AYRSHIRE ECONOMIC JOINT COMMITTEE

MEETING – 24 MAY 2021

REPORT BY THE CHIEF EXECUTIVE, NORTH AYRSHIRE COUNCIL

SUBJECT:

i3 Advanced Manufacturing Space Project, Irvine

PURPOSE OF REPORT

1. To note progress with the i3 Advanced Manufacturing Space programme at i3, Irvine Enterprise Area and to seek support from the Joint Committee for the delivery of the first phase of the programme.

RECOMMENDATIONS

2. Ayrshire Joint Economic Committee agree to:

   a) Note progress with the i3 Advanced Manufacturing Space programme at i3, Irvine Enterprise Area.
   b) Note the attached Outline Business case which has received verbal approval form Scottish Government.
   c) Note that written approval is still outstanding despite date of 1st May in the Implementation Plan.

INTRODUCTION

3.

3.1 i3 Irvine Enterprise Area is one of North Ayrshire's key strategic sites where investment is being targetted as part of the Ayrshire Growth Deal. The Ayrshire Growth Deal documents were signed in November last year and included £21M of investment for i3. This will support two major projects which will help to create employment, raise the profile of i3 and attract new inward investment; i) construction of new advanced manufacturing business space (or flexible space); and ii) the development of a Digital Processing Manufacturing Centre (DPMC).

3.2 The £21M allocation comprises of £15M towards new commercial or employment space at i3, with £11M from the Scottish Government and £4M from North Ayrshire Council. The project is part of a wider programme of new employment space across Ayrshire with East and South Ayrshire Councils' developing similar projects funded from the Growth Deal. 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.

3.3 Current estimates suggest the i3 AGD investment can fund approximately 9,000 metres squared (97,000 sq. ft) of new advanced manufacturing space in a variety of formats and over several phases, allowing for regular assessments of market demand. Estimated timescales are between 8 to 10 years for the delivery of the overall project.

3.4 It is proposed that most of the new space will be developed in a central part of i3, off Riverside Way and alongside the location of the proposed DPMC project. Within this area, a first phase is proposed for a 20,000 sq. ft unit that will be designed and tendered during 2021/22 and constructed during 2022/23.

DESCRIPTION OF PROJECT

4.

4.1 The i3 area was originally developed in the early 1970s as part of Irvine New Town and is of a significant scale, covering around 132 hectares. It is Scotland's largest Enterprise Area, designated in 2012, and one of two focussed on attracting Life Science companies. Life science companies and related industries can currently access business rates relief and accelerated capital allowances of up to 100% are also available, though it is worth noting both these incentives are under review. There is also a special planning protocol to ensure planning applications are dealt with expediently.

4.2 i3 is home to around 30 businesses with some 1,000 employees and significant companies such as GSK, have an established presence. However, many parts of i3 remain undeveloped and are in private ownerships.

4.3 The Ayrshire Growth Deal was officially signed on 19th November 2020, allowing progress with over £250m of investment in Ayrshire over the next 10 to 15 years, by UK and Scottish Governments and the three Ayrshire Councils. This includes £21M for i3, comprising of £15M towards the delivery of advanced manufacturing floorspace (flexible space) and £6M towards a Digital Processing Manufacturing Centre (DPMC).

4.4 Current estimates suggest the flexible space project can fund approximately 9,000 metres squared (97,000 sq ft) of new advanced manufacturing space in a variety of formats including small terraces of units for business start-ups or for research and development, larger modular units in a range of sizes that are capable of sub-division (similar to the existing Gateway Building in Riverside Avenue at i3) and Class 4 offices. These will be delivered over several phases allowing for regular assessments of market demand. Estimated timescales are between 8 to 10 years for the delivery of the overall project. The project will complement the DPMC project and may attract spin off opportunities for businesses to locate to new space around DPMC.

4.5 The DPMC project will provide services for businesses within process manufacturing sectors that are seeking to improve their productivity and modernise their processes through digital automation. Sectors include Pharmaceutical Products, Oil & Gas, Chemicals and Chemical Products, Agrichemicals (under life sciences), Food & Drink, Fast moving consumer goods (FMCG) and Water (collection, treatment, supply). Services will include practical demonstrations, training, and the opportunity for businesses to prepare their own digital strategies moving forward within an era of Industry 4.0. The project will be delivered in a series of phases and is being led by the National Manufacturing Institute Scotland (NMIS) who are assisting the Council with

the preparation of an Outline Business Case for the Ayrshire Growth Deal.

4.6 Both i3 projects are part of a £69.5M Growth Deal allocation across Ayrshire towards supporting economic infrastructure and engineering and manufacturing sectors. Research commissioned by the Council has identified the following issues that demonstrate the requirement for investment in new business space:

- 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% for Irvine, 6% for North Ayrshire and 4% for West Central Scotland);
- 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.

4.7 Any impacts arising from the current COVID pandemic on the project will continue to be monitored across the life of the project. Those impacts may include construction cost inflation in the short term and changing employment patterns in the longer term. On the latter, there continues to be inward investment interest and continued interest from local businesses in new space, and at this stage it is not anticipated that industrial or manufacturing formats will be impacted upon to the same extent as office formats.

4.8 As part of the project development process, the Council commissioned a masterplan to guide the form of the i3 Growth Deal investment, focused on a central area with buildings fronting the main routes of Riverside Way and Long Drive and also some space at the large Strategic Investment Campus. The location of flexible space and a statement DPMC building (see Appendix 1) within the central area will help to provide a sense of consolidation, focus, and provide services and networking and collaboration opportunities for businesses.

4.9 The masterplan process has identified areas for development. A first phase is proposed for a 20,000 sq. ft unit that will be designed and tendered during 2021/22 and constructed during 2022/23 (see Appendix 2). Its anticipated that this will be a light industrial unit like the Gateway building on Riverside Avenue at i3 and will be located at Riverside Way in a highly visible area. The unit will be capable of subdivision, depending on tenant interest and its specification has been informed by commentary from the Council's property agents.

4.10 While the focus to date has been on the scale, specification, and phasing of commercial space, it is also intended that the masterplan will consider digital and energy/low carbon requirements.

4.11 Expenditure of up to £200,000 is required to develop the full business case. This will enable the detailed design and development of a tender for the works to be accelerated. The delivery of the project will be subject to the outcome of ground investigation works, site purchase from Scottish Enterprise, planning permission and testing of the estimated costs through a tender process. Award of the tender for the construction of the first phase will be subject to Full Business Case approval for the overall flexible space project through the Ayrshire Growth Deal.

4.12 In summary, good progress has been made with the i3 flexible space project and support is sought from Cabinet to progress the first phase to detailed design and tender stage. Next steps will involve a marketing campaign and new signage to promote the new business space and to help attract inward investment.

4.13 Outline approval of the OBC has been verbally indicated by Scottish Government and written approval was expected by 1st May in the Implementation Plan. The OBC is attached in Appendix 3.

FINANCIAL IMPLICATIONS

5. The overall project will be resourced through the Ayrshire Growth Deal Funds from Scottish Government and North Ayrshire Council allocations. Expenditure of up to £200,000 required to progress the development of a detailed design for the first phase. This will cover professional fees and the commission of any further studies that are required for the submission of a planning application. In addition, site investigations are currently being procured, the outcome of which may have financial implications for the project.

LEGAL IMPLICATIONS

6. There are no legal implications at this stage. The first phase of the project will require site purchase from Scottish Enterprise and terms of the purchase from SE have been agreed in principle. This process is progressing now.

HUMAN RESOURCES IMPLICATIONS

7. None. The overall project will be managed by the Council's Growth and Investment Team with input when required from professional advisors, supported by the Ayrshire Growth Deal budget. The Council's PMI Team have agreed to develop the detailed design and tender package for the first phase of the project.

EQUALITY IMPACT ASSESSMENT

8. The project will provide much needed modern business space to help grow local businesses and attract inward investment to an area of above average unemployment and low business investment.

CONSULTATIONS

9. Significant stakeholder consultation has been undertaken on the AGD i3 proposals generally. The development of the flexible space outline business case involved a local survey of businesses to establish the demand for business space. The masterplan has

been subject to consultation with partners including those involved in the DPMC project (NMIS, University of Strathclyde, CPI, Ayrshire College, Scottish Enterprise and Skills Development Scotland), property agents and internal colleagues, A further stage of consultation will involve seeking comments on the overall draft masterplan from the Irvine Locality Planning Partnership.

APPENDICES

Appendix 1
Digital Processing Manufacturing Centre (DPMC) i3, masterplan image

Appendix 2
Proposed Phase 1 of Advanced Manufacturing Space, i3 - initial sketches

Appendix 3
i3 Flex Space OBC

Background Papers:

Members requiring further information should contact:
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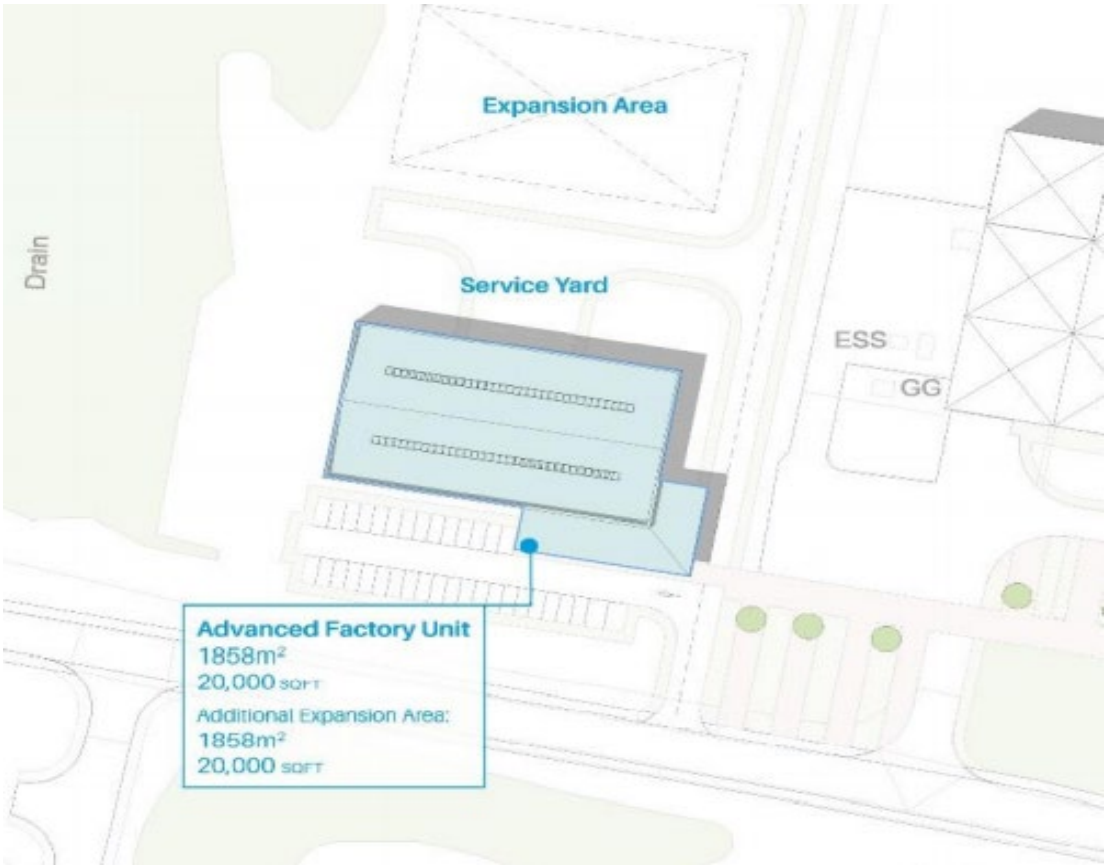
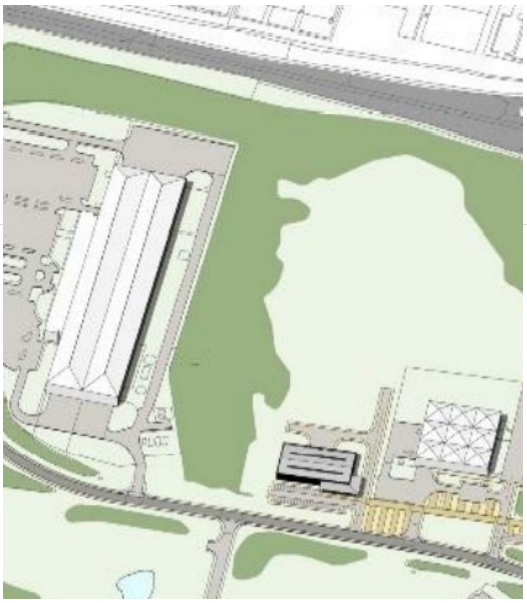
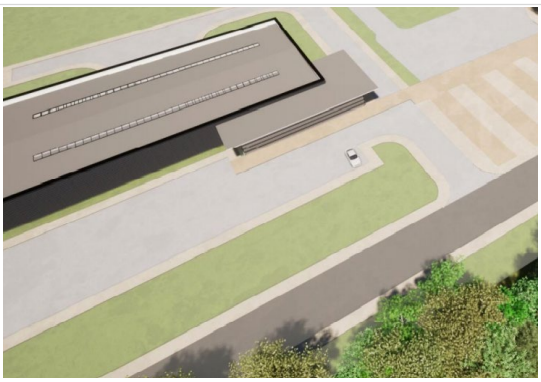
Appendix 1
Digital Processing Manufacturing Centre (DPMC) i3, masterplan image

Appendix 2
Proposed Phase 1 of Advanced Manufacturing Space, i3 - initial sketches







Ayrshire Growth Deal

I3, ADVANCED MANUFACTURING SPACE

Outline Business Case

(OBC)

Version No. 14

Issue Date: 19 March 2021

VERSION HISTORY

Version	Date Issued	Brief Summary of Change	Owner's Name
Draft	17.11.16	First draft version.	John Adam
Draft	15.12.16	Revised working draft.	EKOS
Revised Draft	31.05.17	Subsequent version.	EY
V4	31.05.17	Standard paragraphs, front cover and appendices added.	Allison Craig
V5	08.05.18	Links with UK Industrial Strategy and programme standard paragraphs updated.	Allison Craig
V6	19.12.19	Executive Summary updated, following revised Strategy for i3.	Marnie Ritchie
V7	31.01.20	Business Case updated, following revised Strategy for i3.	Marnie Ritchie
V8	05.02.20	Economic appraisal added	Allison Craig
V9	06.03.20	Amendments to address PMO and Scottish Enterprise Comments	Marnie Ritchie
V10	13.03.20	Economic appraisal updated to take account of combined flex space and Digilab option	Allison Craig
V11	31.03.20	Text updated to take account of preferred option of combined flex space and Digilab option.	Marnie Ritchie
V12	6/4/20	Updated objectives to match Digilab SBC	Neale McIlvanney
V13	30/07/20	Various updates.	Marnie Ritchie
V14	26/02/21	Various updates. Combined flexible space and Digital Hub Option removed. Project Description added. Financial profile adjusted.	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 is recognised as a Life Science Enterprise Area. The project will complement the proposed Digital Processing Manufacturing Centre (DPMC) which is also being supported by the Ayrshire Growth Deal and is being delivered in partnership with NMIS (National Manufacturing Institute Scotland), University of Strathclyde, MMIC (Medicines Manufacturing & Innovation Centre and Ayrshire College. Earlier phases of the DPMC which are currently being developed, are seeking to support Scotland's Manufacturing Recovery Plan

Why is it being undertaken?

