20%
3. To create serviced industrial land and capable of immediate development.	<ul style="list-style-type: none"> Development plot will be available for indigenous Ayrshire/ Scottish, UK-owned and foreign investors Design and construction contracts will generate turnover and jobs for Ayrshire and Scotland 	X X	10%
4. To create opportunities for employment and inclusive growth with particular emphasis on making connections to local communities, schools and colleges in preparation for employment, particularly in areas of deprivation.	<ul style="list-style-type: none"> New employment outcomes – direct and indirect through supply chains Work experience and training places for school and college students Job market entrants and low skilled workers increasing soft and basic skills through provision of local jobs. Residents of deprived areas gaining access to opportunities University presence enabling additional educational and training opportunities Delivery of enhanced public transport connection that opens up employment opportunities 	 X X X	20%
5. To attract mobile and private sector investment both from abroad and from indigenous companies.	<ul style="list-style-type: none"> New employment and training outcomes Demonstrate attractiveness of Scotland as excellent location for life sciences manufacturing Increased investment confidence 	X X X	15%
6. To create a sustainable, high quality business location and R&D cluster, capable of meeting and keeping pace with the changing demands of high value manufacturing sectors and complementing national initiatives including NMIS	<ul style="list-style-type: none"> Enhancement and maintenance of attractiveness of Ayrshire as a location, meeting modern business needs and promoting Industry 4.0 services. Large, visible and modern development that clearly shows Ayrshire is Open for Business Recognised as part of a national strategy for improving digital technology 	X	15%

3.7.3 Qualitative benefits scoring

The tender assessment for the refurbishment contract included a quality assessment of the bids based on a 20% quality / 80% cost ratio. NAC received competent submissions in relation to this aspect and were able to score bidders against a set of agreed criterion.

3.7.4 Analysis of key results

NAC's Corporate Procurement Unit were able to provide a completed tender score sheet for the two bidders, providing scores related to the quality and cost aspects, identifying a preferred bidder.

3.7.5 Carbon Emissions Impact Cost

Initial carbon analysis has been done for the overall project and is shown in Appendix I. The project has been categorised as Control (3, then zero) and Influence (B). Information related to the carbon emissions impact costs of Phase 1 of the project is not available at the moment as the design is not completely finalised. It is proposed that costings can be prepared following the completion of the final design work by the contractor.

3.8 Risk appraisal – unquantifiables

The tender for Phase 1 poses a number of risks which are contained in the main risk register for the project. In summary, the main risks related to this project are considered to be:

- Failure to obtain approval for the project's Business Case.
- All sources of capital and revenue funding for the project are insufficient to deliver and operate the project.
- Delays to the project timescales caused by issues such as land acquisition, protected species, statutory consents, procurement or construction.
- Delays to the tender award period due to the requirement for various FBC approvals which takes the timescale beyond the 120 day period, after which the preferred supplier may increase their costs
- The project fails to attract enough of its target audience to generate sufficient income.

Key project mitigations have been to progress of one phase of the project at the moment, testing the market at tender stage and to seek additional sources of funding to address the increases in costs since the estimates were prepared for the OBC.

No specific risks have been identified should the recommended preferred bidder be selected.

3.9 The preferred option – selected supplier

As a result of the procurement process to select a supplier to undertake the construction of an industrial unit and surrounding yard at Riverside Way in i3, Irvine, a preferred supplier has been selected to be appointed, who submitted a competent bid and will be appointed following the FBC approval process.

3.10 Sensitivity analysis

General Sensitivity analysis has been undertaken as part of the economic modelling for Phase 1 and is set out in Appendix D. This included the subdivision of the unit into 4 units and staggered occupancy of the four units, which increased/decreased the benefit cost ratio. However generally, the Preferred Option for Phase 1, provided a positive result.

3.11 The preferred option

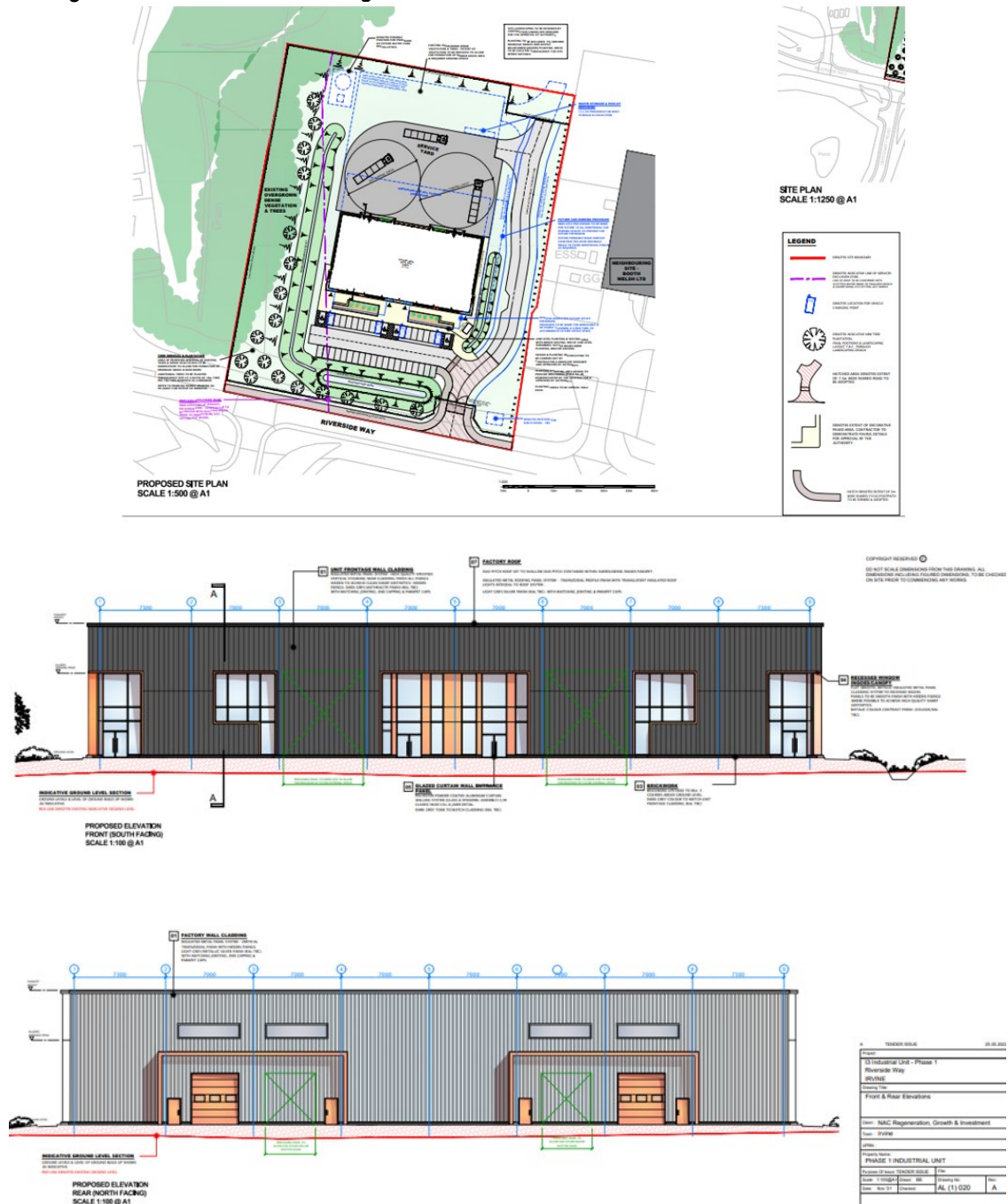
The preferred option for the overall Flexible Space Programme was to deliver the project on a phased basis. For this FBC, the preferred option is to select the recommended supplier in accordance with the tender assessment for the construction of the first industrial unit at i3. This option offers value for money and is within the available budget for the project. Should a current Levelling Up funding bid be successful, Phase 1 of the project will be delivered the majority of those funds.

4. THE COMMERCIAL CASE

4.1 Introduction

The overall Advanced Manufacturing Flexible Space Programme is seeking delivery of floorspace and related works, over a series of phases. This was identified as the preferred option in the approved Outline Business Case. This FBC is for the first phase of the programme which is for one 18,180ft² (1,690m²) GIFA industrial unit. This section of the FBC sets out the negotiated arrangements for the provision of an industrial unit and related yard space, under a contract with the selected bidder. The drawings below show the proposed layout and elevations of the unit which have received planning permission.

Figure 6: Phase 1 Unit drawings



4.2 Required services

The products and services under contract are as follows:

- the design and construction of a new 18,180sq ft industrial unit. The unit will be constructed predominantly as a shell, with the fit-out to be completed by the proposed tenant upon completion.

The proposed Phase 1 unit includes the following specifications and will be situated on an adjacent site to the DOMC Phase 1 pilot project which has just received Full Business Case approval:

- a shell only specification to allow for flexibility, with service pop-ups suitable for Classes 4, 5 and 6
- capable of subdivision to a maximum of 4 self-contained units
- 18,180ft² (1,690m²) GIFA, internal height 8 metres clear, site area 16,355m²
- rear service yard from a private access road, facilitating heavy goods vehicles and articulated lorry manoeuvring.
- storage areas for waste collection and provision of infrastructure to facilitate future installation of sprinkler system tank, areas for SUDs and substation
- 38 car parking spaces, 4 accessible parking bays, 4 7.2KV charging points, covered cycle & scooter storage
- expansion possible by 50% maximum to north of the site & potential to create office section to south of building
- gated access, intruder alarm and internal & external security lighting
- provision for air-source heat pumps and ventilation systems to allow for ease of future installations.
- design to allow for future solar panel provision

The Council's Property Management and Investment (PMI) Team have led on developing the design of the unit. This has involved mainly architecture and quantity surveying services and they also procured the following external services:

- Geotechnical
- Cost consultants
- M&E
- Site investigation work
- Land based engineering works
- Ecologists

4.3 Potential for risk transfer

Risks that could affect the successful implementation of the project have been identified and are set out in detail in the Risk Register attached as Appendix E. This includes details of risk owners, risk evaluation and mitigation measures. In terms of this FBC, the general principle of 'risk passed to the party best able to manage them' subject to value for money, has been applied. For this project it is anticipated that the associated risks may be apportioned between the Council, design team, contractor and occupier. This is shown in the table below, where we have agreed that we will apportion service risks in the design build and operational phases as follows:

Table 22: Risk Transfer Analysis

Risk Category	Potential Allocation			Comments
	Public	Private	Shared	
1. Design Risk			✓	Depends on contract type and conditions.
2. Construction & Development Risk			✓	Depends on contract type and conditions.
3. Transition & Implementation Risk			✓	Both parties will establish and agree change management procedures if not dictated by contract type.
4. Availability & Performance Risk		✓		Performance of design team and contractor will be monitored by NAC.
5. Operating Risk	✓			NAC will manage the completed units.
6. Variability of Revenue Risks	✓			Rental income profiled at market rate but NAC will retain risk of variance.
7. Termination Risks	✓			NAC will hold risk if contractor or tenant terminate their agreements.
8. Technology & Obsolescence Risks			✓	NAC and occupier carry risks relating to obsolescence of property and equipment.
9. Control Risks	✓			NAC holds overall control for the delivery and ongoing management of the project.
10. Residual Value Risks	✓			The completed floorspace will hold a residual value for which NAC is responsible for maintaining the value.
11. Financing Risks	✓			Limited – major costs relate to up-front capital construction and potentially empty rates obligation. Tenants will be responsible for property maintenance.
12. Legislative Risks	✓			N/A. Likely only to apply to initial planning and building warrant – risks will be off-set by securing permissions in advance of construction.
13. Other Project Risks			✓	Covid-19 and Brexit impacts on tenders/costs and programme.

4.4 Agreed charging mechanism

The payment mechanism agreed with the service provider with respect to the construction of the industrial unit will involve submission of invoices by the contractor at agreed stages of the works, which will be certified by the consultant's team to NAC for payment. In addition, this phase will generate ongoing rental income from the lease of the completed unit with rent charged at appropriate rates in line with market conditions. A valuation prepared in June of this year for the project suggested market rents as follows depending on whether the unit was subdivided.

Table 23: Estimated market rent values for Phase 1 Unit

Proposal	Market Rent	Market Value
Single Unit	£127,500 per annum (£7.00 per sq ft)	£1,735,000
Two Units	£143,000 per annum (£8.00 per sq ft)	£1,975,000
Terrace of Four Units	£149,200 per annum (£8.50 per sq ft)	£2,095,000

Source:

It's anticipated that NAC will not consider selling buildings initially, to ensure NAC benefits from income generated. NAC will also be responsible for any Non-Domestic Rates charges accruing against any vacant units.

Should the current Levelling Up funding bid be successful, its anticipated that the Council would pay the invoices and claim the funds from the UK Government.

4.5 Agreed contract length

Building contracts are envisaged to endure for a period of construction only. Occupier contracts are envisaged to be leases to occupiers on terms that are appropriate to secure the investment i.e. at the maximum term that the occupier will accept. This is expected to enhance financial and economic returns to the public sector and provide a return on capital investment.

4.6 Key contractual clauses

The Form of Contract for the project is the SBCC Design and Build Contract for use in Scotland (DB/Scot), 2016 edition incorporating Amendment 1 February 2018. The key contractual clauses are as follows:

- Clause 4.18.1 Retention Percentage – 3%
- Clause 6.4.1 Contractors Insurance – injury to persons or property - £10,000,000
- Clause 6.5.1 Insurance – Liability of Employer - £10,000,000
- Clause 6.7 Insurance of the works – Option A applies (By Contractor)
- Clause 6.15 Contractors Designed Portion Professional Indemnity Insurance - £10M

In addition, the preferred supplier has stated that they will deliver a number of community benefits.

It would be inappropriate to incorporate contract clauses for occupiers of the completed units. However, there is an opportunity to work with tenants to maximise impacts and benefits for local people and local businesses through supply chains and local procurement mechanisms.

4.7 Personnel implications (including TUPE)

It is anticipated that the TUPE – Transfer of Undertakings (Protection of Employment) Regulations 1981, will not apply to any aspect of this project.

4.8 Procurement route and implementation timescales

The procurement of this Phase was through a tender advertised on Public Contracts Scotland. The implementation milestones for the scheme are to be discussed with the selected service provider. The dates shown below are critical in terms of how quickly the FBC can be endorsed and approved, in order to award the contract before the 120 day period expires, to enable the works to commence. Indicative Project Milestones are shown at 6.3.3, including information regarding the current Levelling Up Fund Round 2 (LUF2) funding application which is being considered in parallel to this approval process.

Table 24: Key timescales for progress of Phase 1 Unit

Stage	Date
Tender returns	12 August 2022
Tender evaluation	August / September 2022
Gateway Project Board	13 October 2022
Full Business Case submitted to AGD PMO	17 October 2022
Estimated date for outcome of LUF 2 application	31 October 2022
NAC Cabinet endorsement of FBC	29 November 2022

Land purchase completed	02 December 2022
FBC endorsement by Scottish Government	Tbc
Ayrshire Economic Joint Committee approval	Tbc
Contract award (latest date)	08 December 2022
Contract start	December 2022 (tbc)
Contract end	mid 2024 (tbc)

4.9 FRS 5 accountancy treatment

It is envisaged that the assets underpinning the delivery of the service will be on the balance sheet of the organisation should the development remain in the ownership of NAC.

5.0 THE FINANCIAL CASE

5.1 Introduction

The purpose of this section is to set out firm financial implications of this contracted solution. It should be noted that there have been changes to the financial implications, following on from the approval of the Outline Business Case in June 2021. The estimated cost of the first phase has increased from £2.79M albeit this was an estimated cost, to a pre-tender cost projection of £4.45M. Tender returns have come in around this cost estimate, which represents an increase of 1.6 times the previous estimate, which is likely to have an impact on the overall programme.

To mitigate the risk of increased costs and the volatility of the construction market, Phase 1 only is being progressed at the moment. In addition, the project has been the subject of value engineering and has been included within a bid to the Levelling Up Fund as part of a package to improve North Ayrshire's commercial space (see para 5.3).

5.2 Impact on the organisation's income and expenditure account

The anticipated payment stream for the project over its intended life span is set out in the following table which shows the overall Flexible Space Programme.

The approved Outline Business Case contained indicative costs for each phase of the project, including the unit which is Phase 1 of the project and the subject of this FBC. The costs have increased considerably since the OBC preparation.

The payment stream in relation to Phase 1 is also shown in the Table below. The tender for the works has come back within the budget available enabling the works to progress.

It should be noted that increased project costs have been mitigated for Phase 1 through the support of Scottish Government Vacant and Derelict Land funding to support the AGD investment generally at i3 and to support this particular phase.

Table 8: Flexible Space Financial Profile – Capital – updated

Year	0	1	2	3	4	5	6	7	8	9	10	Total
	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	
£ millions	£	£	£	£	£	£	£	£	£	£	£	£
Scot Govt	23	56	0	0	100	400	2,419	7,591	411	0	0	11,000
NAC	11	28	122	208	3,053	578	0	0	0	0	0	4,000
AGD Total	34	84	122	208	3,053	978	2,419	7,591	411	0	0	15,000
VDLF	0	0	0	200	614	0	0	0	0	0	0	814
Flex Space Total	34	84	122	408	3,694	978	2,419	7,591	411	0	0	15,814
Phase 1 Profile	11	28	122	208	3,053	578						4,000
Current Funding Applications for note:												
LUF 2	0	0	0	tbc	tbc	0	0	0	0	0	0	tbc

Note 1: Funding assumption

A current Levelling Up Funding bid, if successful, will mean that the majority of AGD funds are not required for Phase 1 and the Financial Profile will require to be revised. If successful, the assumption is that LUF funds will be required to be used first which will move NAC funding to the end of programme. The revised financial profile will show the additional leverage.

Note 2: Revenue Costs

Capital costs only are shown in the table above. It's anticipated that revenue costs will include the following costs listed below until the unit is occupied. However, these costs will eventually be offset by the additional rental income to the Council.

- Maintenance, repair and management
- Rates & utility bills
- Marketing and promotion
- Legal fees
- Building insurance
- Statutory compliance certificates and any associated works
- EPC cost
- Any cost in relation to disturb on site

5.3 Levelling Up funding application

In addition, an application for Levelling Up Funding is currently being considered by the UK Government and the outcome is expected in late October 2022. The project is part of a number of proposed buildings being put forward to modernise the area's commercial space for businesses. Should funding be awarded, this would fund the delivery of the Phase 1 unit, providing crucial leverage for the flexible space programme and leaving the AGD funds intended for Phase 1 to help address budget challenges for the overall i3 AGD Programme. The outcome of the application is currently awaited and if successful, the LUF funds would replace the majority (90%) of the AGD funding for Phase 1.

5.4 Impact on the balance sheet

The tender costs of the preferred bidder are affordable to deliver Phase 1 and are within the capital expenditure available within the budget.

5.5 Overall affordability

The capital cost of the overall project is £15m from the AGD. Early spend has been supported by the Vacant and Derelict Land Fund, prior to any draw down of AGD spend. It should be noted that the capital costs have not factored in any additional cost for private sector tenants to fit out a completed unit for their specific purposes, including for example the provision of office space or toilets within industrial buildings. However as small allocation is being held within the project budget as a contribution towards fit-out costs.

Phase 1 of the Programme has the support of £4.563M in capital. This comprises of £3.753M from the AGD and £0.810M from Vacant and Derelict Land Fund. Should a current application for Levelling Up Funding be successful, this will cover 90% of the project costs to deliver the unit, with the AGD funds reinvested in subsequent phases of the project.

A tender has been received for Phase 1 which is competent, affordable and within the available budget. The process for procuring the other phases of the Flex Space Programme is set out within the Management Case.

NAC will be responsible for ongoing maintenance, marketing and management of the buildings and any surrounding curtilage, until they are let, and will cover any related costs. This will be offset by income generated from the completed project from the following:

- Ongoing rental income through the lease of completed units; and
- One-off capital receipts from the sale of buildings and/or development plots.

The approved OBC had estimated rental income to be in the region of £400,000 by 2032. A recent valuation by Colliers has estimated the proposed rental income for the proposed Phase 1 unit to be in the region of £127,500 per annum.

ASSURANCE STATEMENT

This is to confirm that the financial profile for the project outlined in Section 5.2 above reflects the position of North Ayrshire Council as at the date stated below.

Name of Council's S95 Officer in block capitals: MARK BOYD

Signed:

Date: xx November 2022

6.0 THE MANAGEMENT CASE

6.1 Introduction

This section of the FBC addresses how the scheme will be delivered successfully.

6.2 Programme management arrangements

The three Ayrshire Councils (East, North and South) have agreed to implement a new governance structure to oversee the delivery of the Ayrshire Growth Deal and to promote the main drivers for the Regional Economic Partnership, namely:

- to promote and deliver regional economic and inclusive growth on an Ayrshire-wide basis, in line with the Scottish Government's aim of having a Regional Economic Partnership for every region of Scotland;
- to provide the robust shared governance which will enable the Scottish and UK Governments and other funding sources to dispense monies on an Ayrshire basis;
- To encourage the meaningful involvement of private sector partners as well as the public sector;
- The structure should be as simple as possible, but be capable of adaptation as required; and
- To recognise that the funding element is being delivered through Councils, and consequently democratic accountability will be required for key investment decision.

The governance for the AGD programme includes the following:

- The Economic Joint Committee – comprising Elected Members, representatives from SE, SDS, business and education.
- The Ayrshire Regional Economic Partnership Board – comprising Elected Members,
- representatives from public sector partners including SE, SDS, HIE, VisitScotland, HE, FE, the third sector and the business community.
- These committees have oversight of the AGD both at a programme level and in terms of approval of detailed business cases for individual projects as well as continued monitoring and evaluation of the AGD programme post Deal document sign off.
- The projects also have internal Gateway Review Boards to monitor and review progress and reach agreement on key aspects of the project.