The project will contribute towards meeting current demand for new industrial and office 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. There will be opportunities for businesses linked to the DPMC project to take up space within the new units, helping create a cluster of industry and innovation at i3.

How does it fit within the wider deal?

This project contributes to the wider Ayrshire Growth Deal, 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?

Approximately 9,000 m2 (97,000 sq ft) of floorspace is being proposed in a variety of building types to suit varying needs, ranging from large 20,000 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, to stimulate interest in this area.

How will it be delivered?

The project will be 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.

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.

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.

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 2023.

PART B: The Five Cases

1.0 EXECUTIVE SUMMARY

This report provides the Outline Business Case (OBC) for the i3 Advanced Manufacturing Space project (as set out in the Ayrshire Growth Deal (AGD) Heads of Terms, March 2019). This has been developed with input from property advisors and feedback from stakeholders. Since the previous version of the Outline Business Case (July 2020), the project site has undergone masterplanning and the proposed Digital Processing Manufacturing Centre (DPMC) project at i3 has been developed to Outline Business Case stage. This version of the i3 Flexible Space OBC has removed the combined DPMC and flexible space option from the economic model to demonstrate that both projects can be delivered independently of each other. The financial profile has also been updated. The anticipated impacts of the continuing COVID pandemic on the project are still unknown at this stage, however there is still evidence of ongoing demand for space within North Ayrshire.

1.1 Introduction

1.1.1 The OBC seeks approval to invest funding of £15m in the delivery of approximately 97,000 square feet (approx. 9,000 square metres) of flexible advanced manufacturing space at i3, Irvine's Enterprise Area (see Figure 1). The proposal includes the delivery of business space in various configurations, as well as a serviced development plot and related road and pedestrian access, servicing, site information and landscaping. This will meet demand in a series of phases that responds to market requirements. It will focus on the delivery of space for 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 with industry and academic partners, including the National Manufacturing Institute Scotland (NMIS), University of Strathclyde, Medicines Manufacturing and Innovation Centre (MMIC) and Ayrshire College. Underpinning this investment is the strength of demand and market failure in the local property market and the need for economic growth.

1.1.2 The estimated scale of flexible space proposed is lower than that stated in the Heads of Terms document which was 150,700 square feet or 14,000 square metres. The reduction in space reflects the division of the i3 programme into two separate business cases and the development of estimated project costs, including allowances for inflation, optimism bias and staff costs. These costs will be refined as the project develops.

Figure 1: Project Location

1.2 Strategic Case

1.2.1 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). It seeks to deliver some 97,000 sq ft (approx. 9,000 sq m) of business and industrial space to help grow local businesses and attract inward investment to an area of above average unemployment and low business investment. In addition, £6m is focussed on the creation of a Digital Processing Manufacturing Centre (DPMC) and supporting services in partnership with NMIS, which is the subject of a separate Outline Business Case but which will assist in driving demand for space at i3 and raising the profile of i3. DPMC 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. Services will include practical demonstrations, training and the opportunity for businesses to prepare their own digital strategies moving forward within an era of Industry 4.0. 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. The Council's £1m contribution is currently focused on the development of a pilot phase which is subject to the availability of other funding support. This proposed flexible space project is being supported by £11m from the Scottish Government and £4m from North Ayrshire Council.

1.2.2 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.

1.2.3 There is also an ambition between the Council and its partners and stakeholders to create a pilot project for the DPMC, recognising the fast moving pace of digital technology and the priority for the Council to work with the local business base to adopt new technologies, particularly as part of business recovery from COVID 19. This is a project that is being considered as part of current discussions.

1.2.4 A separate 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. The AGD Project Links Table at Appendix B, provides further detail on particular AGD projects where there are strong links.

1.2.5 The overall i3 proposal has included engagement with the following partners and local stakeholders through discussions and through three pieces of commissioned research relating to evidence of demand for floorspace, the rationale for DPMC and more recently an assessment of demand for DPMC. This has included the following groups:

- AGD / PMO Team
- Key Advisors (Scottish Enterprise)
- Local businesses
- Local Industry Leaders
- Academia – NMIS, University of Strathclyde, MMIC and Ayrshire College

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

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 Economic Strategy, 2015	Regional Economic Strategy for Ayrshire, Draft
	Refreshed Economic Action Plan for Scotland 2029-20	South and East Ayrshire Economic Development Strategies
	A Manufacturing Future for Scotland, 2016	NAC Local Development Plan 2
	Life and Chemical Sciences Manufacturing Strategy for Scotland	NAC Council Plan 2019-24
	Chemical Sciences Scotland Strategic Plan 2025	Irvine Locality Planning Partnership Plan
	Life Sciences Strategy for Scotland 2025 Vision	North Ayrshire Council Community Wealth Building Strategy 2020-2025
	Skills and Investment Plan for Scotland's Life and Chemical Sciences	NAC Economic Recovery and Renewal Approach 2020
	Digital Strategy for Scotland, 2017	
	Making Scotland's Future: a draft recovery plan for manufacturing	

Phasing & Indicative Costs

1.2.7 Proposed phases of the flexible space programme are shown in the table below and have been informed by market assessment, considering demand for industrial and office space and the need to include other related costs. The typical mobile enquiry is around 1,800 sq.m. with the average unit size taken up 1,500 sq.m. This development mix allows for flexibility in the development programme. allowing for requirements for 46 to 3,716 sq.m. to be met across a range of property sizes. As a result, this will maximise market appeal, generate activity on the site, increasing the likelihood of further interest and mitigate against the risk of long letting voids.

1.2.8 Phase 1 of the flexible space programme will be delivered by North Ayrshire Council between 2021 and 2023. Its expected that this will comprise of one 20,000 sq ft unit with the proposed terraced units or incubator space being a later phase that can align more with the development and delivery of the DPMC c 2024. Subsequent phases of flexible space will be subject to review and modification, following the completion of phases. This will consider the success of each phase in terms of attracting occupiers and whether any of the original specifications of the phases require to be changed to reflect changes in market demand. In addition, the DPMC project may incorporate an element of the flexible floorspace which will require alteration to the programme.

1.2.9 In summary, the investment programme of £15m could deliver an estimated floorspace of 97,000 square feet with potential future rental values to be confirmed. At the moment, rental income is estimated to be in the region of £400,000 by 2032. A full analysis of this will be undertaken at Full Business Case stage.

1.2.10 Project costs are currently indicative, with provision allowed for construction costs, contingency, professionals fees, staff costs, inflation and optimism bias. The level of estimated flexible space that can be provided will be subject to alteration to address any costs related to infrastructure and utilities and ground conditions and any implications relating to BREXIT and COVID 19, as the phases are developed. An allowance has been provided for this within the costings. In addition, some flexibility will be required during the programme period to address any issues arising from statutory processes, development costs, market conditions, any investment opportunities that could emerge and opportunities to seek a development partner.

1.2.11 The space configuration shown in the table below has been prepared by property advisers and NAC, recommending a range of property sizes to provide flexibility, maximise market appeal, generate activity on the site, increasing the likelihood of further interest and mitigating against the possibility of long letting voids. The additional phases would include larger scale units to target medium to larger occupiers but with the potential for those units to be subdivided. All build space will be fully accessible and compliant with EA2010 standards.

I3 Advanced Manufacturing Space – Phases and Indicative Costs

Phase 1	**Overall Size**	**Potential Subdivision**	**Construction Cost**
Terraced Units (can be subdivided)	232 sq.m. (2,500 sq ft)	5 x 46 sq.m. (500 sq ft units)	£360,475
	465 sq.m. (5,000 sq. ft.)	5 x 93 sq.m (1,000 sq ft) units.	£720,950
Modular Building (can be expanded)	1,858 sq.m. (20,000 sq. ft.)	up to 3,716 sqm (40,000 sq.ft.) (potential expansion area)	£1,860,000
Serviced plot to accommodate bespoke inquiries.			£250,000
Total Floorspace	2,500 sq.m. (27,500 sq.ft.)	2,500 sq.m. (27,500 sq.ft.)	£3,191,425

Phase 2	**Overall Size**	**Construction Cost**
2 Office Pavilions	850 sq.m (9,150 sq.ft) (2 x 425 sq.m.)	£2,000,000
Modular Building	3,716 sq.m (40,000 sq ft)	£3,152,000
Total Floorspace	4,566 sq. m. (49,150 sq.ft.)	£5,152,000

Phase 3	**Overall Size**	**Construction Cost**
Modular Building	1,858 sq m (20,000 sq ft)	£1,860,000
Total Floorspace	1,858 sq. m. (20,000 sq.ft.)	£1,860,000
Overall Total	**9,000 square metres (97,000 square feet)**	**£10,203,425**
Contingency	@ 10%	£1,020,343
Professional Fees	@ 10%	£1,122,377
Staff Costs		£450,000
Sub Total		**£12,796,145**
Inflation	@ 3%	£383,884
Optimism Bias	@ 5%	£639,807
Allowance – Infra-structure, utilities		£1,180,164
Overall Total		**£15,000,000**

Location

1.2.12 The i3 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 (see Figure 1), on land currently owned by Scottish Enterprise and with negotiations for purchase by NAC underway. The inclusion of flexible space and a statement digital laboratory building within this area will help to provide a sense of consolidation, focus and provide services and networking opportunities for businesses.

Project Context

1.2.13 Irvine is located in North Ayrshire, which has a rich industrial history, particularly in chemicals and life science manufacturing industries that continue to thrive today. Irvine was the last Scottish New Town and benefits from sunk investment in good quality roads and utility capacity which has not been fully utilised. Many of the businesses attracted to Irvine in the 1980s (e.g. Volvo Bus and many computer industry sub-contractors) have moved away. The recession, and its continued effects, have seen the private sector engage in large scale demolition of obsolete industrial property and in some cases the redevelopment of industrial land to residential use. While North Ayrshire has recognised market strengths in the Advanced Manufacturing and Life Sciences sectors, with a number of current globally recognised organisations, including DSM, GSK, Merck and Chemring, a key gap is the availability of appropriate high-quality premises to attract and accommodate more of these operators.

1.3 The Case for Change

1.3.1 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. Currently gap funding for viable development is in the order of 70%. 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% for Irvine, 6% for North Ayrshire and 4% for West Central Scotland);
- 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.

Evidence of Demand

1.3.2 A recent survey (late 2019) of existing Irvine business occupiers identified that there is demand for new business property within Irvine. Many respondents indicated that their existing business property is/ are too small and/or poorly configured for their operations. The survey confirmed the view that i3 was an attractive location particularly due to its road connections and the range of existing businesses on the site. The majority of recent property enquiries to NAC or local agents for new premises and/or land is from the manufacturing sector. Over half of the respondents indicated a preference for new premises that provide a mix of both industrial and office space, with sizes ranging from 372 sq.m. to 1,394 sq.m. The principle reason for occupiers to move is that the property is too small for their requirements, followed by their existing building configuration being unsuitable. This further demonstrates that the development of new business space at i3 would help to meet future

requirements and assist with business growth and expansion. Further information on specific demand linked to the Digital Hub AGD project is set out in paragraphs 2.11.3 to 2.11.7 of this business case. Recent interest in i3 from beyond Ayrshire and Scotland has been limited. The site was shortlisted for the Medicines Manufacturing and Innovation Centre and general enquiries have included data centres, food production and medicinal cannabis production.

Constraints on Company Growth and Inward Investment

1.3.3 At present, indigenous companies within North Ayrshire looking to grow and expand are struggling to find suitable space. There is a risk that these companies may end up relocating out of the area due to lack of suitable modern premises for them. In addition, the lack of availability of modern premises and sites is limiting potential inward investment to the area.

1.3.4 These constraints are likely to persist until new development becomes available and they are also reflected in the current record level of interest in space from a variety of indigenous and potential inward investment companies.

Economic Growth and Transformation

1.3.5 The GVA of North Ayrshire has been consistently well below the Scottish average at around £15,000, compared to a Scottish average of around £25,000. Furthermore, the gap between average Scottish productivity and that of North Ayrshire has been growing. Projects that focus on enhancing innovation levels and productivity at i3 will make a valuable contribution to achieving an inclusive Scottish economy. North Ayrshire also suffers from much lower levels of Business Research and Development (BERD) spending at less than a quarter of the Scottish average, with no higher education institute and no innovation centre. Support for growth/adaptive capacity in traditional sectors such as manufacturing and engineering is required to ensure these sectors have the finance and infrastructure needed to transform for Industry 4.0. SCDI (2018) and the OECD, amongst others, have warned that automation could impact post-industrial regions disproportionately and that pre-emptive action should be taken to prevent this. North Ayrshire is the home of sectoral strengths in life sciences, manufacturing and process engineering, however the resilience of these industries is at risk without investment to embrace new technologies. Further investment in the innovation of these sectors at a local place-based level is critical to ensure Scotland is at the forefront of the digital, low carbon economy. The combination of the advanced manufacturing space and DPMC projects and potential opportunities from the proposed subsea cable will seek to address this.

Market Failure & Rental Values

1.3.6 North Ayrshire has a low industrial property vacancy rate of 6% and a stock of industrial floorspace which on average is older than the West Central Scotland regional market in large part due to the former Irvine New Town. Despite this low vacancy rate and more severe obsolescence, market demand at an average 33 units taken-up annually across North Ayrshire and rental values are insufficient to support financially viable, new-build speculative industrial development. Rents for industrial space average at £4.50 per square foot or £48 per square metre. This is significantly below the viable rent for new development, which is currently around £86-92 per square metre.

Little or No Alternative Funding

1.3.7 There are very limited funding sources available for the public sector to intervene where there is market failure to deliver the scale of modern development required to meet demand. The level of funding required is significant to construct one building. In addition, funding can be extremely competitive with other projects.

Ageing Stock

1.3.8 Within the wider context, research has identified that many existing industrial occupiers are currently located within ageing, sometimes even obsolete buildings. In North Ayrshire, the average age of industrial premises is 36 years. While there is a steady pressure upon occupiers to modernise, it is likely to take a significant shift in energy performance legislation, or complete obsolescence, to create a market-wide push towards new build options. Even those occupiers with high-value plant and processes to accommodate may continue to occupy dilapidating premises for many years before considering relocation. Over the medium to long-term though, it is likely that an increasing number of industrial occupiers will require modernised premises. Modern premises will help address particular issues with the configuration of older buildings, that can restrict companies from recruiting employees or training apprentices that may have a disability. This is a group that currently experiences significant under employment and unemployment.

1.4 Economic Case

1.4.1 In terms of the best option for delivery 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.

1.4.2 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?

Assessment of Options at i3 – Long List (updated)

	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 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. 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. Consider-ation 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

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)

Investment Objectives & Stakeholder Benefits

1.4.3 The investment objectives for this project are set out below. In addition, attached at Appendix C is a Benefits Realisation Logic Chain.

Investment Objectives & 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.*	• 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.*	• 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.***	• 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 and targeting people drawn from disadvantaged or Protected Characteristic groups including women and young people.*	• 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.*	• 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*	• 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

1.4.4 The i3 Flexible Space project proposal aims to have an impact across a number of inclusive growth drivers which were identified as part of the Ayrshire Inclusive Growth Diagnostic work. Appendix A highlights the inclusive growth drivers in green, that are relevant to the i3 Flexible Space project. The AGD Programme Management Office is currently working with AGD Project Leads to develop a consistent programme approach to ensure that inclusive growth, equalities and community wealth building outcomes are embedded in each AGD business case. This approach will ensure explicit commitment to how the project will achieve inclusive growth and reduce inequality.