It is anticipated that over time the 3 Councils will develop more regional responses to the needs of our businesses and communities to complement the AGD investment.

The i3 Flexible Space programme including Phase 1, is an integral part of the Ayrshire Growth Deal Programme of Economic Infrastructure. The Programme will be managed by North Ayrshire Council in conjunction with the AGD PMO and related Governance structure.

6.3 Project management arrangements

Phase 1 of the Flex Space Programme, which is the subject of this FBC, will be managed by the Council's PMI team and will follow the PRINCE2 methodology as much as possible.

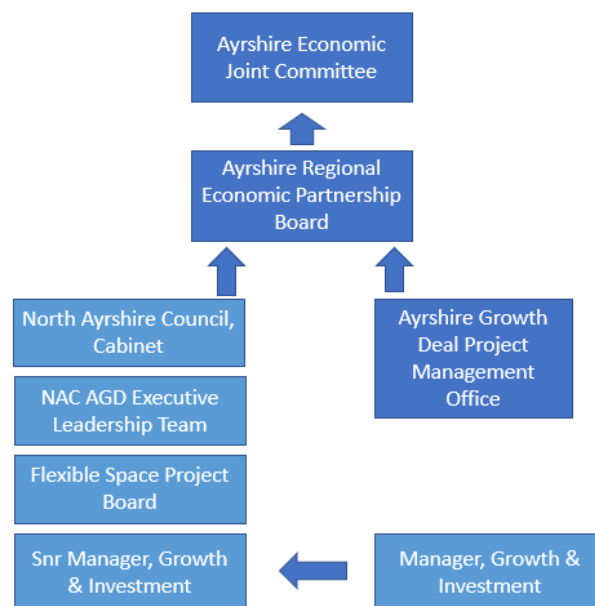
6.3.1 Project reporting structure

NAC has established internal governance arrangements for the management of its AGD project(s) organised through a Project Board. The NAC Project Board has overall authority and responsibility for project delivery including the Business Case, prior to submission to the NAC Executive Leadership Group for approval and prior to submission to the Programme Management Office (PMO).

The Board has a project management responsibility but no decision-making powers. The Project Board provides a mechanism for accountable project management delivered by regular progress reporting and updates and coordination of all design teams and initiatives associated with infrastructure, employability, business and innovation strands.

The Project Board will co-ordinate the overall delivery of the Phase 1 Flexible Space project. Project Management responsibilities for Phase 1 sit with the Council's Property Management and Investment (PMI) Team who have led on the development of the design on behalf of the Growth and Investment Team who have acted as client. PMI will continue this role as part of the delivery stage. Overall responsibility will rest with Director of Growth and Investment reporting to the Chief Executive. All personnel will be experienced and professionally qualified in their respective roles. The project will be managed in accordance with NAC project management procedures. The Senior Responsible Officer for the project in NAC is the Senior Manager, Growth and Investment, with support from a Growth and Investment Manager. A full multi-disciplinary team will advance the project to completion.

Figure 7: Organisational chart, showing governance of the project



6.3.2 Project Roles and Responsibilities

Phase 1 of the Flex Space Programme is being managed by the Council's PMI team. For the purposes of the Ayrshire Growth Deal processes, the SRO is Karen Yeomans, Director, Growth & Investment, North Ayrshire Council and Project Lead is Marnie Ritchie, Regeneration Manager, North Ayrshire Council. The overall Project Team includes the Council's Growth and Investment, PMI and Finance teams. The appointed contractor's role will be for the completion of the design and build of the Phase 1 unit. The table below sets out roles and responsibilities for Phase 1 of the project which is the focus of this FBC:

Table 25: Roles & Responsibilities

Senior Responsible Officer	Karen Yeoman's, Director Growth & Investment, NAC
Chief Financial Officer	Mark Boyd, Head of Finance, NAC
Project Manager	Alan Martin, Team Leader, PMI, NAC
Senior Manager	Neale McIlvanney, Snr Manager, Growth & Investment, NAC
Project Lead (client)	Marnie Ritchie, Manager, Growth & Investment
Specialist advisors	See para 6.4
Project Contractor	Preferred supplier

6.3.3 Project Plan

The Project Plan is set out in the table below with a status update for each milestone. Additional milestones have been added for Phase 1, in particular, to reflect the current approval processes for the FBC and Gateway milestones. A number of issues have delayed the completion of some milestones, including COVID and increased construction costs. A project plan has also been provided by the preferred bidder, which demonstrates how they can meet the required timelines.

Table 6: Flexible Space Project Milestone Activity, Phase 1

FLEXIBLE SPACE, PHASE 1: Milestone Activity	Est. Date	Quarter (financial year)	Status
Procure professional team to progress detailed design, Phase 1 (20,000 sq ft unit)		Completed	
Consultation with Planning and stakeholders on draft masterplan		Completed	
Completion of flexible space outline designs through masterplan process		Completed	
Approval of Outline Business Case		Completed	
Ground investigations complete		Completed	
Submission of detailed planning application		Completed	
Planning permission granted		Completed	
Tender advertised		Completed	
Outcome of Levelling Up Fund bid (estimated date)	31 Oct 22	Q3 22/23	Ongoing
Endorsement of FBC by NAC Cabinet	29 Nov 22	Q3 22/23	Not started
Transfer of land from SE	02 Dec 22	Q3 22/23	Ongoing
Endorsement of FBC by Scottish Government	Tbc	Q3 22/23	Not started
FBC Approved by Joint Committee	Tbc	Q3 22/23	Not started
Contract award and construction begins, Phase 1 (20,000 sq ft unit)	08 Dec 22	Q3 22/23	Not started
Construction works complete, Phase 1 (20,000 sq ft unit)	mid 24	Q4 22/23	Not started
Building available for occupation	mid 24	Q1 24/25	Not started
Reporting Outputs/Outcomes/CWB	31 Oct 24	Q3 24/25	Not started
Delivery of subsequent Phases (incl revision & approval of any OBCs/FBCs)	Tbc	Tbc	Not started

6.4 Use of Special Advisers

Special advisers are being used for Phase 1 of the project as follows:

Table 26: *Special Advisers*

Specialist Area	Adviser	Detail
Financial	N/A	
Technical	Fairhurst	Geotechnical support, masterplan phase
	Austin Smith Lord	Architects, masterplan stage
	Doig & Smith	Cost consultants, masterplan stage
	Applied Ecologists	Ecologists, ongoing input
	NAC Property Management & Investment (PMI) Team	Architect, Quantity Surveyor, Project Management Services
	Colliers	Land & proposed building valuation
	Clancy	Structural Engineering & Civils Consultants
	Hulley & Kirkwood	Mechanical & Electrical Engineering Consultants
Procurement & Legal	N/A	
Business Assurance	Ryden	Property consultants, OBC stage
Other	N/A	

6.5 Arrangements for change management

The change control process will be managed by NAC. Arrangements for change management are set out within the Ayrshire Growth Deal Governance Document (v14) and are summarised in the flow chart in Appendix J.

6.6 Arrangements for benefits realisation

A Benefits Realisation Logic Chain is shown in Appendix C. In addition, a Benefits Realisation Plan for the Ayrshire Growth has been prepared and has identified the outcomes, outputs and impacts that could be measured for this project as set out below. This will also ensure alignment of information across the AGD documentation of the Implementation Plan and Benefits Realisation Plan.

Table 20: *i3 Flexible Advanced Manufacturing Space - Outputs, Outcomes and Impacts, Benefits Realisation Plan*

Ref	Indicator	
		Outputs
AGD/O/1	Direct/Indirect jobs	
AGD/O/2	Construction jobs	
AGD/O/3	Safeguarded jobs	
AGD/O/4	Community Benefits	
AGD/O/5	Jobs retained	
AGD/O/6	Jobs secured	
AGD/O/7	New or upgraded roads/junctions/cycle pathways	
AGD/O/8	Journey time savings/modal shifts	
AGD/O/9	Development space unlocked	
AGD/O/10	Reduced vacant & derelict land	
AGD/O/11	Digital Infrastructure	
AGD/O/12	New Residential Energy Supply	
AGD/O/13	Visitors	
AGD/O/14	Start-Ups	
AGD/O/15	Private sector investment	
AGD/O/16	Leverage: (including LA, HE/FE, Private Sector and any other leverage)	

AGD/O/17	Income Levels	
AGD/CB/O/1	Training places / Weeks	✓
AGD/CB/O/2	Training places / accredited qualification main-contractor	✓
AGD/CB/O/3	Training places / accredited qualification sub-contractor	✓
AGD/CB/O/4	Schools Outreach	✓
AGD/CB/O/5	CWB Support Places	✓
AGD/CB/O/6	Fair Work Accreditation	
AGD/CB/O/7	SME's supported	
AGD/CB/O/8	Regional Supplier Spend	✓
AGD/CB/O/9	Work Experience	✓
AGD/CB/O/10	Total jobs created by NSAfC projects (Apprentices)	
AGD/CB/O/11	Total jobs created by NSAfC projects (Graduates)	
AGD/CB/O/12	Total jobs created by NSAfC projects (New Entrants)	
AGD/CB/O/13	Construction Careers Information, Advice & Guidance (CCIAG) Events	
AGD/CB/O/14	Number of learners receiving an Industry certification – main contractor	✓
AGD/CB/O/15	Number of learners receiving an Industry certification – sub-contractor	✓
AGD/CB/O/16	Number of Training Plans for sub-contractors	
AGD/CB/O/17	Site visits by Colleges	✓
AGD/CB/O/18	Supply Chain Briefings to sub-contractors	✓
AGD/CB/O/19	Business Skills Supports for sub-contractors	
AGD/CB/O/20	Support for the Third Sector	
AGD/CB/O/21	Softer community benefits delivered to Ayrshire as part of the project	✓
Outcomes		
AGD/OT/1	Job Levels (new and maintained)	
AGD/OT/2	Development Space uptake	
AGD/OT/3	Digital usage patterns	
AGD/OT/4	Reduced (net) Fuel Poverty	
AGD/OT/5	Increase in visitor spend	
AGD/OT/6	Start-up performance/survival	
AGD/OT/7	Additional investment (including FDI)	✓
AGD/OT/8	Improved business productivity	
AGD/CB/OT/1	CWB participant well-being uplifts	
AGD/CB/OT/2	Fair Work implementation	
Impacts		
AGD/II/1	Net additional jobs created/ maintained	✓
AGD/II/2	Net additional returns on investment	✓
AGD/II/3	Net changes in Fuel Poverty	
AGD/II/4	Net additional user productivity	
AGD/II/5	Follow on investment	✓
AGD/II/6	Reduced levels of deprivation within the region	
AGD/II/7	Increased income levels	
AGD/CB/II/1	Wider uptake of Well Being/Fair work	
AGD/CB/II/2	Net uplifts in regional supplier spend	
AGD/CB/II/3	Case Studies – qualitative community impacts	✓

6.7 Carbon management

For all AGD projects, procedures will be developed across that apply best practice carbon management techniques, notably PAS 2080: Carbon Management in Infrastructure, to ensure that potential carbon emissions resulting from the project will be minimised from the outset. For planned buildings, the RICS Whole Life Carbon Assessment for the Built Environment approach will also be applied. These compatible approaches represent the highest standard in whole life

buildings and infrastructure carbon management and will ensure that the potential carbon emissions impact of the project is demonstrably minimised.