1.4.5 In addition to the above objectives, the following outcomes and targets are anticipated:

Outcomes and Targets

OUTCOME	BASELINE	TARGET	DATE
Amount of business space created (NIA)	Nil	8830, sq m (NIA)	2027/28
No. of new jobs created (Net Direct & Indirect)	n/a	162	2027/28
No. of construction jobs created	n/a	150	2027/28
No. of SMEs supported	0	5	2028
Amount of GVA 25 year NPV (Net Direct & Indirect)	TBC	£80m	2045/46
No. of people accessing jobs through Employability & Skills Programme	Nil	18-35 *	2028
Amount of Vacant and Derelict Land brought back into use/removed from SVDL Register	current 20ha V&DL	remove 20ha V&DL	2027/28

**based on capex impact of construction; plus follow on activity (Both at 5-10%)*

1.5 Commercial Case

1.5.1 The Procurement Strategy will follow the Council's Standing Orders in respect of procurement and/or those of the AGD Regional Model. NAC will appoint specialists through appropriate procurement processes, to secure the required professional support. In addition, NAC has the in-house people resources and skills that, subject to confirmation, may have available resource to manage the project. The potential allocation of risks is set out in the Commercial Case within the main report. Commissioned services may include the following:

- Quantity surveying
- Architecture
- Geotechnical
- Cost consultants
- M&E

- Site investigation work
- Land based engineering works
- Office / Industrial building construction company

1.6 Financial Case

1.6.1 The table below is a current summary of the project's financial appraisal. Proposed investment is in three phases with the AGD project completed by Year 8 (2027/28). NAC will be responsible for ongoing maintenance of the buildings and management, through an appointed agent. A financial breakdown of assumptions will be provided within the detailed Full Business Case, including approximate levels of rental income per annum and revenue costs. At the moment, rental income is estimated to be in the region of £400,000 by 2032, A full analysis of this will be undertaken at Full Business Case stage, to provide detail and accuracy and consider how this would support the Digital Hub.

1.6.2 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.

Financial Profile (updated)

Year	**0 19/20**	**1 20/21**	**2 21/22**	3 22/23	**4 23/24**	**5 24/25**	**6 25/26**	**7 26/27**	**8 27/28**	**9 28/29**	**10 29/30**	**Total**
£ millions	£	£	£	£	£	£	£	£	£	£	£	£
Capital	0	0.1	0.4	2.95	1.0	1.45	2.8	1.8	4.5	0	0	15m
Revenue	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**0.1**	**0.4**	**2.95**	**1.0**	**1.45**	**2.8**	**1.8**	**4.5**	**0**	**0**	**15m**
AGD SG.	0	0	0	1.7	0.7	1.15	2.5	1.5	3.45			11m
AGD NAC	0	0.1	0.4	1.25	0.3	0.3	0.3	0.3	1.05			4m
Total	**0**	**0.1**	**0.4**	**2.95**	**1.0**	**1.45**	**2.8**	**1.8**	**4.5**			**15m**

1.6.3 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.

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

1.6.5 A draft Risk Register is included at Appendix F. 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 pf the project;
- Risks that the key milestones are not achieved; and
- Risk that the project does not proceed as an AGD project.

1.7 Management Case

1.7.1 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 decisions.

1.7.2 The governance for the AGD programme includes the following listed below. 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 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.
- In addition, projects are subject to internal Gateway Review Boards at key stages.

1.7.3 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.

1.7.3 Overall responsibility for the delivery of the project will rest with Director of Growth and Investment, reporting to the Council's 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.

1.7.4 A full multi-disciplinary and experienced Design Team will be procured and appointed to advance the project to completion. A detailed project plan and detailed risk management system will be prepared for the Full Business Case. Current summaries of both are provided below. The Council's Project Management and Implementation (PMI) Team have been assigned recently to develop detailed design and procurement for the first unit.

Indicative Project Milestones

DELIVERABLE	DUE DATE
Procure professional team to progress detailed design, Phase 1 (20,000 sq ft unit)	Q1 2021
Consultation with Planning and stakeholders on draft masterplan	Q1 2021
Completion of flexible space outline designs through masterplan process	Q1 2021
Approval of Outline Business Case	Q2 2021
Transfer of land from SE	Q2 2021
Ground investigations complete	Q2 2021
Submission of detailed planning application	Q2 2021
Planning permission granted	Q3 2021
Completion of Full Business Case and approvals	Q4 2021
Tender advertised	Q4 2021
Contract award and construction begins, Phase 1 (20,000 sq ft unit)	Q1 2022
Construction works complete, Phase 1 (20,000 sq ft unit)	Q1 2023
Building available for occupation	Q1 2023
Delivery of subsequent Phases (incl revision & approval of any OBCs/FBCs)	22/23 to 27/28

Main Business and Service Risks

RISK	MITIGATION
Detailed Business Case fails	• Development of OBC in accordance with Green Book • Partner/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.
Planning approval risks	• Zoned & Allocated Site • Pre-App Discussion with NAC Planning • Assess Protected Species/Habitat risk • Review planning challenge/ appeals • Formally agree programme for consents • Advance programme of Local & Stakeholder Engagement
Cost overruns	• Develop and validate Project Brief and Specification • Benchmark costs • Ensure early infrastructure cost tested/ informed SI • Provide Green Book compliant Optimism Bias allowances • Provide for contingency
Delays to procurement	• Seek early agreement on appropriate procurement routes. • Include anticipated tender packages within the Council's Procurement Wave Plan.
Failure to deliver anticipated outputs and outcomes	• Ensure BC addresses sensitivity of outcomes • Clear Evaluation & Monitoring Framework

1.8 Recommendation

1.8.1 This Outline Business Case recommends investment of £15m from the Ayrshire Growth Deal in flexible advanced manufacturing space at i3 Irvine Enterprise Area.

Signed: _____(On behalf of Growth & Investment Directorate, NAC)

Date: _____

2.0 STRATEGIC CASE

2.1 Introduction

2.1.1 This report provides the Outline Business Case (OBC) for the **i3 Advanced Manufacturing Space** project (as set out in the Ayrshire Growth Deal (AGD) Heads of Terms, March 2019). This has been developed with input from property advisors and feedback from stakeholders. Since the previous version of the Outline Business Case (July 2020), the project site has undergone masterplanning and the proposed Digital Processing Manufacturing Centre (DPMC) project at i3 has been developed to Outline Business Case stage. This version of the i3 Flexible Space OBC has removed the combined DPMC and flexible space option from the economic model to demonstrate that both projects can be delivered independently of each other. The financial profile has also been updated. The anticipated impacts of the continuing COVID pandemic on the project are still unknown at this stage, however there is still evidence of ongoing demand for space within North Ayrshire.

2.1.2 The Outline Business Case is to approve the investment of £15m in the delivery of approximately 97,000 square feet (9,000 square metres) of flexible advanced manufacturing space at i3, Irvine's Enterprise Area (see Figure 1). The proposal includes the delivery of business space in various configurations, as well as a serviced development plot and related road and pedestrian access, servicing, site information and landscaping to meet demand in an area of acute market failure. It will focus on the delivery of space for high value sectors, including 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, with links to the National Manufacturing Institute Scotland (NMIS). Underpinning this investment is the strength of demand, current issues with the local property market, including high build costs and low rental values and a new strategy with academic partners focussing on digital automation.

2.1.3 This project is part of an overall investment of £21m that is being sought for i3 through the AGD, with committed funding secured from UK Government (£5m), Scottish Government (£11m) and North Ayrshire Council (£5m). Part of the allocation includes £6m focussed on the creation of the DPMC and supporting services. This is the subject of a separate Outline Business Case.

2.2 Business Case

2.2.1 The Ayrshire Growth Deal Framework defines the purpose of the OBC as part of staged approval process in which the project detail, level of analysis and its readiness for delivery and implementation are sufficiently advanced to allow a full and independent project appraisal.

2.2.2 This Business Case has been compiled to meet the requirements of the Ayrshire Growth Deal Framework and presents the rationale for AGD investment at i3 against the Five Case Model:

- **Strategic Case** – reviews the policy environment at local, regional, Scottish and UK levels and identifies the fit with, and contribution toward, strategy aims and aspirations;

- **Economic Case** – considers a range of alternative options for investment set against the key project objectives to ensure that the selected approach addresses future needs/ opportunities and optimises value for money;
- **Commercial Case** – describes the content and structure of the project proposal in detail and outlines the market context within which it will be delivered;
- **Financial Case** – presents the forecast capital costs and revenue income that will be generated, profiling the funding sources, beneficiary recipients and impact on the balance sheet; and
- **Management Case** – outlines the delivery approach, demonstrating that the project is achievable and can be delivered successfully to cost, time and quality.

2.2.3 Key changes since the preparation of the previous OBC have been the progress of a masterplan to consider the location of the AGD flexible space and DPMC proposals.

PART A: STRATEGIC CONTEXT

2.3 Background

2.3.1 The original Ayrshire Growth Deal Outline Business Case for i3 Irvine Enterprise Area had focused on the delivery of 120,000 square feet of advanced manufacturing floorspace and related road access, servicing and site formation. Since then, discussions with partners and stakeholders has identified the opportunity for i3 to include within its Growth Deal proposal, the provision of a centre of excellence in digital processing (DPMC) for which a separate OBC is being developed. The estimated scale of flexible space proposed is lower than that stated in the AGD Heads of Terms document which was 150,700 square feet or 14,000 square metres. The reduction in space reflects the division of the i3 programme into two separate business cases and the development of estimated project costs, including allowances for inflation, optimism bias and staff costs.

2.3.2 The Heads of Terms agreed in March 2019, now supports investment of £21m in new developments at i3 in Irvine. Part of this investment will create a regionally significant and nationally recognised centre of excellence for digital automation – a Digital Processing Manufacturing Centre (or DPMC for short), developed in partnership with NMIS, Strathclyde University, MMIC, Ayrshire College and industry and seeking to link to nationally recognised innovation centres and to complement other AGD projects. This will build on current Life Science clustering at the site, and facilitate start up, spin out, and growth of Life Science businesses and other advanced manufacturing opportunities, through the provision of approximately 97,000 sq feet of floorspace.

2.3.3 The overall i3 proposal has included engagement with the following partners and local stakeholders through discussions and through two pieces of commissioned research relating to evidence of demand for floorspace and the rationale for a DPMC. This has included the following groups:

- AGD / PMO Team
- Key Advisors (Scottish Enterprise)
- Local businesses
- Local Industry Leaders
- Academia – NMIS, University of Strathclyde and Ayrshire College

- MMIC

2.4 Strategic Need

2.4.1 A number of studies have been commissioned recently 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.

2.4.2 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.

2.4.3 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.

2.4.4 There is also an ambition between the Council and its partners and stakeholders to create a pilot project for the DPMC. This would recognise the fast moving pace of digital technology and the priority for the Council to work with the local business base to adopt new technologies. This is a project that is being considered as part of current discussions and to help contribute to the Scottish Government's Manufacturing Recovery Plan.

2.4.5 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 Economic Baseline

2.5.1 Set out below are some of the key characteristics of the North Ayrshire Economy within the context of this proposal and as identified within a research report for I3, commissioned by NAC and Scottish Enterprise which scoped out opportunities linked to digital automation.

2.5.2 Population

North Ayrshire had a population of 135, 800 people in 2017, of which 61 percent are working age (slightly lower than the Scotland average of 64 percent). Over the last decade the local population has declined by one percent, compared to growth in Scotland of five percent. The local population is forecast to decline further over the next 10 years.

2.5.3 GVA

Between 2006 and 2016 total GVA in North Ayrshire fell by seven percent, to just over £2,000m. This was in contrast to the 12 percent growth in GVA in Scotland and 13 percent growth in the UK over the same period. Productivity as measured by GVA per job is also lower in North Ayrshire – around £43,000 per job compared to £48,000 for Scotland as a whole and £53,000 for the UK.

2.5.4 Manufacturing

The manufacturing sector accounts for 14 percent of the total North Ayrshire GVA, which shows the sector's strong influence on the economy. This is higher than Scotland (11 percent) and the UK (10 percent). Around seven percent of North Ayrshire's 3,300 businesses are also in manufacturing, compared to five percent of all Scottish businesses in the sector. In addition, 4,500 people were employed in the manufacturing sector in 2017, which represented 11 percent of total employment and significantly higher than Scotland (seven percent) and GB (eight percent). The number of people employed in manufacturing between 2010 and 2017 also grew by 13 percent, more than double the growth of employment in manufacturing in Scotland as a whole over this period.

2.5.5 Employment Levels

Overall employment levels in North Ayrshire have also increased since 2010, up five percent to 42,500. This employment growth was broadly similar to Scotland as a whole (six percent).

2.5.6 Digital Technology Companies

There are currently estimated to be around 85 digital technology businesses based in North Ayrshire which represents three percent of the business base, slightly lower than the average for Scotland (five percent). These businesses employ 230 people which represents one percent of the workforce, lower than Scotland (two percent) and GB (four percent). Although clearly small-scale, employment in the digital technology sector has grown by 10% in North Ayrshire since 2015, double the growth experienced in Scotland and matching the same level of growth across Great Britain as a whole.

2.5.7 Business Start-Ups

Business start-up rates are lower in North Ayrshire. In 2017, there were over 400 new businesses set up in North Ayrshire. This represents 30 per 10,000 population which was lower than the average of 40 per 10,000 people for Scotland. The level of business expenditure on R&D (a key metric for innovation) is significantly lower in North Ayrshire - £38 per 1,000 population compared to £230 for Scotland.

2.5.8 Unemployment

North Ayrshire has a higher unemployment rate than national averages and has a lower proportion of economically active population – 75 percent in North Ayrshire compared to 78 percent nationally. Although residence-based earnings are similar to Scotland at £564 per

week, workplace earnings are lower at £537 per week. The area also has a lower number of people qualified to graduate level (37 percent compared to 44 percent for Scotland). Female labour market participation and those unable to work due to long term sickness are key inclusive growth issues for North Ayrshire. Young people and females are particularly excluded from growth.

2.5.9 The data summarised above clearly sets out the challenging economic context for North Ayrshire but at the same time reinforces the need to try new approaches and be more ambitious in order to drive economic growth in the local economy. Research has identified that the i3 project has the potential to act as a catalyst for new investment, create more higher quality higher skilled jobs, and help to maintain and grow the local area's strong manufacturing sector.

2.6 Market Failure

2.6.1 Market failure arises when a market mechanism fails to deliver economically efficient or optimum outcomes. HM Treasury identifies market failure and equity considerations as the key reasons for public sector intervention (investment) in the market – with the focus on addressing the root cause rather than the effect or symptom. Market failure is defined "… where the market has not and cannot of itself be expected to deliver an efficient outcome".

2.6.2 The context of market failure for this project is explained in the Strategic Case. The general market failure rationale is as follows:

- Market externalities, where there is a reduced incentive for the private sector provision of public realm infrastructure as they are unable to fully commercialise the direct financial and wider strategic benefits that the investment will provide. Without AGD funding, there is insufficient return/ rationale for private sector to deliver the project; and

- Equity – there are high levels of economic and social deprivation and dereliction within the area. Over-arching Scottish Government economic policy identifies investing in people/ place / infrastructure/ assets, promoting inclusive growth as two of its four key priorities.