Embodied carbon (i.e., carbon particularly associated with construction materials and processes) will be minimised utilising the above carbon management approaches, including the use of innovative materials, construction techniques and supply chain procurement mechanisms to reduce carbon emissions, minimise waste and contribute towards a circular economy. Design and construction of the project will target net zero operational emissions, including no use of fossil fuels, at least in accordance with the Scottish Government's climate change plan.

The project team will continue to work with the Scottish Government's Sustainable Development Manager for the City Region and Growth Deals to achieve the above objectives and agree a proportionate monitoring framework to ensure their achievement.

Initial carbon analysis has been done for the overall project and is shown in Appendix I. The project has been categorised as Control (3, then zero) and Influence (B). Information related to the carbon emissions impact costs of Phase 1 of the project is not available at the moment as the design is not completely finalised. The design team for Phase 1 commissioned an Energy Options Appraisal Review in Sept 2021 which involved:

- Undertaking a desktop appraisal of project proposals in the context of the wider Masterplan for the I3 site;
- Considering current site infrastructure in relation to M&E proposals;
- Considering how Low Carbon Technology could be incorporated to meet energy and sustainability goals.
- Providing an estimate of potential budget costs and any associated Government Grants.

The conclusions of this work were that as the Phase 1 building is being kept flexible and to a shell specification for the interior, in order to attract a wide range of potential tenants, this will limit the ability to achieve a sustainability label and ratings set out in Section 7 of *SBSA Building standards technical handbook 2020: non-domestic*. However, central to the proposals will be the requirement to facilitate and retain the ability to achieve a Bronze Active Label as a minimum, upon completion of the fit-out design by the future tenant.

The selected contractor shall ensure that building design will facilitate and retain the ability to achieve a minimum of Gold Level Aspect 1 by exceeding (TER) CO₂ emission rates.

6.8 Arrangements for risk management

The strategy, framework and plan for dealing with the management of risk will be through the contract with monitoring by the Project Manager within the Council's PMI Team.

A copy of the project Risk Register is attached at Appendix E This sets out who is responsible for the management of risks and the required counter measures.

6.9 Arrangements for contract management

The Phase 1 Flex Space project will be managed by the Council's PMI team and construction phase will be delivered by the preferred bidder. Management will include regular progress meetings and reports by the contractor. The Council's PMI team will project manage and oversee the works on behalf of North Ayrshire Council and will be responsible for resolving any issues that arise with the contractor.

6.10 Arrangements for post project evaluation

Project monitoring and evaluation will be managed through AGD governance arrangements, as established. The project will be subject to regular review meetings to discuss progress, programme, financial and technical matters.

It will be necessary to monitor the impact of the AGD, including at individual project level. The flexible space project will be monitored through the various Green Book Business Case Stages by North Ayrshire Council's Growth and Investment Team. The Project Lead will report progress at key stages through a series of Gateway Boards prior to updates to the Council's Executive Leadership Team. Project spend will be monitored on a monthly basis with the Council's Finance Team. A monitoring and evaluation framework will be developed to monitor the project's outputs and outcomes and ensure that those are included, where possible, within the procurement process.

6.11 OCG Gateway review arrangements

The Office of Government Commerce (OGC) Gateway Process is designed to provide independent guidance to Senior Responsible Owners (SROs), programme and project teams and to the departments who commission their work, on how best to ensure that their programmes and projects are successful. This process examines programmes and projects at key decision points in their lifecycle. It looks ahead to provide assurance that they can progress successfully to the next stage. These key stages or 'Gates' are:

- Gate 0 – Strategic Assessment
- Gate 1 – Business Justification
- Gate 2 – Delivery Strategy
- Gate 3 – Investment decision
- Gate 4 – Ready for Service
- Gate 5 – Benefits Realisation and Operational Review

In terms of Phase 1 and this specific FBC, the internal project board discussed the aspects of the tender at a meeting on 13th Oct 2022 and are satisfied with the outcome of the process outlined to them at the meeting.

6.12 Contingency plans

In the event that this project fails, governance arrangements are in place to allow the Council to agree an appropriate way forward with the PMO and Governments to ensure that there is limited impact on the Ayrshire Growth Deal.

Signed:

Date: xx November 2022
Senior Responsible Owner
Project Team

PART C: APPENDICES

Appendices

Table 1: List of appendices

Ref.	Appendices	Referenced
A	Heat Map and Inclusive Growth Drivers	1.2.1, 2.4.1
B	Flexible Space Links to AGD Projects	1.2.1
C	Benefits Realisation Logic Chain	2.8, 6.6
D	Economic Modelling & Technical Detail	3.6.2, 3.10
E	Risk Register	1.4.2, 1.5.2, 2.9, 4.3, 6.8
F	Inclusive Growth & Community Wealth Building	1.1.1
G	Community Benefit Statement	For information
H	Equality Impact Assessment	For information
I	Carbon Management	3.7.5, 6.7 (need to include in Exc Summary too or Strategic Section)
J	Ayrshire Growth Deal Change Management Process	6.5

APPENDIX A: INCLUSIVE GROWTH HEAT MAP

[illegible]

APPENDIX B: AGD PROJECT LINKS

Project Link	What is the Link?	Key Actions to Maximise Link	Expected benefits of the link	Targets
Digital Processing Manufacturing Centre, i3	The DPMC at i3 will provide a unique facility for processing manufacturing sector companies to improve their productivity and modernise their processes through digital automation. This will be linked to the i3 Flexible space that will be provided mainly around the proposed location of the DPMC to create a cluster and accommodate business opportunities arising from the DPMC project eg business incubation units.	<ul style="list-style-type: none"> Dialogue required across AGD projects to established differentiation between projects, complementarity opportunities and wider understanding of partner roles in each project (eg NMIS, University of Strathclyde, Ayrshire College) 	<ul style="list-style-type: none"> Creation of cluster area at i3 with DPMC and business space that complements each other and accommodates spin off opportunities from the DPMC facility being located at Irvine. Opportunities for referral from DPMC to more specialised F&D facility at AMIC 	TBC as project develops
Project Link	What is the Link?	Key Actions to Maximise Link	Expected benefits of the link	Targets
Digital Infrastructure	This project is seeking £3m to ensure Ayrshire has the digital infrastructure in place which is critical to the region's future growth. By improving connectivity, local businesses and investors will not be restricted from using robotics or digital programmes which require excellent connectivity connections.	<ul style="list-style-type: none"> Ensure attendance of Officer representing Flex Space/DPMC at relevant working group meetings. 	<ul style="list-style-type: none"> Information sharing and opportunities for joint working. Ensuring i3 connectivity requirements, including that of DPMC partner NMIS, have high visibility as part of the Digital Infrastructure project. 	TBC as project develops
Project Link	What is the Link?	Key Actions to Maximise Link	Expected benefits of the link	Targets
Fibre Optic Subsea Cable	The project seeking £11m of funding required towards the cable and associated infrastructure to ensure Ayrshire has the fastest possible connection to the global digital network. There are opportunities for a fibre optic cable to land at Irvine and this would have the potential to make Ayrshire a globally connected region capable of delivering services to a level equivalent to anywhere in the world.	<ul style="list-style-type: none"> Ensure attendance of Officer representing Flex Space/DPMC at relevant working group meetings 	<ul style="list-style-type: none"> Information sharing and opportunities for joint working. Ensuring i3 connectivity requirements, including that of DPMC partner NMIS, have high visibility as part of the Subsea Cable project. Identification of related investment opportunities for i3 e.g. data centres. 	TBC as project develops

	This will help attract and be of benefit to new businesses occupying flexible space at i3 and for the DPMC project.			
Project Link	What is the Link?	Key Actions to Maximise the Link	Expected Benefits of the Link	Targets
Ayrshire Skills Investment Fund	The Ayrshire Skills Investment Fund seeks £3.5m for the establishment of a responsive skills fund to drive Inclusive Growth. The fund can help support people on the programme to develop skills. The Ayrshire Skills Investment Fund will add flexibility and responsiveness to the skills system to address related i3/DPMC industry needs and can also ensure that disadvantaged sectors of the community have access to career opportunities through the i3/DPMC AGD projects	<ul style="list-style-type: none"> • Ensure attendance of Officer representing Flex Space/DPMC at relevant working group meetings • Joint discussions with local Colleges to ensure a collaborative approach • Sharing of information regarding skills gaps identified through business engagement 	<ul style="list-style-type: none"> • Direct link to skills training that is not currently available • Support to prepare those out of labour market to new jobs • Achievement of key outcome to raise skills levels within the local area 	TBC as project develops
Project Link	What is the Link?	Key Actions to Maximise the Link	Expected Benefits of the Link	Targets
AMIC	With Links to NMIS the AMIC centre will provide pilot plant facilities to allow F&D manufactures to test and development new production and manufacturing practices. While the DPMC at i3 will provide a unique facility for processing manufacturing sector companies to improve their productivity and modernise their processes through digital automation. AMIC and DPMC will complement the manufacturing industry in general across Ayrshire and the south west of Scotland while focusing on different areas of industry. The Development of Advanced manufacturing space as part of AMIC, will attract inward investment to the Ayrshire Region.	<ul style="list-style-type: none"> • Set up referral routes from the project • Working group oversees both projects and responsible for integration. • Sharing of information and joint discussions with NMIS to ensure a collaborative approach and avoid duplication. • Sharing of learnings and studies which would benefit or transfer across sub sectors to benefit the wider manufacturing sector in Ayrshire. 	<ul style="list-style-type: none"> • Sharing of information and resource. • Collaboration on projects which can be developed with mass benefit to the wider manufacturing sector in Ayrshire. • Provision of flexible space in both North and East Ayrshire which will drive inward investment to the area providing greater choice to investors and collaborative working across the councils. 	TBC as project develops