2.7 Property Market Assessment

2.7.1 Property market consultants have assessed and reviewed the potential to invest in new industrial and office property at i3 through the AGD funds. This included assessment of supply and demand in North Ayrshire. 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.

Industrial Supply and Demand in North Ayrshire (Source: Ryden / Costar)

Sizeband	Current Supply			Demand (since Jan 2014)	
	Sq. M.	No. Units	Avg Age	Sq. M.	No. Units
0-99	268	4	41	5,391	74
100-199	1,495	10	36	4,793	30
200-499	1,379	5	19	12,023	40
500-999	6,790	9	38	13,270	21
1000-1999	5,196	4	42	14,748	11
2000-4999	3,368	1	39	13,549	4
5000-10000	0	0	-	0	0
10000+	0	0	-	10,219	1
Total	**18,496**	**33**	**36**	**73,993**	**181**

Office Supply and Demand in North Ayrshire (Source: Ryden / Costar)

Sizeband	Current Supply		Demand (since Jan 2014)	
	Sq. M.	No. Units	Sq. M.	No. Units
0-99	888	16	1717	43
100-199	1354	9	1688	12
200-499	1174	4	3901	13
500-999	4621	7	1856	3
1000-1999	2522	7	5263	4
2000-4999	2616	1	-	-
Total	**13,175**	**39**	**14,425**	**75**

2.8 Strategic and Policy Context

2.8.1 This section provides a summary of key policies and strategies and their relevance to the project. In addition, a series of tables set out a comprehensive list of the main national and regional policies and/or strategic documents. The i3 project has a strong fit with and contribution towards the policy aspirations of the AGD and regional and national strategies. In particular, this project and the DPMC project fits well with the aims of the Scottish Government's recent consultation draft – **Making Scotland's Future: A Recovery Plan for Manufacturing**, which puts forward a series of actions to secure a strong, sustainable future for the manufacturing sector across four priorities areas of Collaboration and Networks, Supply Chains and Competitiveness, Adaptation and Transformation and Skills and Workforce. DPMC clearly supports the Plan across the aims of collaboration and networks and adaptation and transformation, whilst the flexible space project with the provision of modern business space to assist manufacturing companies to expand and grow.

2.8.2 Within the UK context, the **UK Industrial Strategy 2018** aims to create an economy that boosts productivity and earning power throughout the UK. The Strategy is built on five foundations of productivity (Ideas, People, Infrastructure, Business Environment and Places and four grand challenges (AI & Data, Clean Growth, Future of Mobility and Ageing Society). This project is closely aligned to all of these foundations and challenges, as outlined below:

Ideas – creating a collaborative and supportive environment. I3 represents key life sciences opportunities bringing together an established Ayrshire cluster, excellent workforce skills, major development incentives and high quality land.

People – 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.
Infrastructure – enabling growth in life sciences sector by addressing a critical market failure in the provision of high quality modern business sites and premises to attract and retain business activity.
Business Environment – building on recognised strengths by creating the infrastructure that will attract new manufacturing activity.
Places – land available for offices and factories is identified within the Industrial Strategy as a key attribute for a strong economy. The i3 project delivers on this element.

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.

2.8.3 **Scotland's Economic Strategy 2015** has a dual purpose of increasing economic growth and tackling inequality with four broad priority areas where actions will be targeted to make a difference – investment, innovation, inclusive growth and internationalisation. The Government recognises that certain sectors offer particular opportunities for growth due to comparative advantage or through the potential to capitalise on Scotland's unique natural assets. These sectors which include Life Sciences, are the ones where Scotland typically has distinctive capabilities and businesses with the potential to be internationally successful. The Scottish Government has recently announced a Refreshed Economic Action Plan 2019 -20 which sets out the steps being taken to create a climate neutral and inclusive economy. The Action Plan recognises that Growth Deal projects can act as enablers to unlocking economic assets.

2.8.4 **A Manufacturing Future for Scotland 2016** is an Action Plan committed to raising productivity through increased investment and innovation and a long-term partnership between government, industry, enterprise agencies and other key stakeholders. Emerging from the Action Plan include opportunities for i3 to link up to the National Manufacturing Institute Scotland (NMIS) and other centres of excellence and for collaboration between businesses and academia to promote innovation, which aims to boost productivity among manufacturing firms, including through the stimulation of innovation and investment to help firms compete globally.

2.8.5 **Life and Chemical Sciences Manufacturing Strategy for Scotland** is an industry led strategy supplementing both sectors' existing industry strategies: *Scottish Life Sciences Strategy*, *2011* and *Platform for Growth – A strategic plan for the Chemical Sciences in Scotland 2012*. The aim of this Plan is to achieve the objectives of the strategies for both chemical sciences and life sciences through increasing the contribution manufacturing makes in both of these sectors

with a focus on leadership confidence and promoting manufacturing, research commercialisation, technology development and scaling supply chains and investing in Scotland.

2.8.6 **Realising Scotland's Full Potential in a Digital World: a Digital Strategy for Scotland 2017,** replaces *Scotland's Digital Future: A Strategy for Scotland*, 2011 and sets out plans for ensuring that digital is at the heart of delivering inclusive economic growth, reforming public services and preparing our children for the workplace of the future.

2.8.7 **The Ayrshire Regional Growth Deal Vision Statement** is clearly based on achieving economic growth through increased business and tourist activity. This project will provide the necessary infrastructure (modern manufacturing space and serviced development land) that will accommodate Scottish, UK and international business investment, focused on one of the Scottish Government's six key growth sectors, Life Sciences. The i3 project specifically contributes to the AGD objectives for manufacturing strength and industrial connections. Ayrshire, and Irvine in particular, has recognised market strengths in the Advanced Manufacturing and Life Sciences sectors with a number of globally recognised organisations. As defined in the AGD Prospectus, the presence of these global operators demonstrates "that the area has a great deal to offer as a location for international businesses". The key gap, as discussed in later sections, is the availability of appropriate high quality premises to attract and accommodate more of these operators. Ayrshire has the profile, the skills and the international travel connections – i3 will provide the accommodation.

2.8.8 Through the Ayrshire Growth Deal, there is a regional economic vision for Ayrshire that focusses on unlocking local potential for the wider benefit of the Scottish and UK economies:

"Our vision is for Ayrshire to be a vibrant, outward looking, confident region, attractive to investors and visitors, making a major contribution to Scotland's growth and local well-being and leading the implementation of digital technologies and the next generation of manufacturing."

2.8.9 The AGD will contribute to this regional vision, creating a growing, innovative, smart, more productive and inclusive economy, by developing Ayrshire's core strengths and ensuring that communities benefit from economic growth. The AGD proposals, to which both i3 projects contribute, seek to re-shape Ayrshire's economy and overcome the barriers to growth by:

- Attracting and developing more innovative and internationally focussed companies that are more likely to have higher levels of productivity through developing key infrastructure and targeted business support programmes;
- Positioning Ayrshire as the "go-to" region for SMART manufacturing and digital skills;
- Improving key elements of strategic transport and digital infrastructure to help businesses get goods to market and people to work (physically and virtually); and
- Working with our communities to raise aspiration and ambition, provide employment and skills support, and improve access to jobs through innovative community empowerment and employability programmes.

2.8.10 The preparation of A draft prototype for the **Regional Economic Strategy for Ayrshire** was approved by the Partnership Board and the Ayrshire Joint Economic Committee in December 2019 as the basis for focused stakeholder consultation and further development towards a draft document. However, the baseline for strategy preparation has been fundamentally altered through the Covid-19 pandemic, which is predicted to give rise to one of the deepest

recessions facing the modern economy. The global pandemic will have profound effects on the local, regional, national and global economy. Evidence is already emerging that the impact of the pandemic will not be equal across Scotland; but is likely to have a disproportionately negative impact on regions, like Ayrshire, with lower economic resilience.

2.8.11 In terms of the sectoral impact of Covid-19, this is predicted to hit some of Ayrshire's most important sectors hard including aerospace and aviation, manufacturing, retail, accommodation and food services, and construction, which will impact on production and labour markets across Ayrshire. Ayrshire's concentration of its economy in some of those sectors is proportionately higher than the Scottish average, underlining the requirement to act to support those sectors.

2.8.12 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 the rescue and recovery economic phases; as well as being best positioned to support the renewal phase in the longer term. Appendix G 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:

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

2.8.13 The development of detailed actions and subsequent delivery of themes will be 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.

2.8.14 **South and East Ayrshire Economic Development Strategies** – while the project is located in North Ayrshire it is recognised that it will deliver impacts and benefits across Ayrshire and therefore contribute to the aims and objectives of economic development strategies for both South and East Ayrshire Councils. By attracting new business activity to i3 there is an opportunity for people across Ayrshire (and beyond) to take up new employment opportunities and for businesses to develop supply chain linkages, thereby supporting growth and increasing economic value across Ayrshire.

2.8.15 **North Ayrshire Local Development Plan** (LDP) – the LDP is the land use document that indicates where certain types of development should, and should not, happen. It sets a long-

term vision for growth and provides the policy framework for determining planning applications, and provides the strategic framework to work out the best for new homes, businesses and other developments. The i3 site is identified as Strategic Development Area that would support a range of industrial uses.

National Policy and Strategies

National Policy and Strategies		
Policy	**Objectives**	**Relevance for i3 Project**
UK Industrial Strategy 2018	• 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.	• 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.
Scotland's Economic Strategy 2015	• 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	• 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
Refreshed Economic Action Plan 2019/20	• Creating a climate neutral and inclusive economy based on Scotland's Economic Strategy.	• Supports investment through AGD to enable unlocking of economic assets, including i3.
A Manufacturing Future for Scotland 2016	• 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	• 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
Life and Chemical Sciences Manufacturing Strategy for Scotland	• 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	• Enabling commercialisation of research by providing a focal point between academia and industry • Building up service offering at i3 to attract businesses
Scotland's Digital Strategy 2017	• Recognising that digital is at the heart of economic growth in Scotland.	• Support for focus on digital automation.
Chemical Sciences Scotland Strategic Plan 2015	• Establishing Scotland as a world class centre of high value manufacturing through increased industrial engagement with the centres of innovation directly related to manufacturing	• Developing Scotland's chemical sciences capability • Linking up with NMIS and other centres of excellence, e.g. CMAC at the University of Strathclyde
Life Sciences Strategy for Scotland 2025, Vision	• 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	• Developing Scotland's life sciences capability • Linking with the Life Sciences Innovation Centres.
Skills & Investment	• Four priority areas: addressing specific skill shortages, ensuring national coverage of skills and training	• Developing Scotland's life and chemical sciences capability

Plan for Scotland's Life and Chemical Sciences	provision, increasing exposure to, and understanding of, industry, enhancing practical experience	• Encouraging engagement between HE/FE and industry

Regional & Local Policy & Strategies

Regional and Local Policy and Strategies		
Policy	**Objectives**	**Relevance for i3 Project**
Ayrshire Growth Deal Heads of Terms Agreement	• 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, 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	• 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 testing/ R&D equipment and specialist staff
Regional Economic Strategy for Ayrshire, Draft	• Identifying strategic growth opportunities over a ten year period and across a number of themes including – Advanced Manufacturing, Digital Business Support, Academic Partnerships and Low Carbon Economy.	• I3 will be identified as a site with significant growth opportunity for the Strategy
NAC Local Development Plan 2	• Safeguards key business & industrial sites • Identifies ways to support areas for specific new residential development to cross fund new or improved employment space	• 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	• Has priorities linked to Aspiring Communities and Inspiring Places including inclusive growth and an enterprising local economy and effective infrastructure and digital connectivity.	• The i3 project would strongly support these priority outcomes.
LOIP – Irvine Locality Plan	• The Irvine Locality Planning Partnership has identified their key priorities as: • Mental Health • Employability • Increased residents' sense of control and influence	• The i3 project will support the Partnerships priority of employability.
North Ayrshire Commmunity Wealth Building Strategy 2020-2025	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: • Procurement • Employment • Land and Assets • Financial power • Plural Ownership	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.
NAC Economic Recovery and Renewal Approach 2020	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	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

	Council and our new economic model of Community Wealth Building to develop a Green New Deal for North Ayrshire.	

2.8.16 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

2.8.17 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, of the UK and Scottish Life Science Strategies and Manufacturing Strategy, of regional economic strategies, and of local policies.

2.8.18 <u>NMIS & MMIC</u>
Of significance for both i3 AGD projects are the potential opportunities linked to the development of the National Manufacturing Institute Scotland (NMIS) and the Medicines Manufacturing and Innovation Centre (MMIC). Both facilities are being located at the Advanced Manufacturing Innovation District Scotland (AMIDS) which will be an internationally recognised centre for innovation, research and high value manufacturing. It is led by Renfrewshire Council, in partnership with Scottish Enterprise and the Scottish Government, with the Council receiving £39m from the Glasgow Airport Investment Area (GAIA) City Deal Infrastructure Fund to help realise the AMIDS vision.

2.8.19 NMIS which is the future of manufacturing in Scotland, is an industry-led international centre of manufacturing expertise led by Scottish Government in partnership with its enterprise and skills agencies. It is as a national facility for Scotland, where research, industry and the public

sector work together to transform skills, productivity and innovation to attract investment and make Scotland a global leader in advanced manufacturing. The NMIS facility is not expected to work in isolation, and collaboration with R&D clusters and facilities, nationally, will form part of a strategic network, which will develop the UK and Scottish economic resilience by transitioning Industry 4.0.

2.8.20 The NMIS facility will not have a focus on digital processing and there is a market gap across the UK for digital processing technology research and development. There is a clear opportunity for the i3 proposals to develop market share in digital processing technologies to provide increased regional and national capabilities in supporting businesses meet Industry 4.0 requirements, by developing close working ties with the NMIS facilities. It is imperative that Ayrshire responds to this market gap quickly to establish a position where its assets can be orientated towards market growth and to support existing businesses and inward investment to take advantage of this opportunity. This would support the Ayrshire Growth Deal to deliver inclusive growth, increased productivity, improved skills and employment opportunities for Ayrshire. Failing to act in the immediate horizon would not only mean that Ayrshire businesses remain disadvantaged in terms of digital processing capabilities, but that inward investment would be harder to attract. Good progress is being made by the Council and its partners with NMIS leading on the preparation of an Outline Busines Case for the DPMC and the development of a Collaboration Agreement recognising the opportunity for DPMC to be part of the NMIS hub and spoke model.

2.8.21 I3 was short-listed as the preferred location for Medicines Manufacturing Innovation Centre (MMIC) and substantial effort and resource was committed by NAC to bring MMIC to Irvine. However, the state-of-the-art facility will be located in Renfrewshire, Scotland, led by the Centre for Process Innovation (CPI) in partnership with the University of Strathclyde, the Medicines Manufacturing Industry Partnership (MMIP), and founding industry partners, AstraZeneca and GSK. The Centre will ensure the UK is a technology and innovation leader in small molecule pharmaceutical and fine chemical manufacturing, thereby boosting the competitiveness of both sectors.

2.8.22 In terms of opportunities, it's feasible that manufacturing developments from any smaller companies might locate at i3. This may be one of the more likely direct links between MMIC and i3; along with any shared development and activities on the digitisation agenda, important and central to both. There may be other opportunities between CPI and i3 linked to future MMIC developments that the i3 AGD projects are currently exploring.

PART B: THE CASE FOR CHANGE

2.9 Investment Objectives

2.9.1 Investment objectives for the i3 Advanced Manufacturing Space are:

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.

2.9.2 These key objectives form the basis of what we seek to achieve from the i3 Advanced Manufacturing Space project. While they will continue to be reviewed and refined as the project moves forward towards Final Business Case.

2.10 Existing Arrangements

2.10.1 North Ayrshire has a rich industrial history, particularly in chemicals and life science manufacturing industries that continue to thrive today. Irvine was the last Scottish New Town and benefits from sunk investment in good quality roads and utility capacity which was not fully utilised. Many of the businesses attracted to Irvine in the 1980s (e.g. Volvo Bus and many computer industry sub-contractors) have moved away. The recession, and its continued effects, have seen the private sector engage in large scale demolition of obsolete industrial property and seek conversion of industrial land to residential use.

2.10.2 Ayrshire and Irvine in particular, has recognised market strengths in the Advanced Manufacturing and Life Sciences sectors. The area has a great deal to offer as a location for international businesses with a number of current globally recognised organisations including DSM, GSK, Merck and Chemring. However, the key gap is the availability of appropriate high quality premises to attract and accommodate more of these operators.

2.10.3 The former Irvine Bay Regeneration Company (IBRC) acquired a number of distressed assets from financial institutions in 2010 and carried out a programme of refurbishment. Seven buildings were acquired, extending to some 300,000 sq ft, all of which were let or sold. However, even when refurbished, these buildings did not meet the needs of high value manufacturing and were occupied for more general manufacturing and storage uses.

2.10.4 In addition, in 2012, 132 hectares of land in the area known as Riverside Business Park in Irvine, was designated as part of Scotland's Life Sciences Enterprise Area, and branded i3 Irvine Innovation and Industry. The Enterprise Area is currently zoned, where some areas are covered by business rates relief for life science businesses and accelerated capital allowances for all businesses. The area also benefits from accelerated planning arrangements, business development support, skills and training support and relocation support.

2.10.5 Responsibility for regeneration transferred to North Ayrshire Council in March 2017. Prior to that IBRC sought to provide modern flexible office and industrial space through various funding mechanisms to address need and market failure. Recent space has been delivered at:

- Annickbank Innovation Campus – a second phase of two office pavilions consisting of 343 square metres and 1,312 square metres; and
- Gateway Building, Riverside Avenue – an industrial unit of 3,168 square metres capable of expansion with parking and yard space.

Recent developments – offices pavilions at Annickbank Campus and the Gateway Building

2.10.6 The i3 Enterprise Area represents key life sciences opportunities to bring together an established Ayrshire cluster, excellent workforce skills, major development incentives and high quality land. The aim of the i3 Advanced Manufacturing Space project is to provide the accommodation (site and business space) to support the ongoing growth of the Life Sciences sector, in line with the Scottish Government's aim of increasing growth in turnover.

2.11 Limitations on Existing Arrangements

2.11.1 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.

2.11.2 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. Currently gap funding for speculative development is in the order of 70%. Recent research commissioned by NAC has identified the following issues that demonstrate the requirement for investment:

- High demand for industrial and office space;
- Low vacancy rates for industrial space of 4% for Irvine, 6% for North Ayrshire and 4% for West Central Scotland);
- 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 (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.

Evidence of Demand

2.11.3 Local Business Survey

A recent survey of existing Irvine business occupiers, undertaken as part of work commissioned to provide evidence for this OBC, identified that there is demand for new business property within Irvine. Many respondents indicated that their existing business property is/ are too small and/or poorly configured for their operations. i3 was considered to be an attractive location particularly due to its road connections. This suggests that the development of new business space at i3 would help to meet future requirements and assist with business growth and expansion. The majority of recent property enquiries to NAC for new premises and/or land is from the manufacturing sector. Over half of the respondents indicated a preference for new premises that provide a mix of both industrial and office space, with sizes ranging from 372 sq.m. to 1,394 sq.m. The principle reason for occupiers to move is that the property is too small for their requirements, followed by existing building configuration is not suitable.

2.11.4 Digital Context linked to i3 Digital Hub AGD Project

Digital manufacturing is identified as a key enabler for growth for Scottish Life Sciences, Chemical Sciences, FMCG and Food and Drink sectors. The PwC Annual Manufacturing Report 2019 highlights that although 74% of companies understand that they need to adopt digital technologies in order to prosper, 1 in 4 companies are unsure how to implement digital technologies. A series of demystifying digital workshops run through the Life Sciences Scotland Industry Leadership Manufacturing Sub-group has had a very positive response, illustrating a demand for the provision of information, advice and demonstrations of how digital technologies can transform a business.

2.11.5 A recent study on the development of i3 identified feedback from stakeholder consultations that there is demand and interest for the project, with broad agreement that i3 should develop as a campus for digital life sciences / pharma and processing, with the potential to broaden out to other advanced manufacturing. In North Ayrshire approximately 60 growth companies have a strong interest in digital technologies and are likely to be expanding. They will require the types of services on offer at the Hub. The Council is currently supporting the development of digital technologies for local companies, as shown in the figure below.

2.11.6 The provision of flexible advanced manufacturing space will complement the Digital Hub project which will address demand for support and services and issues including:

- challenges around low productivity, growth rates and skills levels;
- encouraging greater business innovation;
- supporting manufacturing sectors & supply chains; and
- improving the performance of the local economy.

2.11.7 <u>General Survey Evidence</u>

In a recent non-sector specific survey 44% of respondents rated their usage of digital technology as fair to low and 82% indicated they have plans for future digital investment. When asked of their current digital application, 27% are analysing their data and 54% percent indicated that they want to know more. Only 25% of respondents thought their systems were providing adequate information to run their business, with 50% saying that they would like their system to be more accurate, more real time data and cloud based with better security. Equally only 19% are using digital for training and development. In addition, a survey of Manufacturing / Engineering Businesses shows that 57% do not have a digital strategy but indicated the following would add value to their business:

Digital Improvement Theme	Percentage Respondents +ve
Industrial Internet of Things	60 %
Technology (System) Integration	74 %
Simulation	61 %
Augmented Reality	36 %
Additive Manufacturing (eg. 3D Printing)	60 %
Autonomous Robotics	47 %
Big Data / Data Analysis	70 %
Cloud Storage	80 %
Cyber-Security	91 %

Further,

- 93% are planning to or given the right circumstances grow their business in next 2 years
- 86% plan to invest in new machinery next 2 years
- 73% do not feel they have the right skills within their business to take advantage of Digital Technologies
- 70% would benefit from more real time data

The top barriers to improving digital technologies

- Knowledge 77%
- Cost 77%
- Skills 70%
- Access 53%

Top areas of support needed:

- Expert technical support 70%
- Staff Training 67%
- Awareness Sessions 60%
- Links to academic expertise 53%

2.11.8 Scottish Manufacturing Advisory Service (SMAS) Industry 4.0 Review

In addition to the above survey, a more recent Industry 4.0 Review has been undertaken by SMAS with over 180 companies participating. The key findings of the Review are set out below but further illustrate the need for companies to obtain the correct support to adapt to Industry 4.0 processes:

- 70% of companies are yet to engage staff in Industry 4.0 concepts;
- 81% are yet to include Industry 4.0 in their strategy;
- 84% are yet to create an Industry 4.0 resource or training plan;
- Only 1% of companies view their current software as having benefit; and
- Over 60% cannot easily analyse or share data within their company.

2.11.9 Wider Interest

Recent interest in i3 from beyond Ayrshire and Scotland has been limited. The site was shortlisted for the Medicines Manufacturing and Innovation Centre and general enquiries have included data centres, food production and medicinal cannabis production

Constraints on Company Growth and Inward Investment

2.11.10 At present, indigenous companies within North Ayrshire looking to grow and expand are struggling to find suitable space. There is a risk that these companies may end up relocating out of the area due to lack of suitable modern premises for them. In addition, the lack of availability of modern premises and sites is limiting potential inward investment to the area.

2.11.11 These constraints are likely to persist until new development becomes available and they are also reflected in the current record level of interest in space from a variety of indigenous and potential inward investment companies.

Economic Growth and Transformation

2.11.12 The GVA of North Ayrshire has been consistently well below the Scottish average at around £15,000, compared to a Scottish average of around £25,000. Furthermore, the gap between average Scottish productivity and that of North Ayrshire has been growing. Projects that focus on enhancing innovation levels and productivity at i3 will make a valuable contribution to achieving an inclusive Scottish economy. North Ayrshire also suffers from much lower levels of Business Research and Development (BERD) spending at less than a quarter of the Scottish average, with no higher education institute and no innovation centre. Support for growth/adaptive capacity in traditional sectors such as manufacturing and engineering is required to ensure these sectors have the finance and infrastructure needed to transform for Industry 4.0. SCDI (2018) and the OECD, amongst others, have warned that automation could impact post-industrial regions disproportionately and that pre-emptive action should be taken to prevent this. North Ayrshire is the home of sectoral strengths in life sciences, manufacturing and process engineering, however the resilience of these industries is at risk without investment to embrace new technologies. Further investment in the innovation of these sectors at a local place-based level is critical to ensure Scotland is at the forefront of the digital, low carbon economy. The combination of the advanced manufacturing space and Digital Hub projects and potential opportunities from the proposed subsea cable will seek to address this.

Market Failure and Rental Values

2.11.13 North Ayrshire has a low industrial property vacancy rate of 6% and a stock of industrial floorspace which on average is older than the West Central Scotland regional market, in large, partly due to the former Irvine New Town. Despite this low vacancy rate and more severe obsolescence, market demand (at an average 33 units taken-up annually across North Ayrshire) and rental values are insufficient to support financially viable, new-build speculative industrial development. Rents for industrial space average at £4.50 per square foot or £48 per square metre. This is significantly below the viable rent for new development, which is currently around £86-92 per square metre.

Little or No Alternative Funding

2.11.14 There are very limited funding sources available for the public sector to intervene where there is market failure to deliver the scale of modern development required to meet demand. The level of funding required is significant to construct one building. In addition, funding can be extremely competitive with other projects.

2.11.15 At present, indigenous companies within North Ayrshire looking to grow and expand are struggling to find suitable space. There is a risk that these companies may end up relocating out of the area due to lack of suitable modern premises for them. In addition, the lack of availability of modern premises and sites is limiting potential inward investment to the area. These constraints are likely to persist until new development becomes available and they are also reflected in the current record level of interest in space from a variety of indigenous and potential inward investment companies.

Ageing Building Stock

2.11.16 Within the wider context, many existing industrial occupiers are currently located within ageing, sometimes even obsolete buildings. In North Ayrshire, the average age of industrial premises is 36 years. While there is a steady pressure upon occupiers to modernise, it is likely to take a significant shift in energy performance legislation, or complete obsolescence, to create a market-wide push towards new build options. Even those occupiers with high-value plant and processes to accommodate may continue to occupy dilapidating premises for many years before considering relocation. Over the medium to long-term though, it is likely that an increasing number of industrial occupiers will require modernised premises. Modern premises will help address particular issues with the configuration of older buildings, that can restrict companies from recruiting employees or training apprentices that may have a disability. This is a group that currently experiences significant under employment and unemployment.

2.12 Potential Project Scope and Options

2.12.1 This section describes the potential scope for the project, in relation to the above project needs (including any capacity constraints). Through options and scenario analysis, a range of alternative 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 alternative options are then considered in greater detail, within the Economic Case.

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
3. 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 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 that complements the DPMC 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	Similar to Option 2.3, a market-ready proposition that balances forecast demand, level of risk, cost efficiencies and future flexibility.	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

	ultimately increase costs. Discounted Option	**Preferred Option**	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. Consider-ation 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

The Counterfactual Option

2.12.2 Its important that the counterfactual option is reviewed to understand the difference that the public sector intervention will have. Doing nothing through AGD does not necessarily mean that nothing will happen. However, based on detailed market information it is considered that for this project, it is unlikely that any significant activity would happen at the i3 Enterprise Area over the next ten years without public sector intervention.

2.12.3 The counterfactual option assumes that over the next ten years, there would be no development interest without public sector intervention.

The Shortlisted Options

2.12.4 The Shortlisted Options are shown in the table below, including the Do Nothing Option described above and the Preferred Option is delivered over a series of phases. Alternative Options for the flexible space include delivery over one phase in a shorter timescale (accelerated) or over three phases. These are explained further in the Economic Case.

Assessment of Options for i3 - Short List

Option 1 **Do Nothing,**	**Option 2** **Flexible Space, Phased**	**Option 3** **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)

2.13 Main Benefits Criteria

2.13.1 The investment objectives for this project are set out below.

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.*	• 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.*	• 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.***	• 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.*	• 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.*	• 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*	• 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

2.14 Main Risks

2.14.1 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.

Main Business and Service Risks

RISK	MITIGATION
Detailed Business Case fails	• Development of OBC in accordance with Green Book • Partner/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.
Planning approval risks	• Zoned & Allocated Site • Pre-App Discussion with NAC Planning • Assess Protected Species/Habitat risk • Review planning challenge/ appeals • Formally agree programme for consents • Advance programme of Local & Stakeholder Engagement
Cost overruns	• Develop and validate Project Brief and Specification • Benchmark costs • Ensure early infrastructure cost tested/ informed SIs • Provide Green Book compliant Optimism Bias allowances • Provide for contingency
Delays to procurement	• Seek early agreement on appropriate procurement routes.
Failure to deliver anticipated outputs and outcomes	• Ensure BC addresses sensitivity of outcomes • Clear Evaluation & Monitoring Framework

2.15 Internal Constraints

2.15.1 There are no significant internal constraints to the delivery of the i3 Advance Manufacturing Space project. North Ayrshire Council has considerable experience in delivering these types of projects and will bring together with an experienced delivery team supported by internal or external design, project management and contract skills as required.

2.15.2 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.

2.16 Dependencies

2.16.1 The project is subject to the following dependencies. These will be carefully monitored and managed throughout the lifespan of the scheme:

- Market interest from potential occupiers for the completed units / plot;
- Availability of skilled workforce to take up job opportunities;
- Support from SE and SDI in marketing the completed proposition to potential investors and offering appropriate business support;

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

- Input from local schools and college (s) for work placements and training outcomes; and
- 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.

2.17 Interdependencies

2.17.1 The AGD proposes a set of projects that sit alongside each other and are reinforcing in their impact and contribution to the shared vision for Ayrshire. A case of the whole being greater than the sum of the parts. In this important respect the AGD needs to be seen as a cohesive programme sitting alongside partners' day to day delivery both supporting and enhancing that activity. It has been identified there is a need to understand project interdependencies, both to assess the anchor projects within the AGD and also to aid discussion with Governments and partners.

2.17.2 A heat map (Appendix A) has been produced which shows the strength of relationship between projects allowing partners to clearly understand the role of each project to support the whole Ayrshire Growth Deal programme. While the i3 Flexible Space project is not dependent on any other project, there are particularly strong links with the i3 DPMC project AGD project and the following AGD projects and the links are explained further in Appendix B;

- **The Digital Infrastructure Fund** seeking £3m to ensure Ayrshire has the digital infrastructure in place which is critical to the region's future growth;
- **The Ayrshire Skills Investment Fund** seeking £3.5m for the establishment of a responsive skills fund to drive Inclusive Growth. This would provide £3M to support skills interventions directly and for £500k to provide for officer support to the fund and associated research; and
- **The Fibre Optic Subsea Cable** 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.
- **AMIC –** this project and the Flexible Space and DPMC i3 projects will complement the manufacturing industry in general across Ayrshire and the south west of Scotland while focusing on different areas of industry.