Ayrshire Growth Deal Project Name	Spaceport Infrastructure	Enabling Infrastructure - Roads	Commercial Workspace & Infrastructure	Aerospace and Space Innovation Centre (ASIC) inc Visitor/STEM	i3 Advanced Manufacturing Space & Digital Processing Manufacturing	HALO Kilmarnock	Ayrshire Engineering Park (Moorfield)	Ayrshire Manufacturing Investment Corridor (AMIC)	National Energy Research Demonstrator (NERD)	Hunterston Strategic Development Area	Marine Tourism	Industrial Marine Science and Environmental Centre (IMSE)	The Great Harbour, Irvine Harbourside - Ardeer	Digital Subsea Cable	Digital Infrastructure	Working for a Healthy Economy	Ayrshire Skills Investment Fund	Community Wealth Building
Spaceport Infrastructure		3	3	3	1	1	1	1	0	0	0	0	0	2	3	2	2	2
Prestwick Enabling Infrastructure - Roads	3		3	3	0	0	0	0	0	0	1	0	0	1	1	1	1	2
Prestwick Commercial Workspace & Infrastructure	3	3		3	2	1	1	1	1	1	0	0	0	2	3	2	2	2
Aerospace & Space Innovation Centre (ASIC) inc Visitor/STEM Engagement Hub	3	3	3		1	1	1	1	1	1	0	0	0	2	3	3	3	2
i3 Advanced Manufacturing Space & Digital Processing Manufacturing Centre	1	0	2	1		1	2	2	1	2	0	0	0	2	3	2	2	2
HALO Kilmarnock	1	0	1	1	1		1	1	1	0	0	0	0	2	2	2	2	2
Ayrshire Engineering Park, Moorfield	1	0	1	1	2	1		2	1	0	0	0	0	2	3	2	2	2
Ayrshire Manufacturing Investment Corridor (AMIC)	1	0	1	1	2	1	2		1	1	0	0	0	2	2	2	2	2
National Energy Research Demonstrator (NERD)	0	0	1	1	1	1	1	1		1	0	1	0	2	3	2	2	2
Hunterston Strategic Development Area	0	0	1	1	2	0	0	1	1		1	2	1	2	3	2	2	2
Marine Tourism	0	1	0	0	0	0	0	0	0	1		2	2	2	2	2	2	2
Industrial Marine Science and Environmental Centre (IMSE)	0	0	0	0	0	0	0	0	1	2	2		1	2	3	2	2	2
The Great Harbour, Irvine Harbourside - Ardeer	0	0	0	0	0	0	0	0	0	1	2	1		2	2	2	2	2
Digital Subsea Cable	2	1	2	2	2	2	2	2	2	2	2	2	2		3	2	2	2
Digital Infrastructure	3	1	3	3	3	2	3	2	3	3	2	3	2	3		2	2	2
Working for a Healthy Economy	2	1	2	3	2	2	2	2	2	2	2	2	2	2	2		3	3
Ayrshire Skills Investment Fund	2	1	2	3	2	2	2	2	2	2	2	2	2	2	2	3		3
Community Wealth Building	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	3	3	

Relationship	Number of Points
Primary Relationship (Absolutely Contingent)	3
Secondary Relationship (Strong obvious link)	2
Tertiary Relationship (Weak link)	1
No Relationship	0

APPENDIX C: BENEFITS REALISATION LOGIC CHAIN

Project Inputs (resources)	Project Activities (what you do)	Project Outputs (what is produced)	Project Outcomes (change expected as result of outputs/activities)	Programme Objective
AGD £15million Scot Govt £11m NAC £5m	<ul style="list-style-type: none"> Planning applications submitted Site remediation work New link/access roads developed Construction of SUDS/sewerage systems Improved junctions to enhance access to sites New junctions to open up access to sites Construction of flexible business space in phases. 	<ul style="list-style-type: none"> Total Area reclaimed, (re)developed or assembled (20 Ha) as a result of the project Total Area of Opportunity Sites (20 Ha) New Industrial & Business Space (9000sq m) Individuals supported into work Private businesses supported Jobs safeguarded Wide range of employment opportunities Improved pedestrian linkages Vacant and Derelict Land brought back into use/removed from SVDL Register (20 ha) Flexible business space for start-up or needs Well-connected flexible business space within close proximity to central belt region supply chains and workforce 	<ul style="list-style-type: none"> Altered perception and market sentiment in regard to Ayrshire's advance manufacturing and digital offer Improved market sentiment 20 Ha land unlocked for development Increased levels of investment, including FDI Uplift in commercial rental/sales values (£) Increased supply of commercial space Strengthening key business clusters Increased employment and development of skills in local workforce Increased GVA Reduced levels of deprivation in local areas Enhanced accessibility - employment/ business locations Widening of labour market Improved business productivity Strengthening key business clusters Businesses attracted to the locality and increase in inward investment Reduction in level of vacant and derelict land 18-35 People from Employability & Skills Programme Accessing Jobs Sustainable work location with services and amenities to support employees (e.g. child care/creche facility/café/retail) 	<ul style="list-style-type: none"> Increase employment opportunities Increase in GVA across region Lever in private sector investment Spread the benefits of economic growth across region, ensuring deprived areas benefit from this growth. Job market entrants and low skilled workers increasing soft and basic skills through provision of local jobs Attract skilled workers to the region and support local people entering skilled employment opportunities

APPENDIX D: ECONOMIC MODELLING, i3 FLEXIBLE SPACE PHASE 1

The Economic case at a Scotland level (as required by Scottish Ministers) is presented in the table below. The Present value of benefits and costs are shown for each option and a Net Present Value and Benefit Cost Ratio (BCR) are calculated. The BCR shows variation between the options chosen to be assessed.

The details are as follows:

The Preferred Option to deliver a 1,690 sq m unit with occupancy commencing half way through financial year 24/25 provides a Benefits Cost Ratio (BCR) of £3.31:£1. Which potentially generates 36 direct and indirect jobs (FTEs), 27 construction jobs (FTEs) and an estimated total GVA (25 year NPV) of approximately £22,670,631 and £91,718 GVA per head. Sensitivity testing of the Preferred Option was undertaken with two scenarios. Sensitivity Check – Negative Option varied the unit format, with it subdivided into four units and occupancy staggered over a number of years. This decreased the BCR slightly to £2.95:£1. Sensitivity Check – Positive Option varied the occupancy timescale for the unit to be occupied earlier than the Preferred Option, at the start of 24/25. This increased the BCR slightly to £3.60:£1. In all three cases the Preferred Option provided a positive result.

For each Option modelled spatial adjustment analysis is undertaken. This uses standard HMT Green Book techniques (See HMT Green Book, Annex A3) to adjust the results to account for the local income distribution compared with the country as a whole. This is in line with the Scottish Government view of the importance of Inclusive Growth (after the spatial distributive sensitivity analysis is undertaken).

In addition, using a methodology developed by Scottish Government Economists, further analysis has been undertaken to examine the likely impacts at a UK level (as required by UK government). UK guidance is specific about the limited extent to which any employment impacts should be treated as additional at the UK level and so the approach looks at the proportion of the Scottish level BCR which remains after applying UK treatment of jobs.

This approach combines two components – an adjustment for the relative productivity of the jobs created, taking into account the economic profile of the area and a more formal representation of the spatial impact. Combining these two factors together gives a “UKG Adjustment Factor” which is compared with the “Scottish BCR Factor” the fraction of the Scottish level impact that is required to result in a BCR of 1, termed β .

The Preferred Option and its sensitivity test was further reviewed through the above described spatial adjustment factors. The outcome was that the Scottish BCR for the Preferred Option stands at £1.30:£1, with a sensitivity testing producing a range of £1.28:£1 to £1.34:£1. The sensitivity tests generally provided slight variations, if any, to some outcomes related to construction jobs, GVA (25 year NPV) and BCR figures but by limited difference.

An Alternative Option 3, involving the delivery of Phase 2 of the project comprised of terraced units and one modular unit was also modelled. This would deliver more floorspace (2,504 m²) over a longer period of time and would be generally more ambitious. This had higher GVA and jobs outcomes, given the larger scale of the project.

With the above in mind, it is clear that the best proposal in the round is the Preferred Option. However this provides limited benefits and there are questions over all of the Options modelled in terms of the added beneficial value they will deliver.

Option appraisal conclusion:

The key findings are as follows:

Option 1 – do nothing/do minimum/status quo

This option ranks fourth. It provides no development or build out.

Option 2 –Preferred Option.

Ranked first in terms of in Overall UKG adjustment factors.

- Delivers 36 net jobs (Direct and Indirect) FTEs
- Delivers 27 construction jobs FTEs
- This option delivers £22,670,631 GVA discounted over the next 25 years
- The GVA per head for the project is £91,718
- It provides a positive economic impact with an estimated Benefit Cost Ratio of £3.31:£1
- After spatial adjustment, the estimated Benefit Cost ratio decreases to £1.30:£1

Preferred Option - Sensitivity Check – Negative (unit subdivided & staggered occupancy)

- Delivers 36 net jobs (Direct and Indirect) (FTEs)
- Delivers 28 construction jobs (FTEs)
- This option delivers £21,370,231 GVA discounted over the next 25 years
- The GVA per head for the project is £91,718
- It provides a positive economic impact with an estimated Benefit-Cost ratio of £2.95:£1
- After spatial adjustment, the estimated Benefit Cost ratio increases to £1.34:£1

Preferred Option – Sensitivity Check – Positive (unit occupied earlier)

- Delivers 36 net jobs (Direct and Indirect) (FTEs)
- Delivers 27 construction jobs (FTEs)
- This option delivers £24,689,504 discounted over the next 25 years
- The GVA per head for the project is £91,718
- It provides a positive economic impact with an estimated Benefit-Cost ratio of £3.60:£1
- After spatial adjustment, the estimated Benefit Cost ratio increases to £1.28:£1

Alternative Option (3) – Deliver Phase 2

This option ranks second in terms of Overall UKG adjustment Factors.

- Delivers 53 net jobs (Direct and Indirect) (FTEs)
- Delivers 35 construction jobs (FTEs)
- This option delivers £32,451,002 discounted over the next 25 years
- The GVA per head for the project is £91,718
- It provides a positive economic impact with an estimated Benefit-Cost ratio of £3.66:£1
- After spatial adjustment, the estimated Benefit Cost ratio increases to £1.27:£1

TECHNICAL DETAIL

Stage 1:

Local and Scottish impacts can be calculated as under 2003 Green Book and associated guidance (equivalent to local and regional impacts in current HMT Guidance). The Scotland level impacts are what is considered important for Scottish Ministers.

Stage 2:

To align the standard results with the Inclusive Growth approach within the Scottish Government's Economic Strategy it is recommended that a spatial distributive sensitivity analysis is undertaken.

The way to do this is as follows:

$$\text{Distributional Weight } d = \left[\frac{\text{Median earnings}^{\text{Scotland}}}{\text{Median earnings}_{\text{Area of impact } i}} \right]^{1.3}$$

Where 1.3 is the value for the marginal distribution of income in the Green Book. This weight should be applied to the benefits of the scheme that accrue to the local area. It may be necessary to perform a more complicated calculation if there is a wider distribution of impacts:

$$\text{Distributional Weight } d = \sum_{i=1}^n \left[\frac{\text{Median earnings}_{\text{Small and}}}{\text{Median earnings}_{\text{Area of impact } i}} \right]^{1.3} \cdot \alpha_i, \text{ where } \alpha_i \text{ is the proportion of impact in area of impact } i.$$

This should be reported, by being applied to the Net Present Value of Benefits of the project as a sensitivity.

Stage 3:

UK level impacts are important for UK Ministers and will need to reflect updated Green Book guidance, specifically the assumption of 100% displacement of labour demand effects. However, the suggested approach is to take into account the likely differential impacts in low and high unemployment areas.