2.17.3 The AGD presents an opportunity to exploit higher value industries such as Aerospace, Space, Life Sciences, Advanced Manufacturing and Light Engineering. Therefore, the AGD must ensure that there are sufficient skills and training programmes in place within the region to avoid a skills gap and to ensure that employment opportunities are filled by individuals within

the region. The Digital Infrastructure Fund includes an allocation of £2m towards upgrading key sites including i3 and a Digital Skills and Equipping a Future Workforce initiative to ensure Ayrshire businesses and residents have the skills required to create and access the opportunities that digital infrastructure has to offer, whilst being equipped to participate in the economy through enhanced access to employment, education and services.

2.17.4 In addition, 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 with the impact including;

- Establishment of a key Scottish Digital Infrastructure site with potential to attract future industries, which would not have been possible previously i.e., Data Centre companies;
- Presenting Inward investment opportunities for key industry sectors to cluster; and
- Improvements on latency to accommodate the increasingly more latency-critical requirements of the business sector i.e., Spaceport, NATS.

3.0 ECONOMIC CASE

3.1 Introduction

3.1.1 In recent years major initiatives have been advanced within North Ayrshire through the partnership of NAC and Irvine Bay Regeneration Company (from 2006 to 2016), driving a transformational programme to ensure the area contributes to a successful, vibrant and economically active place. This included the development and promotion of the i3 Enterprise Area in Irvine and investment in new and existing floorspace and related infrastructure.

3.1.2 A series of transformational projects are being advanced through the AGD with a number of partners, to ensure capacity for growth and enable economic restructuring. These include business space and digital initiatives at i3, employment initiatives, skills development and place-making.

3.2 Project Options

3.2.1 In accordance with the Capital Investment Manual and HM Treasury's Green Book, a range of options were considered within the Strategic Case and shown the long list of options table within the Strategic Case. Three of these options are considered in greater detail in this Section, namely:

- **The Counterfactual Option: Do Nothing**

- **The Preferred Option: Flexible Space, Phased**
  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:

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.

- **The Ambitious Option: Flexible Space, Accelerated**
  AGD funding (4.1) to deliver floorspace (2.3) at i3 Enterprise Area (1.1) through major intervention (3.3) in one phase (5.1), as follows:

4.1 Seek AGD Funding	2.3 Flexible Space	1.1 i3 Enterprise Area	3.3 Large Scale / Ambitious	5.1 Immediate
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 be 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 2.2, 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.	Similar to 2.2 and 3.3, there is potential to develop the whole of the i3 site immediately, thereby delivering cost savings to the public sector but also increasing risk and reducing flexibility to change size/ layout on demand.

3.3 Critical Success Factors

3.3.1 A number of critical success factors are identified in the Five Case Model which are relevant to the Advanced Manufacturing Space AGD project. These are identified in the table below with measures to address the critical success factors.

Critical Success Factors

Critical Success Factors	Measures to Address Critical Success Factors
BUSINESS NEEDS: How does the option satisfy the AGD Vision & key themes?	• 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?	• Supporting growth of the life sciences sector • Delivering net additional economic outcomes
BENEFITS OPTIMISATION: How does the option optimise value for money?	• Cost per job for public sector
POTENTIAL ACHIEVABILITY: Is the option viable and can it be delivered?	• 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?	• 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?	• Availability of AGD or other public / private funding

3.4 Assessment of Short-Listed Options

3.4.1 The following tables provide a review of each of the short-listed options, considering how each performs against the Critical Success Factors for the i3 project.

3.4.2 The outcome of assessing the Do Nothing option shown below, is that it is discounted. This option fails to take advantage of the opportunity that AGD funding creates. It represents a missed opportunity to deliver flexible business units that will attract next generation manufacturing uses to Ayrshire and to Scotland and the net additional outcomes that would support economic growth.

Do Nothing Option

1. Do Nothing Option	Review of Critical Success Factors
BUSINESS NEEDS: How does the option satisfy the AGD Vision & key themes?	• Delivers no additional floorspace
STRATEGIC FIT: How does the option provide a holistic fit and synergy with other national, regional and local strategies?	• Attracts no business occupiers • Delivers no jobs
BENEFITS OPTIMISATION: How does the option optimise value for money?	• There is no value for money as the project is not delivered.
POTENTIAL ACHIEVABILITY: Is the option viable and can it be delivered?	• N/A
MARKET CAPACITY: Will the option meet an identified market demand, remove a constraint and how will it affect existing supply?	• Market demand not met.
POTENTIAL AFFORDABILITY: Can the option be funded both the up-front capital and future revenue?	• N/A

3.4.3 The outcome of assessing the option below, is that this is identified as the **Preferred Option**. However, there is a need to undertake further review based on the likely level of AGD funding and the property market analysis. Any changes will be clearly notified within the Full Business Case.

Preferred Option: Flexible Space, Phased

2. Preferred Option	Review of Critical Success Factors
BUSINESS NEEDS: How does the option satisfy the AGD Vision & key themes?	• Delivers 8,830 sq metres (NIA) of advanced manufacturing floorspace that will support economic growth
STRATEGIC FIT: How does the option provide a holistic fit and synergy with other national, regional and local strategies?	• Attracts approx. 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?	• The option delivers floorspace on a phased basis allowing time for review and ensuring the accommodation meets market requirements.
POTENTIAL ACHIEVABILITY: Is the option viable and can it be delivered?	• 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?	• This development option has been profiled against detailed market knowledge.
POTENTIAL AFFORDABILITY: Can the option be funded both the up-front capital and future revenue?	• £15m AGD funding is required. Future revenue costs will be met from revenue returns (rent and plot sales).

3.4.4 The outcome of assessing the Ambitious Option below is that this accelerates the delivery of the project to deliver it in one phase in comparison to the Preferred Option which is recommended to be delivered over three phases with a review following the delivery of phases 1 and 2.

Ambitious Option: Flexible Space, Accelerated

3. Ambitious Option	**Review of Critical Success Factors**
BUSINESS NEEDS: How does the option satisfy the AGD Vision & key themes?	• 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?	• 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?	• 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?	• 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?	• 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?	• £15m AGD funding is required. Future revenue costs will be met from revenue returns (rent and plot sales).

3.5 Project Outputs

3.5.1 The table below lists the potential project outputs that could be delivered by the Preferred Option by 2028:

Project Outputs (in GIA)

Project Output	Area	Notes
Terraced industrial units created	697 sq m	5 units at 46 sq m each 5 units at 93 sq m each
Modular industrial units created	7,432 sq m	2 units at 1,858 sq m each 1 unit at 3,716 sq m each
Office pavilions	850 sq m	2 units at 425 sq. m each
Serviced plot created	5 acres	A serviced plot to accommodate bespoke inquiries
New landscaping and enabling infrastructure created	tbc	To be confirmed as part of detailed design work.
Jobs safeguarded	tbc	
New inward investment	tbc	
Private businesses supported	tbc	
Local apprenticeships	tbc	
Vacant and derelict land brought back into use.	20 hectares	

3.6 Economic Impact

3.6.1 To date, the economic modelling for Ayrshire Growth Deal (AGD) projects has been performed on a local / regional level. Direct jobs have been calculated at the local level using employment space to calculate the provision of additional jobs in the local area. Whilst employment multipliers assume an element of uplift in the regional functional economy owing to the possibility of supply chain and labour market, working within a regional functional economy. For the purposes of the Ayrshire economy, this has been assumed to include the Ayrshire region but also to include the Greater Glasgow conurbation.

3.6.2 HM Treasury issued revised Green Book guidance on national economic appraisals in March 2018. The revised guidance requests that for each project a national (UK) economic appraisal is completed in addition to any local/regional appraisal. The revised guidance around the national appraisal assumes 100% displacement (and no multiplier effect). The AGD PMO has agreed a methodology with economists in both UK and Scottish Governments to calculate national employment impacts. A national appraisal for the preferred and alternative options for the project has been prepared. This appraisal identifies both quantitative and qualitative benefits of the possible investments and considers alignment to project and AGD programme aims and objectives.

Methodology

3.6.3 The economic outputs displayed within the Table below are as at March 2020. As the project develops, these outputs will be updated to take account of current evidence, changes to the project scope and the associated financial case. A note of the sources and assumptions can be found in Appendix D. The technical detail for each stage can be found at Appendix E.

3.6.4 Costs for the manufacturing space were estimated by consultants in accordance with BCIS Cost Indices rebased for stock within Scotland. Costs for the office space are estimates benchmarked against similar recent development undertaken by North Ayrshire Council at Annickbank Innovation Campus, Irvine

High-level Economic Outcomes

STAGE 1 - Scotland Impacts - Standard Analysis as calculated before (traditional)					
Outcome	**Short Listed Options**				
	Option 1 Do nothing	**Option 2 Preferred**	**Preferred (sensitivity check - negative impact)**	**Preferred (sensitivity check - positive impact)**	**Option 3 (accelerated)**
Business space created (NIA)	0	8672 sq m	8672 sq m	8672 sq m	8672 sq m
Capital Expenditure	n/a	£15,000,000	£15,000,000	£14,000,000	£15,000,000
Net Present Cost		£12,764,649	£12,764,649	£11,978,658	£13,545,157
Optimism bias		5%	5%	5%	5%
Direct Jobs	0	111	100	111	111
Indirect Jobs	0	51	26	51	51
Total Jobs	0	162	126	162	162
Construction jobs	0	150	150	140	150
Construction GVA £000	£0	£5,008,507	£5,008,507	£4,700,105	£5,314,757
Direct GVA (Present Value of Benefits) 25 year NPV	£0	£54,552,693	£50,233,326	£55,882,327	£56,223,953
Indirect GVA 25 year NPV	£0	£25,428,207	£13,338,450	£26,045,489	£26,184,461
Total GVA 25 year NPV	£0	£79,980,900	£63,571,776	£81,927,816	£82,408,414
Present Value of Costs to Government	n/a	£12,764,649	£12,764,649	£11,978,658	£13,545,157
NPV		£41,788,044	£37,468,676	£43,903,669	£42,678,796
BCR		4.27	3.94	4.67	4.15
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		£60,376,266	£55,595,800	£61,847,840	£62,225,935
BCR		4.73	4.36	5.16	4.59
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	1.22	1.22	1.22	1.22
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	111	100	111	111
Steady State GVA	£0	£9,377,900	£8,440,110	£9,377,900	£9,377,900
GVA per head for project	£0	£84,486	£84,401	£84,486	£84,486
Productivity Adjustment factor (r)	n/a	2.03	2.03	2.03	2.03
Overall UKG Adjustment Factor (UKAF) (g)		2.48	2.48	2.48	2.48
Scottish BCR Factor (b)		1.23	1.25	1.21	1.24
Rank based on Overall UKG Adjustment Factor		**1**	**n/a**	**n/a**	**2**

3.6.5 The Economic case at a Scotland level (as required by Scottish Ministers) is presented in the table above. The Present value of benefits and costs are shown for each option and a Net Present Value and Benefit Cost Ratio are calculated. The BCR shows a positive economic impact ranging from 4.15 to 4.27 for the preferred and alternative options.

3.6.6 The spatially adjusted analysis 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 (for full technical detail see Appendix D). This is in line with the Scottish Government view of the importance of Inclusive Growth. The BCR after this adjustment (5.28) again shows a positive economic impact for both the preferred and alternative options.

3.6.7 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.

3.6.8 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.

3.6.9 The UKG Adjustment Factor' for the preferred and alternative options is 2.8 for both options which in each case is greater than the 'Scottish BCR Factor' demonstrating that the proportional impact in productivity through "better" jobs weighted for distributional impacts for each option is sufficient to ensure a BCR > 1 under 100% displacement resulting in both options providing value for money. The alternative option, however, delivers all floorspace within one phase but at risk and with possible financial liabilities and therefore has been discounted.

3.7 Option Appraisal Conclusion

3.7.1 The key findings are as follows:

Option 1 – do nothing/do minimum/status quo

This option ranks third. It provides no build out.

Option 2 – reference project/ outline PSC (flexible space, phased)

This option ranks first and delivers the following:

- 162 net jobs (Direct and Indirect)
- 150 construction jobs
- £79.98m GVA (excluding construction) discounted over the next 25 years
- The GVA per head for the project is £84,486
- It provides a positive economic impact with an estimated Benefit-Cost ratio of £4.27:£1.
- After spatial adjustment, the estimated Benefit Cost ratio increases to £4.73:£1
- A distributional weight of 1.22 (d) > 1 shows a positive impact from the component.

- A productivity adjustment factor of 2.03 (ρ) > 1 shows a positive impact from the component. Also as 2.03 - 1 > β (0.23) value for money holds.
- As ϒ is ≥ 1+β (1.2) or 2.4(ϒ) - 1 = 1.4 ≥0.2 demonstrates that the proportional impact in productivity through "better" jobs weighted for distributional impacts is sufficient to ensure a BCR > 1 under 100% displacement

Option 3 – reference project/ outline PSC (flexible space – accelerated)

This option ranks second and delivers the following:

- 162 net jobs (Direct and Indirect)
- 150 construction jobs
- £82.40m GVA (excluding construction) discounted over the next 25 years
- The GVA per head for the project is £84,486
- It provides a positive economic impact with an estimated Benefit-Cost ratio of £4.15:£1
- After spatial adjustment, the estimated Benefit Cost ratio increases to £4.59:£1
- A distributional weight of 1.22 (d) > 1 shows a positive impact from the component.
- A productivity adjustment factor of 2.03 (ρ) > 1 shows a positive impact from the component. Also if 2.03 - 1 > β (0.24) value for money holds.
- As ϒ is ≥ 1+β (1.2) or 2.4(ϒ) - 1 = 1.4 ≥0.2 demonstrates that the proportional impact in productivity through "better" jobs weighted for distributional impacts is sufficient to ensure a BCR > 1 under 100% displacement.
- Although the same outputs are produced for both options 2 and 3, option 3 ranks lower because Option 3 delivers all the floorspace within one phase at risk and with possible financial liabilities.

3.8 Sensitivity Testing

3.8.1 Sensitivity tests have been undertaken to demonstrate where there could be a negative impact (results displayed in the High Level Economic Outcomes Table above). The sensitivities tested were:

Negative impact of Option 2 (preferred option):

- A decrease of 10 percentage points in the modelled occupancy rate
- Multiplier Type 1 used (direct & indirect but exclude induced effects)

Positive impact of Option 2 (preferred option):

- Project is delivered at lower cost (£14million)
- Occupancy reaches 75% in 2028

Key Observations

3.8.2 Estimates range from:

- Direct jobs - 100 to 111 jobs
- Indirect jobs – 26 to 51 jobs
- Direct GVA - £50.2m to £56.2m

- Indirect GVA - £13.3m to £26.2m
- BCR 3.94 to 4.67

3.9 Qualitative Benefits Appraisal

3.9.1 A number of qualitative benefits will also be generated through the project proposal as set out in the table below. Sensitivity testing has been undertaken for the Economic Appraisal and will be conducted further as the OBC continues to develop, to test how changes in key assumptions will impact on the project's outcomes.

Qualitative Benefits Criteria

Objectives	Benefits for Stakeholder Groups	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.*	• 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.	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.*	• 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	20%
3. ***To create serviced industrial land and capable of immediate development.***	• 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	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.*	• 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	20%
5. ***To attract mobile and private sector investment*** *both from abroad and from indigenous companies.*	• New employment and training outcomes • Demonstrate attractiveness of Scotland as excellent location for life sciences manufacturing	15%

	• 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*	• 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	15%

3.9.2 The benefits scores were allocated on a range of 0-9 for each of the short-listed options as follows:

0 No benefits
1-3 Low benefits
4-6 Some benefits
7-9 Good benefits

3.9.3 The results of the benefits appraisal are shown in the table below:

Benefits Appraisal Results (updated)

Benefit Criteria & Weight	**Option 1 Do Nothing**		**Option 2 Preferred**		**Option 3 Ambitious**	
Raw (R) & Weighted (W) scores	**R**	**W**	**R**	**W**	**R**	**W**
1. Create flexible business space to meet manufacturing needs 20%	0	0	8	1.6	7	1.4
2. To complement planned AGD investment in the DPMC project 20%	0	0	8	1.6	6	1.2
3. To create serviced industrial land for immediate development. 20%	0	0	7	1.4	8	1.6
4. To create opportunities for employment and inclusive growth. 20%	0	0	7	1.4	7	1.4
5. To attract mobile and private sector investment. 10%	0	0	7	0.7	7	0.7
6. To create a sustainable, high quality business location and R&D cluster. 10%.	0	0	8	0.8	7	0.7
Total	**0**	**0**	**45**	**7.5**	**42**	**7**
Rank	**3**		**1**		**2**	

3.9.4 There were key considerations that influenced the score for the various options. Option 1 – Do Nothing ranked last with a zero score as this option provided no benefits. Option 2, the Preferred Option scored higher than the Ambitious Option, as its phased approach is more likely to meet manufacturing needs, to complement the planned investment related to the

DPMC project and to align with the benefits of creating a high quality business location that encourages an R&D cluster. Overall, Options 2 and 3 were viewed as having good benefits.

3.9.5 In summary, outcomes from the DPMC project, supplemented by the provision of flexible space, will include:

- an increase in BERD of participating companies;
- an increase in productivity of the participating SMEs through operational efficiencies
- an increase in the number of new B2B customers and suppliers through improved data utilisation, measured by numbers of new contracts and the increase in the value of contracts;
- an increase in the number of businesses adopting digital processes; and
- an increase in the number of businesses expanding digital technology applications.

3.10 Risk Appraisal

3.10.1 A number of key risks have been identified within this OBC and will be developed into a detailed risk management plan for the project. A high level risk appraisal has been undertaken for the three options for the main risks identified for the project. A summary of the risk appraisal results is shown in the table below. Scoring for the scale of risk was as follows:

- Low equals 2
- Medium equals 3
- High equals 5

Summary of Risk Appraisal Results

Risk Descriptions (Pr = probability)	Impact	Option 1 Do Nothing		Option 2 Preferred		Option 3 Ambitious	
		Pr	Tot	Pr	Tot	Pr	Tot
Detailed business cases fail.	**5**	2	**10**	2	**10**	3	**15**
Site purchase risk.	**5**	2	**10**	2	**6**	2	**6**
Planning risks.	**5**	2	**10**	3	**15**	3	**15**
Delays to procurement processes	**3**	2	**6**	3	**9**	3	**9**
Cost overruns.	**5**	2	**10**	3	**15**	3	**15**
Delays to delivery programme.	**3**	2	**6**	3	**9**	3	**9**
No interest from occupiers.	**5**	5	**25**	2	**10**	3	**15**
Failure to deliver outputs and outcomes.	**5**	5	**25**	2	**10**	3	**15**
Failure to secure a local transport provider.	**3**	5	**25**	3	**15**	5	**25**
Total			**127**		**99**		**124**
Rank			**3**		**1**		**2**

3.10.2 There were key considerations that influenced the scores achieved by the various options in relation to risk. Option 1 – Do Nothing, inevitably scored lowest for most risks given that there would be no activity, however it scored higher in terms of not achieving any interest from occupiers and failing to deliver any outputs or outcomes. The Preferred Option scored lowest out of all options. This was mainly due to low scores relating to failure of the business case, site purchase and the low risk of there being no interest from occupiers and failing to deliver outputs and outcomes. The Ambitious Option to deliver the flexible space in a shorter timescale scored higher for these risks due to the space being provided ahead of market demand and as there would be limited time to co-ordinate related outcomes.

3.11 The Preferred Option

3.11.1 The results of the investment appraisal are as follows:

Evaluation Results	Option 1 Do Nothing	Option 2 Preferred (Phased)	Option 3 Ambitious (Accelerated)
Economic Appraisal	3	1	2
Benefits Appraisal	3	1	2
Risk Appraisal	3	1	2
Overall Ranking	**3**	**1**	**2**

3.11.2 The Preferred Option is Option 2, flexible space delivered on a phased basis. The Preferred Option will be considered further in the Commercial, Financial and Management Cases of this OBC.

4.0 THE COMMERCIAL CASE

4.1 Introduction

4.1.1 This proposal is seeking delivery of advanced manufacturing floorspace and related works, over a series of phases that relates to the preferred option outlined in the Economic Case. The commercial opportunities relate to the design, site analysis/investigation and costings development work, site preparation work and roads and building construction work. All development work will be undertaken for all three phases at the beginning of the project. However, delivery of each phase will take place after a review of the success of earlier phases.

4.2 Required Services

4.2.1 The project requires a land acquisition process from Scottish Enterprise. As a key partner and public organisation, the Council does not anticipate any risk or challenges with this acquisition.

4.2.2 The project will be delivered by North Ayrshire Council. The procurement route for the contract or contracts eg direct build through a design and build contract, has yet to be determined. In addition, the Council will review the market following the delivery of phases one and two, including the potential to bring in a delivery partner.

4.2.3 Discussions have taken place with the Council's Project Management and Implementation (PMI) Team to determine if they can assist with the delivery of the contract and they are taking forward the detailed design of the first phase. This involves mainly architecture and quantity surveying services. At the stage it is anticipated that the Council would procure a number of professional services to develop and deliver the works, as listed below:

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

4.3 Potential for Risk Transfer

4.3.1 The table below provides an assessment of how the associated risks might be apportioned between NAC, the design team, the contractor and the end occupier. The general principle is that risks should be passed to the organisation that is best able to manage that risk subject to value for money. 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.

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 Potential Income Generation

4.4.1 The completed project will generate income from two key sources:

- Ongoing rental income from the lease of completed units with rent charged at appropriate rates in line with market conditions; and
- One-off capital receipts from the sale of buildings and/or development plots with disposals at market value.

4.4.2 Its anticipated that NAC will not consider selling buildings initially, to ensure NAC benefits from income generated. The Council will be responsible for the ongoing maintenance of the buildings and subject to design, the management and maintenance of the site landscaping.

NAC will also be responsible for any Non-Domestic Rates charges accruing against any vacant units.

4.5 Proposed Contract Lengths

4.5.1 Building contracts are envisaged to endure for a period of construction only.

4.5.2 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 Proposed Key Contractual Clauses

4.6.1 All relevant consultant and contract appointments will include contractual obligations to provide community benefits. This will include opportunities to offer jobs, trainee or apprenticeship positions to local people, particularly drawn from disadvantaged or Protected Characteristic groups, work-place training, school visits, and career events. Contracts will require tenderers to submit clear and deliverable proposals on their community benefit programme and co-ordination of pre-employability programmes ahead of site work.

4.6.2 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)

4.7.1 It is anticipated that the TUPE – Transfer of Undertakings (Protection of Employment) Regulations 1981, will not apply to this investment as outlined above.

4.8 Procurement Strategy and Implementation Timescales

4.8.1 A procurement strategy will be developed as appropriate to the location, timing, type and scale of the various construction elements of the programme with the aim of maximising value for money and reducing risk. It is anticipated that the implementation milestones to be agreed for the scheme with the service provider. Indicative Project Milestones are shown at 6.5. COVID 19 may also have an impact on timescales and procurement approach which will be considered further as the project develops.

4.9 FRS 5 Accountancy Treatment

4.9.1 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 FINANCIAL CASE

5.1 Introduction

5.1.1 The purpose of this section is to set out the forecast financial implications of the options being considered and the proposed deal (as described in the Commercial Case).

5.2 Impact on the Delivery Vehicle's Income and Expenditure Account

5.2.1 The anticipated payment stream for the project over its intended life span is set out in the following table, which will be updated as the project progresses and has been updated since the last version of the OBC to reflect estimated spend linked to delivery of each phase.

Financial Profile (updated)

Year	**0 19/20**	**1 20/21**	**2 21/22**	3 22/23	**4 23/24**	**5 24/25**	**6 25/26**	**7 26/27**	**8 27/28**	**9 28/29**	**10 29/30**	**Total**
£ millions	£	£	£	£	£	£	£	£	£	£	£	£
Capital	0	0.1	0.4	2.95	1.0	1.45	2.8	1.8	4.5	0	0	15m
Revenue	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**0.1**	**0.4**	**2.95**	**1.0**	**1.45**	**2.8**	**1.8**	**4.5**	**0**	**0**	**15m**
AGD SG.	0	0	0	1.7	0.7	1.15	2.5	1.5	3.45			11m
AGD NAC	0	0.1	0.4	1.25	0.3	0.3	0.3	0.3	1.05			4m
Total	**0**	**0.1**	**0.4**	**2.95**	**1.0**	**1.45**	**2.8**	**1.8**	**4.5**			**15m**

5.3 Impact on the Balance Sheet

5.3.1 Discussions are ongoing as to the underlying commercial principles of the project. Therefore, at this stage it is not possible to determine the impact on the balance sheet until Full Business Case stage.

5.4 Overall Affordability

5.4.1 The capital cost of the project is £15m for the AGD made up of the following indicative costs set out in the table below. Any proposed early spend will be supported by North Ayrshire Council, 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.

Summary of Capital Costs for i3 Advanced Manufacturing Space Project

Cost Element	Total
Phase 1, construction cost	£3,191,425
Phase 2, construction cost	£5,152,000
Phase 3, construction cost	£1,860,000
Sub total	**£10,203,425**
Contingency @ 10%	£1,020,343
Professional fees @ 10%	£1,122,377
Staff Costs	£450,000
Sub total	**£12,796,145**
Inflation @ 3%	£383,884
Optimism Bias @ 5%	£639,807
Allowance for infrastructure & utilities work	£1,180,164
Overall Total	**£15,000,000**

5.4.2 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 off-set 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.

5.4.3 A financial breakdown of assumptions will be provided within the detailed Full Business Case as required, including approximate levels of rental income per annum. At the moment, rental income is estimated in the region of £400,000 by 2032. A full analysis of this will be undertaken at Full Business Case stage, to provide detail and accuracy and consider how this would support the Digital Hub.

5.5 Main Financial Dependencies and Risks

5.5.1 The project is dependent on the funding from the AGD secured through the approval of this OBC and the Full Business Case. The main financial risks are expected to be:

Main Financial Risks

- 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 pf the project;
- Risks that the key milestones are not achieved
- Risk that the project does not proceed as an AGD project.

6.0 MANAGEMENT CASE

6.1 Introduction

6.1.1 This section addresses the achievability of the project, setting out in more detail the actions required to ensure the successful delivery of the project in accordance with best practice. This Section will continue to be updated through to full business case.

6.2 Programme Governance Arrangements

6.2.1 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 decisions.

6.2.2 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.

6.2.3 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

6.3 Project Management Arrangements

6.3.1 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).

6.3.2 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 be responsible for coordinating activities and between officers and Elected Members. The AGD Project Board meets and reports to Council on a regular basis.

6.3.3 The AGD Project Board will co-ordinate the overall delivery of the project. 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 and experienced Design Team will be procured and appointed to advance the project to completion. Key roles are summarised below:

Project Sponsor	NAC Chief Executive
Project Director	NAC Director, Growth & Investment
Chief Financial Officer	NAC Head of Finance
Senior Responsible Officer	Senior Manager, Growth and Investment
Project Manager	Manager, Growth and Investment

Figure 2: Organisational chart, showing governance of the project

6.4 Project Plan

6.4.1 A detailed project plan system will be prepared for the Full Business Case. A current summary is provided below:

Indicative Project Milestones

DELIVERABLE	DUE DATE
Procure professional team to progress detailed design, Phase 1 (20,000 sq ft unit)	Q1 2021
Consultation with Planning and stakeholders on draft masterplan	Q1 2021
Completion of flexible space outline designs through masterplan process	Q1 2021
Approval of Outline Business Case	Q2 2021
Transfer of land from SE	Q2 2021
Ground investigations complete	Q2 2021
Submission of detailed planning application	Q2 2021
Planning permission granted	Q3 2021
Completion of Full Business Case and approvals	Q4 2021
Tender advertised	Q4 2021
Contract award and construction begins, Phase 1 (20,000 sq ft unit)	Q1 2022
Construction works complete, Phase 1 (20,000 sq ft unit)	Q1 2023
Building available for occupation	Q1 2023
Delivery of subsequent Phases (incl revision & approval of any OBCs/FBCs)	22/23 to 27/28

6.5 Use of Special Advisers

6.5.1 Special advisers have been used in a timely and cost effective manner in accordance with the Treasury Guidance: Use of Specialist Advisers. The project will involve further input from specialist consultants in its development, with further details supplied at FBC stage.

Specialist Area	Adviser
Financial	N/A
Technical	Fairhurst, Austin Smith Lord, Doig Smith (masterplan phase) NAC PMI Team, detailed design, Phase 1
Procurement and Legal	N/A
Business Assurance	Ryden, property consultant
Other	N/A

6.6 Outline Arrangements for Change and Contract Management

6.6.1 The strategy, framework and plan for dealing with change and associated contract management will follow best practice and where possible and appropriate, follow the requirements of the AGD. An Assurance Framework will be established at FBC that sets out a clear governance structure for the delivery of the project.

6.7 Outline Arrangements for Benefits Realisation

6.7.1 A Benefits Realisation Logic Chain is shown in Appendix B. A detailed Benefits Realisation Plan will be developed and will link into other AGD programme activities as appropriate.

6.8 Outline Arrangements for Risk Management

6.8.1 The main business and service risks are identified in the table below. A risk management approach will be established that covers the project from design and procurement through to delivery and future operations and maintenance. A draft Risk Register has been shown in Appendix F. A more detailed project risk register will be established for the FBC.

Main Business and Service Risks

RISK	MITIGATION
Detailed Business Case fails	• Development of OBC in accordance with Green Book • Partner/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.
Planning approval risks	• Zoned & Allocated Site • Pre-App Discussion with NAC Planning • Assess Protected Species/Habitat risk • Review planning challenge/ appeals • Formally agree programme for consents • Advance programme of Local & Stakeholder Engagement
Cost overruns	• Develop and validate Project Brief and Specification • Benchmark costs • Ensure early infrastructure cost tested/ informed SI • Provide Green Book compliant Optimism Bias allowances • Provide for contingency
Delays to procurement	• Seek early agreement on appropriate procurement routes. • Include anticipated tender packages within the Council's Procurement Wave Plan
Failure to deliver anticipated outputs and outcomes	• Ensure BC addresses sensitivity of outcomes • Clear Evaluation & Monitoring Framework

6.9 Contingency Plans

6.9.1 If the project should fail, or where it results in an underspend, the governance arrangements are in place to allow partners to agree an appropriate way forward and to negotiate this with both governments so that the overall impact of the Deal is in no way diminished.

6.10 Outline Arrangements for Post Project Evaluation

6.10.1 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.

6.10.2 Arrangements for post implementation review and project evaluation review will be established for the FBC in accordance with established governance arrangements for the AGD.