The approach, that minimises the additional effort and calculations required, calculates the extent of UK level impacts by taking the Scotland level impacts and calculating what proportion of them remain after applying UKG guidance. To make this comparison simple, the fraction of the Scottish level impact that is required to result in a BCR of 1¹, termed β , is calculated. β is simply the inverse of the BCR at the Scotland level. If the BCR at the Scotland level is 2, then the fraction of the Scotland level BCR that is required is ½.

$$\beta = \frac{1}{BCR} = \frac{NPC}{NPB}$$

This is compared with a "UKG adjustment factor" that is calculated by looking at the productivity, spatial distribution and potentially, labour supply impacts of the intervention.

Note that the Scotland level impacts will already contain some degree of displacement.

Stage 4:

The next step is to determine if the area of impact is a low or high unemployment area. A reasonable way to do this is to compare the employment rate with the Scotland average.

A high employment area will take labour from the UK as a whole whereas a low employment area will take employment from the local area.

Productivity

Thus the productivity adjustment factor, p , is given by:

High employment area	Low employment area
$p = \frac{(g_x)}{(g_{UK})}$	$p = \frac{(g_x)}{(g_l)}$

¹ A BCR of 1 is used rather than accounting for the Marginal Social cost of public funds as it is argued that under the assumptions now explicit in the Green Book the MSCPF would be close to 1.

Where g = GVA/head and x is the project under consideration, and UK and l represent the UK and the local area respectively. Note that GVA/head is used in order to be able to calculate sector comparisons.

Spatial distribution

This follows the same approach as for Scotland but makes the comparison with UK median income per head;

$$\text{Distributional Weight } d = \sum_{i=1}^n \left[\frac{\text{Median earnings}_{\text{UK}}}{\text{Median earnings}_{\text{Area of impact } i}} \right]^{1.3} \cdot \alpha_i, \text{ where } \alpha_i \text{ is the proportion of impact in area of impact } i.$$

Stage 5

Combining the analysis and presenting the results

The overall adjustment factor, γ , is given by:

$$\gamma = (p) \cdot (d)$$

This should be compared with the inverse BCR or β parameter discussed above and the value for money condition is if:

$$VFM \text{ if } \gamma \geq 1 + \beta \text{ or } \gamma - 1 \geq \beta$$

	Short Listed Options - Phase 1				
	Option 1 Do nothing	Option 2 Preferred	Preferred (sensitivity check - negative impact)	Preferred (sensitivity check - positive impact)	Option 3 (Phase 2)
STAGE 1 - Scotland Impacts - Standard Analysis as calculated before (traditional)					
Business space created (NIA)	0	1690 sq m	1690 sq m	1690 sq m	2504 sq m
Capital Expenditure	n/a	£4,814,000	£5,093,000	£4,814,000	£6,342,500
Net Present Cost		£4,345,707	£4,588,840	£4,345,707	£5,618,718
Optimism bias		5%	5%	5%	5%
Direct Jobs	0	23	23	23	34
Indirect Jobs	0	13	13	13	20
Total Jobs	0	36	36	36	53
Construction jobs	0	27	28	27	35
Construction GVA	£0	£1,021,364	£1,078,502	£1,021,364	£1,320,720
Direct GVA (Present Value of Benefits) 25 year NPV	£0	£14,368,370	£13,544,192	£15,647,907	£20,567,050
Indirect GVA 25 year NPV	£0	£8,302,261	£7,826,039	£9,041,597	£11,883,952
Total GVA 25 year NPV	£0	£22,670,631	£21,370,231	£24,689,504	£32,451,002
Present Value of Costs to Government	n/a	£4,345,707	£4,588,840	£4,345,707	£5,618,718
NPV		£10,022,663	£8,955,352	£11,302,199	£14,948,332
BCR		3.31	2.95	3.60	3.66
Rank based on BCR		1	n/a	n/a	2
STAGE 2- Scotland Impacts - Spatially Adjusted Analysis to align 'traditional' results with Inclusive Growth approach within Scottish Government's Economic Strategy					
Spatial Adjustment factor	n/a	1.11	1.11	1.11	1.11
NPV		£11,306,622	£10,165,663	£12,700,498	£16,786,207
BCR		3.60	3.22	3.92	3.99
STAGE 3- UK Impacts - calculate extent of UK level impacts by taking Scotland level impacts and calculating proportion of them which remain after applying UKG guidance					
Spatial Adjustment factor (d)	n/a	1.09	1.09	1.09	1.09
STAGE 4- UK Impacts - A high employment area can be thought of as drawing labour from UK whereas low employment area will draw from the local area					
Steady State Direct Employment - Jobs	0	23	23	23	34
Steady State GVA	£0	£22,192,840	£21,144,255	£23,765,717	£3,107,286
GVA per head for project	£0	£91,718	£91,718	£91,718	£91,718
Productivity Adjustment factor (r)	n/a	1.88	1.88	1.88	1.88
Overall UKG Adjustment Factor (UKAF) (g)		2.30	2.30	2.30	2.30
Scottish BCR Factor (b)		1.30	1.34	1.28	1.27
Rank based on Overall UKG Adjustment Factor		1	n/a	n/a	2

Whole Programme	Whole Programme (More Ambitious)
-----------------	----------------------------------

6000 sq m	6000 sq m
£15,000,000	£15,000,000
£12,661,213	£13,194,526
5%	5%
83	83
50	50
133	133
83	83
£2,975,759	£3,101,091
£48,697,595	£50,606,820
£29,126,312	£30,333,651
£77,823,907	£80,940,471
£12,661,213	£13,194,526
£36,036,382	£37,412,294
3.85	3.84
1.11	1.11
£40,388,006	£41,934,526
4.19	4.18
1.09	1.09
83	83
£7,285,130	£7,285,130
£88,277	£88,277
1.81	1.81
1.22	1.22
1.26	1.26

APPENDIX E: RISK REGISTER

AYRSHIRE GROWTH DEAL RISK REGISTER:			i3 ADVANCED MANUFACTURING SPACE Full Business Case, Phase 1, 03 October 2022 (IP) denotes risks within Implementation Plan					
Risk Code	Risk Type	Risk Description	Likelihood	Impact	Risk Score	Internal Controls / Counter Measure	Owner	Status
I3FL-R01 (IP)	Outputs & Outcomes	Anticipated outputs and outcomes are not delivered.	3	5	15	Ensure BC addresses sensitivity of outcomes Clear Evaluation & Monitoring Framework Benefits Realisation Plan has been prepared	NAC / Contractor	High Risk
I3FL-R02	Outputs & Outcomes	The overall impact of i3 AGD programme is limited, as the Business Case for the i3 DPMC facility fails.	2	5	10	The DPMC proposal has a strong supporting evidence base. FBC for DPMC Phase 1 has been approved DPMC Phase 2 FBC requires approval.	NAC	Warning
I3FL-R03	Outputs & Outcomes	The project fails to achieve more inclusive growth and/or reduce poverty by increasing the income of people in deprived areas or protected characteristic groups	3	5	15	Benefits Realisation Plan prepared to identify targets.	NAC	High Risk
I3FL-R04	Timescales / Programme	Delays to overall project programme and key milestones	3	5	15	Prepare a detailed project programme with considered time allowances and review regularly.	Delivery Team	High Risk
I3FL-R05 (IP)	Timescales / Procurement	Delays caused by Procurement	4	3	12	Seek early agreement on procurement routes Include anticipated tender packages within the Council's Procurement Wave Plan	NAC	High Risk
I3FL-R06	Timescales / Environment	Delays caused by environmental considerations	3	5	15	Protected Species/Habitat risk has been assessed at an early stage. Review of site studies required at key stages. Ensure seasonal work/study requirements are accounted for in programme.	NAC	High Risk

AYRSHIRE GROWTH DEAL RISK REGISTER: i3 ADVANCED MANUFACTURING SPACE Full Business Case, Phase 1, 03 October 2022 <i>(IP)</i> denotes risks within Implementation Plan								
Risk Code	Risk Type	Risk Description	Likelihood	Impact	Risk Score	Internal Controls / Counter Measure	Owner	Status
I3FL-R07	Timescales / Environment	Delays caused by site investigation work and findings	3	5	15	Instruct SI work at early stage of project	NAC	High Risk
I3FL-R08	Timescales / Regulatory	Delays caused by objections	2	4	8	Advance programme of local & stakeholder engagement.	NAC	Warning
I3FL-R09 (IP)	Timescales / Regulatory	Delays caused by statutory consent processes	2	4	8	Zoned & allocated site Pre-App discussion with North Ayrshire Council Planning Assess Protected agree programme for consents Advance Species/Habitat risk at early stage Prepare programme of stakeholder engagement	NAC	Warning
I3FL-R10	Timescales / Regulatory	Delays caused by land acquisition / lease agreement processes.	2	4	8	Early engagement with land/building owners. Ensure programme allows for third party approvals.	NAC / SE	High Risk
I3FL-R11	Timescale / Business	Potential delays in Full Business Case approval.	3	4	12	BC developed in accordance with Green Book Stakeholder Risk Assessment Early Market Input/ Partner & Commercial Input Review CAPEX and OPEX costs Review Governance Arrangements Adjustments to spec at each phase to meet changing demands.	NAC / SG	High Risk
I3FL-R12	Timescale / Contractor	Delays when the contractor is on site.	4	5	20	Identify appropriate construction contract to remove/ reduce risk of cost over-run.	Contractor	Warning
I3FL-R13	Timescale / Business / Professional	Delays caused by resource management and project management issues.	3	5	15	Internal AGD team has been identified. Review project resource requirements regularly. Ensure external teams have robust	NAC / Consultants / Contractor	Warning

AYRSHIRE GROWTH DEAL RISK REGISTER: i3 ADVANCED MANUFACTURING SPACE Full Business Case, Phase 1, 03 October 2022 <i>(IP)</i> denotes risks within Implementation Plan								
Risk Code	Risk Type	Risk Description	Likelihood	Impact	Risk Score	Internal Controls / Counter Measure	Owner	Status
						procedures in place for replacing resource if required.		
I3FL-R14	Regulatory	Planning/building warrants are not granted.	2	5	10	LDP supports development of site for this use. Ensure local members briefed/updated on project. Hold pre-app discussion with NAC Planning Assess Protected Species/Habitat risk Formally agree programme for consents Advance programme of stakeholder engagement	NAC	High Risk
I3FL-R15	Regulatory	Compliance with State Aid / Subsidy regulations.	2	5	10	Engage with State Aid Unit at appropriate stage. Partners to identify specific Subsidy Risks within the project		High Risk
I3FL-R16	Financial	Design and technical studies result in additional costs beyond the contingencies and optimism bias allowed for.	3	5	15	Develop and validate project briefs and specifications for each phase Benchmark costs. Ensure early infrastructure cost tested and informed by SI work. Provide Optimism Bias allowances compliant with Green Book Provide for contingency & inflation.	NAC / Design Team	Warning
I3FL-R17	Financial	Slippage / delay in the programme incurs additional costs.	4	5	20	Instruct appointed project team to address this within Risk Register. Selected procurement route will seek to ensure contract type has less risk for client.	NAC / Contractor	Warning

AYRSHIRE GROWTH DEAL RISK REGISTER: i3 ADVANCED MANUFACTURING SPACE Full Business Case, Phase 1, 03 October 2022 <i>(IP)</i> denotes risks within Implementation Plan								
Risk Code	Risk Type	Risk Description	Likelihood	Impact	Risk Score	Internal Controls / Counter Measure	Owner	Status
I3FL-R18 <i>(IP)</i>	Financial	There are unforeseen project complexities that require additional funding.	2	5	10	Provide for contingency Provide Green Book compliant Optimism Bias allowances. Similar project has been delivered previously.	NAC	Warning
I3FL-R19 <i>(IP)</i>	Financial	Rental income lower than forecast	2	4	8	Market review and comparator analysis to identify appropriate rent but ultimately down to actual market demand on completion	NAC	Warning
I3FL-R20	Financial	Lack of budget to support interested tenants to fit out shell of building	3	4	12	Identify at an early stage and with Business Growth Team, how this can be supported.	NAC	Warning
I3FL-R21	Financial	Lack of budget to support maintenance of buildings until tenants take occupancy, if buildings are classified and non -operational.	3	2	6	Identify at an early stage with Finance and Estates, how this can be supported.	NAC	High Risk
I3FL-R22	Professional	Lack of project management experience.	2	4	8	Ensure experience project management team, both in-house and any external support. Budget allows for appointment of required expertise.	NAC	Warning
I3FL-R23	Professional	Poor change management procedures.	3	4	12	Clear and agreed procedures set in place for internal change management and for external processes with design team and contractor.	NAC / Contractor	Warning
I3FL-R24	Professional	Specification – design issues on-site	2	5	10	Adopt best practice design and ensure flexibility for subsequent division/ alteration of premises.	NAC / Consultants / Contractor	Warning
I3FL-R25	Timescales / Contractual	Delays caused by contractor on site.	4	5	20	Identify appropriate construction contract to remove/ reduce risk of cost over-run	Contractor	Warning

AYRSHIRE GROWTH DEAL RISK REGISTER: i3 ADVANCED MANUFACTURING SPACE Full Business Case, Phase 1, 03 October 2022 <i>(IP)</i> denotes risks within Implementation Plan								
Risk Code	Risk Type	Risk Description	Likelihood	Impact	Risk Score	Internal Controls / Counter Measure	Owner	Status
I3FL-R26	Contractual / Political	Failure to deliver community benefits – training, employment	3	4	12	Incorporate appropriate community benefits into contract terms and resource appropriately	NAC / Contractor	Warning
I3FL-R27	Contractual	Issues with co-ordination on-site - contracts, visitors	2	4	8	Ensure main contractor has appropriate procedures for site management	Contractor	High Risk
I3FL-R28 <i>(IP)</i>	Reputational / Political	The project's Full Business Case fails.	2	5	10	Heads of terms signed with UK and Scottish Governments, OBC approved. Development of FBC in accordance with Green Book and with strong supporting evidence. Draft masterplan provides overall vision.	NAC	High Risk
I3FL-R29 <i>(IP)</i>	Reputational	Demand for the project diminishes and there is no interest from occupiers.	2	5	10	Flexible design to maximise potential interest from occupiers. Recent research has established demand. Prepare project marketing particulars.	NAC	High Risk
I3FL-R30	Reputational	Market expectations are not met.	2	5	10	Scale/ quality/ design based on identified market needs Recent research has established demand. Continue to review demand and business needs with Partners including SE and SDI. Involve relevant business engagement partners.	NAC	High Risk
I3FL-R31	Reputational	Businesses interested in units decide not to progress	3	5	15	Ensure ongoing engagement with businesses to prepare suitable Heads of Terms.	NAC	High Risk
I3FL-R32 <i>(IP)</i>	External	The COVID pandemic has a detrimental impact on the project, including delay to project's	4	4	16	Anticipating some delay arising from COVID 19 recovery. Early analysis identifies that the	NAC	High Risk

AYRSHIRE GROWTH DEAL RISK REGISTER: i3 ADVANCED MANUFACTURING SPACE Full Business Case, Phase 1, 03 October 2022 <i>(IP)</i> denotes risks within Implementation Plan								
Risk Code	Risk Type	Risk Description	Likelihood	Impact	Risk Score	Internal Controls / Counter Measure	Owner	Status
		development and delivery and a reduction in demand for the project.				need for the project is unlikely to be diminished (in fact the need may be greater). Continued economic analysis and development of recovery plans should be implemented and robust project scoping should continue to ensure the project meets needs.		
I3FL-R33	External	BREXIT has a detrimental impact on the project, including the overall cost of the project and potential delays eg cost of and timescale for delivery of specific materials.	4	4	16	Cost monitoring as part of projects. Make adjustments to programme and cost areas within budget, based on experience of other relevant projects.	NAC	High Risk
I3FL -R34	External	Cost inflation has a detrimental impact on the project in terms of capability to deliver the overall proposed programme of floorspace	4	5	20	Value engineer proposals where possible. Seek additional sources of funding to boost budget. Alter industrial / office space specifications and formats where possible.	NAC	High Risk
I3FL – R35	Timescales / Financial	Utilities cause delays eg surface water drainage connections, sub station requirement.				Utility companies to be approached and applications to be submitted at an early stage.		Warning

APPENDIX F: INCLUSIVE GROWTH & COMMUNITY WEALTH BUILDING

I3 Flexible Advanced Manufacturing Space: Inclusive Growth and Community Wealth Building

Inclusive Growth Ambition/Objective	How?	IG Barrier	IG Action Plan	CWB pillar	CWB theme	Equalities/ Excluded Group
Increase in GVA across region	Deliver modern, flexible business space to provide space to market (97,000 sq ft)	Intermediate & Advanced Skills, Structure of economy, Advanced digital skills, Business premises Inward investment	Maximising benefits for Ayrshire's business base. Maximising benefits for people – Fair Work. Maximising benefits for places/communities.	Fair employment Land and assets	Promote our investment opportunities to regional and national institutions to gain investment in our communities	
Expenditure in R&D per head	Deliver modern business space which attracts investment from firms spending in R&D	Structure of economy Advanced digital skills Business premises	Maximising benefits for Ayrshire's business base. Maximising benefits for people – Fair Work. Maximising benefits for places/communities.	Fair employment Land and assets	Promote our investment opportunities to regional and national institutions to gain investment in our communities	
Employment Opportunities	Create employment opportunities for groups that most need them eg disadvantaged groups and protected characteristic groups including women and young people. Detail requirements through Community Benefits in procurement packages. Work with partner organisations to facilitate recruitment of excluded groups.	Intermediate & Advanced Skills, Structure of economy,	Maximising benefits for people – Fair Work. Maximising benefits for places/communities.	Fair employment Procurement	Promote our investment opportunities to regional and national institutions to gain investment in our communities	
Improving skills	Creating pre-employment learning pathways for identified priority groups eg females, living in Ayrshire. Support skills needs of businesses taking space within i3.	Intermediate & Advanced Skills, Structure of economy, Advanced digital skills,	Maximising benefits for people – Fair Work. Maximising benefits for places/communities.	Fair employment	supporting in work progression, and training and skills pipeline	

APPENDIX G: COMMUNITY BENEFIT STATEMENT



AGD Business Cases – Regional Community Benefits Statement

Community Benefits

Community Benefits have been a key component of public procurement policy and practice in Scotland for more than ten years.

To embed best practice and drive public bodies to consider Community Benefits clauses in procurement, The Procurement Reform (Scotland) Act 2014 established a national legislative framework for sustainable public procurement that supports Scotland's economic growth through improved procurement practice.

The Reform Act requires public bodies, including Ayrshire Growth Deal (AGD) Partners, to consider how their procurement activity can improve the economic, social and environmental wellbeing of their communities.

Community Benefits are one of a range of social and environmental requirements that can be included in public contracts, contributing to national outcomes on sustainability including, but not limited to, employment, learning, skills, supply chain development and community engagement.

Contractors, suppliers and Service Providers appointed through AGD projects must demonstrate their organisations' commitment to providing Community Benefits within Ayrshire, over and above their obligations to deliver on the core purpose of a contract.

In accordance with guidance of the Reform Act and always in a relevant and proportionate manner, applicable appointments, through AGD projects, which require procurement activity, will be subject to Community Benefits requirements.

Community Benefits Themes

Through their separate procurement activities and where possible, AGD Partners are committed to assisting both young and unemployed people by encouraging access to quality sustainable employment and providing skills and training opportunities. Organisations appointed to AGD projects must therefore be able to demonstrate their commitment to integrate trainees and long-term unemployed persons into the labour market, without distinction to sex, marital status, race, ethnic origin or political or religious beliefs.

AGD projects will also bring together an extensive range of experienced Professionals who, with minimal sacrifice of time, could provide useful learning and knowledge exchange opportunities for various groups of people in our Ayrshire communities and over a wide range of subject areas and

expertise. Organisations appointed to AGD projects must therefore be able to demonstrate their commitment in providing learning opportunities across the wider Ayrshire community.

Community Benefits pledges from AGD projects should also have a focus on supporting and developing Ayrshire's existing business base and building on this with the aim of increasing the number of new business start-ups and growing sustainable businesses. The long-term sustainable development of Ayrshire's SME business base is vital and AGD Partners recognise the need to support the development of the SME sector through the use of a procurement approach which maximises SME exposure to procurement opportunities.

As such and through the procurement phases of any AGD project, contracting organisations will be asked to consider the following objectives when committing to the delivery of Community Benefits:

- Improving Education and Skills. For example, creation of apprenticeships or delivering knowledge exchange and presentations in schools or community groups.
- Improving Local Employability. For example, creation of new jobs, recruitment of the long-term unemployed, disadvantaged or young people.
- Work Experience Placements/Programmes. For example, providing work experience placements to those in education.
- Delivering Training and Development in the Community. For example, mentoring - private sector suppliers can offer support, normally as part of their CSR activity, where they can offer training and guidance to local organisations and individuals.
- Community Consultation - giving the local community an opportunity to express an opinion and possibly influence the design and delivery of a project or service in an area.
- Enhancing & Improving Local Community and Environmental Projects. For example, providing volunteers or donations to local initiatives.
- Sponsorship and Charity Work
- Supply Chain, Supported Business, Third Sector and Voluntary Initiatives. For example, offering Small and Medium Enterprises and Voluntary Sector organisations opportunities to provide goods, works and/or services as part of a contract.

Tracking & Reporting Community Benefits

Organisations who are successful in being awarded a contract through an AGD project will have their Community Benefits pledges evaluated on an ongoing basis, throughout the duration of their contract and through each of the AGD Partners' contract management procedures, using a shared Community Benefits tracking system.

Along with providing an excellent, flexible and accessible record of business information for those organisations appointed to Growth Deal projects, the AGD Partners' shared, online Community Benefits Tracker will ensure a consistent approach is applied to the monitoring of Community Benefits pledged through AGD procurement.

APPENDIX H: EQUALITY IMPACT ASSESSMENT

Ayrshire Growth Deal Equality Impact Assessment including Fairer Scotland Duty

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on the Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. [Interim Guidance for Public Bodies](#) in respect of the Duty was published by the Scottish Government in March 2018.