6.11 Monitoring and Evaluation

6.11.1 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 at Full Business Case stage to monitor the project's outputs and outcomes and ensure that those are included, where possible, within the procurement process.

7.0 Review & Signature

This Outline Business Case recommends investment of £15m from the Ayrshire Growth Deal in flexible advanced manufacturing space at i3 Irvine Enterprise Area.

Signed: _____
(On behalf of Growth and Investment Directorate, NAC)

Date: _____

APPENDIX A INCLUSIVE GROWTH HEAT MAP

Ayrshire Growth Deal Project Name	Regional Drivers to Inclusive Growth																
	Intermediate & Advanced Skills	Local Jobs	Health	Basic Digital Skills	Soft & Basic Skills (work-readiness)	Business Support (non-financial)	Childcare	Sustainable Working Population	Structure of Economy (Sectors/Industries)	Advanced Digital Skills/Innovation	Access to Finance	Business Premises	Digital Connectivity	Transport (people to jobs)	Housing	Transport (goods to market)	Inward Investment
Spaceport Infrastructure	■	■			■	■		■	■	■		■					■
Aerospace & Space Innovation Centre (ASIC) inc Visitor/STEM Engagement Hub	■	■		■	■	■		■	■	■		■					■
Prestwick Enabling Infrastructure - Roads		■			■				■	■		■		■		■	■
Prestwick Commercial Workspace & Infrastructure	■	■			■			■	■	■		■		■		■	■
i3 Flexible Space	■	■			■		■	■	■	■		■		■		■	■
i3 DPMC	■	■			■		■	■	■	■		■		■		■	■
Industrial Marine Science and Environmental Centre (IMSE)	■	■	■		■	■		■	■			■		■			■
The Great Harbour, Irvine Harbourside-Ardeer		■	■		■	■		■	■			■		■	■		■
Marine Tourism		■	■		■	■		■									■
Hunterston Strategic Development Area	■	■	■		■	■		■	■	■			■	■		■	■
HALO Kilmarnock	■	■	■			■	■	■	■	■		■	■	■	■		■
Ayrshire Engineering Park (Moorfield)	■	■			■	■		■	■	■		■					■
Ayrshire Manufacturing Investment Corridor (AMIC)	■	■			■	■		■	■	■		■					■
National Energy Research Demonstrator (NERD)	■	■	■			■		■	■	■		■	■	■			■
Digital Subsea Cable		■	■			■		■	■	■	■	■	■	■	■	■	■
Digital Infrastructure		■	■			■		■	■	■	■	■	■	■	■	■	■
Working for a Healthy Economy	■	■	■		■	■		■	■								
Ayrshire Skills Investment Fund	■	■	■	■		■		■	■	■							■
Community Wealth Building	■	■	■		■	■		■	■		■	■					
Regional Transport Appraisal			■					■	■					■		■	■

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.	• 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)	• 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.	• Ensure attendance of Officer representing Flex Space/DPMC at relevant working group meetings.	• 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.	• Ensure attendance of Officer representing Flex Space/DPMC at relevant working group meetings	• 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	• 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	• 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.	• 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.	• 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	• 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.	• 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	• 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)	• 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 APPRAISAL ASSUMPTIONS

Assumption	Option 2 Preferred	Preferred (sensitivity check - negative impact)	Preferred (sensitivity check - positive impact)	Option 3 (accelerated)	Source
Capital Expenditure	£15,000,000	£15,000,000	£14,000,000	£15,000,000	NAC
Discount rate	3.5%	3.5%	3.5%	3.5%	GreenBook
Model length	25 years	25 years	25 years	25 years	EY
Payment profile	Years 2021/22 - 2027/28 Years 1 - 7	Years 2021/22 - 2027/28 Years 1 - 7	Years 2021/22 - 2027/28 Years 1 - 7	Years 2021/22 - 2024/25 Years 1 - 4	NAC
Project specification					
Build Up - R&D (Class 4b)	560 sqm	560 sqm	560 sqm	560 sqm	NAC
Build out - Office	680 sqm	680 sqm	680 sqm	680 sqm	NAC
Build out - Industrial and Manufacturing	7432 sqm	7432 sqm	7432 sqm	7432 sqm	NAC
Total	8672 sqm	8672 sqm	8672 sqm	8672 sqm	NAC
Project Build-out					
Build Up - R&D (Class 4b)	Years 3-4	Years 3-4	Years 3-4	Years 3-4	NAC
Build out - Office	Years 6-7	Years 6-7	Years 6-7	Years 5-6	NAC
Build out - Industrial and Manufacturing	Years 2-7	Years 2-7	Years 2-7	Years 2-7	NAC
Project Occupancy					
Build Up - R&D (Class 4b)	Year 4: 23% Year 5: 25% Year 6: 27% Year 7: 49% Year 8: 57% Year 9 onwards: 100%	Year 4: 23% Year 5: 25% Year 6: 27% Year 7: 49% Year 8: 57% Year 9 onwards: 90%	Year 4: 23% Year 5: 25% Year 6: 27% Year 7: 49% Year 8: 75% Year 9 onwards: 100%	Year 3: 25% Year 4: 25% Year 5: 50% Year 6 onwards: 100%	NAC
Build out - Office					NAC
Build out - Industrial and Manufacturing					NAC
Employment multipliers					
Office (Business Support Services (SIC 82))	0.240012825				Source: Scottish Government, Type 11 Employment Multipliers, Scotland, 1998-2017 https://www.gov.scot/publications/input-output-latest/
Industrial (Other Manufacturing (SIC 32))	0.485449032				
Scientific Activities (Research and Dev (SIC 72)	0.87653852				
Employment multipliers (sensitivity analysis)					
Office (Business Support Services (SIC 82))	n/a	0.122623413	n/a	n/a	
Industrial (Other Manufacturing (SIC 32))	n/a	0.273954346	n/a	n/a	
Scientific Activities (Research and Dev (SIC 72)	n/a	0.576486933	n/a	n/a	
GVA per head					
Office (Business Support Services (SIC 82))	70,554				Source: SABS 2018, Scottish Government, Local Authority Tables https://www.gov.scot/publications/scottish-annual-business-statistics-2018/
Industrial (Other Manufacturing (SIC 32))	89,860				

Scientific Activities (Research and Dev (SIC 72)	68,658	
GVA per head uplift	3.95%	HMT GDP Deflator https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-march-2020-budget
Part time adjustment	87.5%	APS Scotland from www.nomisweb, 2019-20 and Homes & Communities (2015) Employment Density Guide (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484133/employment_density_guide_3rd_edition.pdf)
Employment Densities		
Office (Business Support Services (SIC 82))	12	Source: Homes & Communities Agency (2015) https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/484133/employment_density_guide_3rd_edition.pdf
Industrial (Other Manufacturing (SIC 32))	36	
Scientific Activities (Research and Dev (SIC 72)	32	
Construction		
Spend per FTW	£100,000	Scottish Government / Community Benefits Guidance Note 2008 https://www.gov.scot/publications/scottish-government-community-benefits-public-procurement-guidance-note/
Construction GVA per FTE	42,032	Scottish Government ABI Statistics https://www.gov.scot/publications/scottish-annual-business-statistics-2018/
Additionality	48.7%	Source: Homes & Communities Agency, Additionality Guide, 4th Edition 2014 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/378177/additionality_guide_2014_full.pdf
Persistency	90%	EY

Geography	Median Earnings	Source
LOCAL (NUTS 3 - East, North - ex Islands, South)	£ 18,103	https://www.ons.gov.uk/economy/regionalaccounts/grossdisposablehouseholdincome/datasets/regionalgrossdisposablehouseholdincomegdhi https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/2011-based-special-area-population-estimates/nuts-population-estimates
REGIONAL (NUTS 2 - Southern Scotland)	£ 18,745	Regional Gross Household Disposable Income 2018
SCOTLAND	£ 19,572	
UK	£ 21,109	
Distributional Weight Co-ef	1.30	

APPENDIX E 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:

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

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:

$Distributional\ Weight\ d = \sum_{i=1}^{n}\left[\frac{Median\ earnings^{Scotland}}{Median\ earnings^{Area\ of\ impact\ i}}\right]^{1.3}.\alpha_i$. where αi 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 1[1], termed β, is calculated. B 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, ρ, is given by:

High employment area	Low employment area
$\rho = \frac{(g_x)}{(g_{UK})}$	$\rho = \frac{(g_x)}{(g_i)}$

[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;

$$Distributional\ Weight\ d = \sum_{i=1} \left[\frac{Median\ earnings^{UK}}{Median\ earnings^{Area\ of\ impact\ i}}\right]^{1.2} . a_i$$ where ai 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:

$$\gamma = (\rho).(d)$$

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

$$VFM\ if\ \gamma \geq 1 + \beta\ or\ \gamma - 1 \geq \beta$$

APPENDIX F DRAFT RISK REGISTER

AYRSHIRE GROWTH DEAL RISK REGISTER: I3 ADVANCED MANUFACTURING SPACE **Outline Business Case Stage, February 2021**						
OBJECTIVES & PROJECT OUTCOMES						
Risk Ref	**Risk Description**	**Impact**	**Probability**	**Counter Measure**	**Owner**	**Date Reviewed**
R1	Anticipated outputs and outcomes are not delivered.	High	Medium	Ensure BC addresses sensitivity of outcomes and prepare a clear Evaluation & Monitoring Framework	NAC	
R2	The overall impact of i3 AGD programme is limited, as the Business Case for the i3 DPMC facility fails.	High	Low	The DPMC proposal has a strong supporting evidence base.	NAC / NMIS	
R3	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	High	Medium	Prepare overall strategy for achieving inclusive growth.	NAC	
R4						
SCHEDULE / TIMESCALE						
Risk Ref	**Risk Description**	**Impact**	**Probability**	**Counter Measure**	**Owner**	**Date Reviewed**
R5	Delays to the overall project programme and key milestones.	High	Medium	Prepare a detailed project programme with considered time allowances and review regularly.	NAC / contractor	
R6	Delays cause by the procurement process.	Medium	Medium	Seek early agreement on appropriate procurement routes and early notification of contract opportunities.	NAC	

				Include projects within NAC Wave Plan		
R7	Delays caused by environmental considerations.	High	Medium	Assess Protected Species/Habitat risk at early stage. Review and commission all site studies required. Ensure seasonal work/study requirements are accounted for in programme.	NAC	
R8	Delays caused by site investigation work and findings.	High	Medium	Instruct SI work at early stage of project.		
R9	Delays caused by objections.	Medium	Low	Advance programme of local & stakeholder engagement.		
R10	Delays caused by statutory consent processes.	Medium	Low	Early engagement with Planning and Building Standards to agree timetable for award and identify potential issues.		
R11	Delays caused by land acquisition / lease agreement processes.	Medium	Low	Early engagement with land/building owners. Ensure programme allows for third party approvals	NAC	
R12	Potential delays in Full Business Case approval.	Medium	Medium	Development of OBC in accordance with Green Book Partner/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	
R13	Delays when the contractor is on site.	High	High	Identify appropriate construction contract to remove/ reduce risk of cost over-run.		

R14	Delays caused by resource management and project management issues.	High	Medium	Internal AGD team has been identified. Review project resource requirements regularly. Seek specialist support from partner agencies. Ensure external teams have robust procedures in place for replacing resource if required.		
REGULATORY						
Risk Ref	**Risk Description**	**Impact**	**Probability**	**Counter Measure**	**Owner**	**Date Reviewed**
R15	Planning/building warrants are not granted.	High	Low	LDP supports development of site for this use. Ensure local members well briefed and updated on project. Hold pre-app discussion with NAC Planning Assess Protected Species/Habitat risk Formally agree programme for consents Advance programme of local & stakeholder Engagement	NAC	
R16	The project does not comply with State Aid regulations.	High	Low	Engage with State Aid Unit.	NAC	
FINANCIAL						
Risk Ref	**Risk Description**	**Impact**	**Probability**	**Counter Measure**	**Owner**	**Date Reviewed**
R17	Design and technical studies result in additional costs beyond the contingencies and optimism bias allowed for.	High	Medium	Develop and validate Project Brief and Specification. Benchmark costs. Ensure early infrastructure cost tested	NAC / Design Team	

				and informed by SI work. Provide Green Book compliant Optimism Bias allowances. Provide for contingency & inflation.		
R18	Slippage / delay in the programme incurs additional costs.	High	High	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	
R19	There are unforeseen project complexities that require additional funding.	High	Low	Provide for contingency Provide Green Book compliant Optimism Bias allowances. Similar project has been delivered previously.		
R20	Rental income lower than forecast	Medium	Low	Market review and comparator analysis to identify appropriate rent but ultimately down to actual market demand on completion	NAC	
R21	Lack of budget to support interested tenants to fit out shell of building	Medium	Medium	Identify at an early stage and with Business Growth Team, how this can be supported.	NAC	
R22	Lack of budget to support maintenance of buildings until tenants take occupancy, if buildings are classified and non -operational.	Low	Medium	Identify at an early stage with Finance and Estates, how this can be supported.	NAC	
PROFESSIONAL						
Risk Ref	**Risk Description**	**Impact**	**Probability**	**Counter Measure**	**Owner**	**Date Reviewed**
R23	Lack of project management experience.	Medium	Low	Ensure experience project management team, both in-house and any external support. Budget allows for appointment of required	NAC	

				expertise.		
R24	Poor change management procedures.	Medium	Medium	Clear and agreed procedures set in place for internal change management and for external processes with design team and contractor.	NAC	
R25	Specification – design issues on-site	High	Low	Adopt best practice design and ensure flexibility for subsequent division/ alteration of premises.	Design Team	
CONTRACTUAL						
Risk Ref	**Risk Description**	**Impact**	**Probability**	**Counter Measure**	**Owner**	**Date Reviewed**
R26	Delays caused by contractor on site.	High	High	Identify appropriate construction contract to remove/ reduce risk of cost over-run	NAC	
R27	Failure to deliver community benefits – training, employment	Medium	Medium	Incorporate appropriate community benefits into contract terms and resource appropriately	NAC	
R28	Issues with co-ordination on-site - contracts, visitors	High	Low	Ensure main contractor has appropriate procedures for site management	Contractor	
REPUTATIONAL						
Risk Ref	**Risk Description**	**Impact**	**Probability**	**Counter Measure**	**Owner**	**Date Reviewed**
R29	The project's Full Business Case fails.	High	Low	Heads of terms signed with UK and Scottish Governments. Development of OBC in accordance with Green Book and with strong supporting evidence. Commissioned masterplan will provide overall vision.	NAC	

R30	Demand for the project diminishes and there is no interest from occupiers.	High	Low	Flexible design to maximise potential interest from occupiers. Recent research has established demand. Prepare project marketing particulars.	NAC	
R31	Market expectations are not met.	High	Low	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	
R32	Businesses interested in units decide not to progress.	High	Medium	Ensure ongoing engagement with businesses to prepare suitable Heads of Terms. SDI Support received from SE and SDI and working closely with both organisations Prepare marketing campaign.	NAC	
EXTERNAL						
Risk Ref	**Risk Description**	**Impact**	**Probability**	**Counter Measure**	**Owner**	**Date Reviewed**
R33	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.	Medium	High	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	NAC	monthly

				scoping should continue to ensure the project meets needs.		
R34	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.	Medium	High	Cost monitoring as part of projects. Make adjustments to programme and cost areas within budget, based on experience of other relevant projects.	NAC	Monthly

APPENDIX G 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 H 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.