Please note that the term 'project' is used throughout and applies to policies, strategies, provisions, criteria, functions, practices, budget savings and activities, including the delivery of services.

If you require assistance please contact:

East Ayrshire Council	Alyia Zaheed	alyia.zaheed@east-ayrshire.gov.uk
North Ayrshire Council	Andrew Hale	andrewhale@north-ayrshire.gov.uk
South Ayrshire Council	Geraldine McGivern	geraldine.McGivern@south-ayrshire.gov.uk

Section One: Project Details*

Name of Project	I3 Flexible Advanced Manufacturing Space
Lead Officer (Name/Position)	Marnie Ritchie, Manager, Growth and Investment
Support Team (Names/Positions) including Critical Friend	Growth and Investment Team, North Ayrshire Council
What are the main aims of the project?	To deliver approximately 9,000m ² of advanced manufacturing space at i3 over a number of phases, to meet market demand in an area of market failure and to complement AGD investment in the Digital Processing Manufacturing Centre at i3, in partnership with NMIS- creating an overall cluster of research, innovation, accommodation and services for industry and business.
What are the intended outcomes of the project	The intended outcomes of the project are the delivery of much needed modern business space, new jobs and construction jobs, supported SMEs, additional GVA, access to related employability and skills programmes for local people and removal of sites from the vacant and derelict land register.

Section Two: What are the Likely Impacts of the Project?

Will the project impact upon all three Ayrshire councils areas or a specific council area and/or particular groups within the population (please specify the equality groups)	The project has the potential to impact on all three Ayrshire Council areas but mostly North Ayrshire. It has the potential to positively impact on particular groups in terms of opportunities for employment and training for disadvantaged people or people within Protected Characteristic groups.
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Consider the 'Three Key Needs' of the Equality Duty

Which aspects of the project eliminate unlawful discrimination, harassment and victimisation?

The project is about creating new business space, therefore due to the nature of the project, it is not considered that this key need is relevant to the project.

Which aspects of the project advance equality of opportunity between people who share a relevant protected characteristic and those who do not?

- The design of the project space will be modern and fully accessible, complying with EA 2010 standards and enabling potential employees or trainees that are mobility impaired or disabled to access the buildings and the surrounding space.
- The procurement process for the buildings will require construction companies to provide opportunities for trainees and job seekers from disadvantaged or Protected Characteristic groups.
- Businesses that occupy the space will be encouraged by the Council and its partners to create employment/skills development/ learning opportunities for people in disadvantaged or Protected Characteristic groups.
- It is intended that the project will seek to improve active travel links to the site, to make the location more accessible to people without access to a car and who may be reliant on affordable and accessible public transport services.

Which aspect of the project foster good relations between people who share a protected characteristic and those who do not? (Does it tackle prejudice and promote a better understanding of equality issues?)

The design of the buildings and job/skills/training opportunities for protected characteristic groups will help tackle prejudice and promote a better understanding of equality issues, through the integration of these requirements as standard practice.

Have any cross-cutting impacts been identified from other Council Services or Partner Agencies? (Multiple discrimination or accumulated effects of multiple proposals on a protected characteristic group)

No cross-cutting impacts have been identified at this stage.

Island Proofing

Island Proofing is about considering the particular needs and circumstances of island communities when public sector organisations exercise their functions and make decisions. This process includes a range of issues such as access to services, digital connectivity, employment and access to education; transport and access to goods and services.

The project is focussed on a specific location at i3 Irvine Enterprise Area. It is not considered that the particular needs and circumstances of island communities would be detrimentally affected by this particular project.

Considering the following Protected Characteristics and themes, what likely impacts or issues does the project have for the group or community?

Please outline evidence in relation to impacts identified. List any likely positive and/or negative impacts. If negative impacts are identified, can these be mitigated or lessened?

If you require further information in relation to evidence, the [Equality Evidence Finder](#) brings together the latest statistics and research for Scotland across different themes for age, disability, ethnicity, gender, religion, sexual orientation, socio-economic status and transgender status.

The Equality Evidence Finder is updated monthly with a summary of the key official statistics, social research and National Performance Framework equality analysis. Links to further datasets, statistics and research are provided to help find the full range of available equality evidence for Scotland.

Protected Characteristics	Evidence	Positive/Negative Impacts	Mitigating Factors
Age: Issues relating to different age groups eg older people or children and young people	Young people are particularly excluded from manufacturing growth areas.		
Disability: Issues relating to disabled people	Limited access to employment opportunities due to limited scope to work in ageing industrial buildings and limited access to transport to i3.		

Protected Characteristics	Evidence	Positive/Negative Impacts	Mitigating Factors
Gender Reassignment – Trans/Transgender: Issues relating to people who have proposed, started or completed a process to change his or her sex	No issues identified.		
Marriage and Civil Partnership: Issues relating to people who are married or are in a civil partnership	No issues identified.		
Pregnancy and Maternity: Issues relating to woman who are pregnant and/or on maternity leave	No issues identified.		
Race: Issues relating to people from different racial groups,(BME) ethnic minorities, including Gypsy/Travellers	No issues identified.		
Religion or Belief: Issues relating to a person's religion or belief (including non-belief)	No issues identified.		
Sex: Gender identity: Issues specific to women and men/or girls and boys	Women are particularly excluded from manufacturing growth areas.		
Sexual Orientation: Issues relating to a person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	No issues identified.		
Children's Rights Issues and impacts affecting children's rights* *for more information please email – andrewhale@north-ayrshire.gov.uk	No issues identified.		
Health Issues and impacts affecting people's health	No issues identified.		
Human Rights: Issues and impacts affecting people's human rights such as being treated with dignity and respect, the right to education, the right to respect for private and family life, and the right to free elections.	No issues identified.		

Fairer Scotland Duty – Scio Economic Disadvantage			
	Evidence	Positive/Negative Impacts	Mitigating Factors
Low Income/Income Poverty: Issues: cannot afford to maintain regular payments such as bills, food and clothing.			
Low and/or no wealth: Issues: enough money to meet basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future			
Material Deprivation: Issues: being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies			
Area Deprivation: Issues: where you live (rural areas), where you work (accessibility of transport)	Accessibility and affordability of transport to i3.	Access to I3 Enterprise Area is currently limited by public transport.	Action to progress discussions with public transport provider to consider improved services.

Section Three: Evidence Used in Developing the Project

<p>Involvement and Consultation In assessing the impact(s) set out above what evidence has been collected from involvement, engagement or consultation? Who did you involve, when and how?</p>	
<p>Data and Research In assessing the impact set out above what evidence has been collected from research or other data. Please specify <i>what</i> research was carried out or data collected, <i>when</i> and <i>how</i> this was done.</p>	
<p>Partners data and research In assessing the impact(s) set out in Section 2 what evidence has been provided by partners? Please specify partners</p>	
<p>Gaps and Uncertainties Have you identified any gaps or uncertainties in your understanding of the issues or impacts that need to be explored further?</p>	

Section Four: Detailed Action Plan to address identified gaps in:

- a) evidence and
- b) to mitigate negative impacts

No.	Action	Responsible Officer(s)	Timescale
1	Ensure the proposed build space and general project location is fully accessible and where appropriate, compliant with EA2010.	Project Designers	Over the course of the various phases of the project.
2	Progress discussions with public transport provider	AGD Project Lead	December 2022
3	Develop initiatives with colleagues and other Council teams to ensure young people and women will benefit from the project.	AGD Project Lead	Over the course of the various phases of the project.
4			
5			

Note: Please add more rows as required.

Section Five - Performance monitoring and reporting

Considering the project as a whole, including its equality and diversity implications:

When is the project intended to come into effect?	The project has started and will be delivered in a series of phases.
When will the project be reviewed?	At various Gateway Stages. Gateway 1 took place on 5 Feb 2021. Gateway 2 will take place late Sept 2021.
Which Panel will have oversight of the project?	The Project Board and particular Gateway Review meetings. Following which the project will be reported to AGD Update Meeting involving NAC's Chief Executive, Directors and Heads of Service.

Section 6

Ayrshire Growth Deal



Summary Equality Impact Assessment Implications & Mitigating Actions

Name of Project:

Name of Project Lead.....

Email of Project Lead.....

Date of Assessment.....

This project will assist or inhibit the Council's ability to eliminate discrimination; advance equality of opportunity; and foster good relations as follows:

Please see information contained above.

1. Summary of project aims
2. Summary of how the project will eliminate discrimination
3. Summary of how the project will advance equality of opportunity
4. Summary of how the project will foster good relations
5. Summary of how the project considers Socio-Economic Disadvantage (Fairer Scotland Duty)
6. Summary of how the project considers the needs of island communities
7. Summary of Key Action to Mitigate Negative Impacts
 - a. Actions and Timescales

Project Lead: Marnie Ritchie, Manager, Growth and Investment

Signed: 26 February 2021

APPENDIX I: CARBON ANALYSIS

Item	Project Owner Response
1. Project Name	i3 Flexible Space
2. Deal Region	Ayrshire
3. Brief Description of Project	Flexible advanced manufacturing space service digital process industries
4. Expected Carbon Emissions Impact CONTROL Category (1-5)	3 - Cap + then Zero
5. Expected Carbon Emissions Impact INFLUENCE Category (A-C)	B
6. Justification of Expected Carbon Emissions Impact Category e.g. a short narrative outlining the key carbon emission sources and their relationship to capital and operational net zero following the Deals Carbon Emissions Impact Categorisation Process.	Carbon emissions through the construction process to create new industrial buildings and related access roads, parking and yard space. The design specification is considering the use of recyclable external cladding. The works contracts will ask tenderers to consider how materials and trades can be locally sourced. Measures to reduce carbon at the operational stage include solar roof panels, heat pumps, EV charging points, a section of new footway to contribute towards active travel improvements and a suds pond, as the first phase. The Council's Sustainability Team and M&E consultants have provided advice on the most sustainable and low carbon options for heat and power.
7. Could the Carbon Emissions Impact Category be improved? e.g. from Category 4B to Category 3A	
8. Could the carbon performance of the project be improved? e.g. reducing emissions further, achieving net zero faster.	Yes. The project will be delivered in phases and its anticipated that later phases will benefit from knowledge gained as the project progresses.
9. How will carbon be managed? e.g. through PAS 2080: Carbon Management in Infrastructure for infrastructure projects or the RICS Whole Life-Cycle Carbon Professional Statement for buildings projects	PAS 2080
10. What other carbon savings are expected to result from the project? e.g. wider carbon savings across the economy resulting from project output	The development will contribute to offering more sustainable, modern and energy saving business space within the local area, helping businesses and the Council to achieve low carbon targets and contributing to the Council's policy of being net zero by 2030. It will also contribute to ongoing active travel improvements in the area that will make the i3 location more accessible by walking and cycling and provide charging facilities for electric vehicles.
A - Leads to wider carbon emissions reductions;	
B - Will have a negligible effect on wider carbon emissions; or,	
C - Leads to an increase in wider carbon emissions	

APPENDIX J: AYRSHIRE GROWTH DEAL CHANGE MANAGEMENT PROCESS

