
**BORDERLANDS INCLUSIVE GROWTH DEAL: BUSINESS
INFRASTRUCTURE PROGRAMME (SCOTLAND) - COLDSTREAM
FULL BUSINESS CASE**

Report by Director, Resilient Communities

SCOTTISH BORDERS COUNCIL

31 AUGUST 2023

1 PURPOSE AND SUMMARY

- 1.1 This report provides an update to Council on the Full Business Case for the Business Infrastructure Programme (Scotland) - Coldstream, which is required to draw down funding from the Borderlands Inclusive Growth Deal. Coldstream is the first site in the programme outlined in the Outline Business Case, which was approved by Council in November 2020, to be brought forward for approval. A second site in the Scottish Borders, at North Burnfoot in Hawick, is also in the programme.
- 1.2 A Full Business Case for the Business Infrastructure Programme (Scotland) - Coldstream is in the process of being approved by the Scottish Government, and will be submitted to the Borderlands Partnership Board for approval at its meeting on 13 September 2023. An advanced final draft of the business case is attached as Appendix 1. Approval from the Scottish Government is expected by the date of the Council meeting and any updates will be provided on the day.
- 1.3 The Full Business Case is the final part of a continuous set of approval milestones for the programme in accordance with HM Treasury Green Book guidance. A Full Business Case for the Hawick site will be developed and a report will be brought to Council in due course.

2 RECOMMENDATIONS

2.1 I recommend that Council:

- (a) Approves the Full Business Case for the Coldstream site set out in Appendix 1.**

- (b) Notes that the Full Business Case on the Hawick site will be presented to Council in due course.**

3 BACKGROUND

- 3.1 The Business Infrastructure Programme (Scotland) - Coldstream is a £1.2m capital project that is part of the wider Business Infrastructure Programme (Scotland), which sits within the Supporting Business, Innovation and Skills theme of the Borderlands Inclusive Growth Deal.
- 3.2 The Outline Business Case for the Business Infrastructure Programme (Scotland) was approved by Council in November 2020. This Full Business Case is required to draw down funding from the Borderlands Inclusive Growth Deal for the development of new industrial units at vacant employment land at Coldstream Business Park, which is owned by Scottish Borders Council.

4 KEY ELEMENTS OF THE FULL BUSINESS CASE

- 4.1 The Full Business Case has been prepared in accordance with HM Treasury guidance and is based on the five-case model: Strategic; Economic; Commercial; Financial; and Management. The Full Business Case is set out in Appendix 1.
- 4.2 The Project Description in the Full Business Case shows that a property market update and demand study was undertaken by Ryden on behalf of South of Scotland Enterprise in August 2022. The study showed that current industrial floorspace in the Scottish Borders is typically between 40 and 50 years old, which presents an increasing issue of potential obsolescence. While there is evidence of strong demand for smaller industrial units of up to 5,000 sq.ft., the report concluded that public sector intervention is required in the South of Scotland's land and property markets. Consequently, South of Scotland Enterprise is supportive of an intervention being made to address the poor quality and inadequate supply of industrial space as a means of boosting the productivity and economic resilience of the South, including the Scottish Borders.
- 4.3 Within the Business Infrastructure Programme (Scotland), new industrial space in the Scottish Borders is to be constructed and serviced in Coldstream and Hawick, respectively. Three criteria were used in selecting the programme's sites:
 - Strategic Fit. Sites in more peripheral areas outside the central Borders, but close to major communication routes.
 - Planning status. Sites allocated for business use within the Local Development Plan.
 - Market failure. Sites situated in an area identified as lacking a supply of good, quality modern industrial premises. The Berwickshire area, which includes Coldstream, and the town of Hawick met this criterion.

- 4.4 It is intended to develop vacant employment land at the Coldstream Business Park, which is owned by Scottish Borders Council. The proposed development would comprise three workshop units based on the design of existing units, which were built in 2015. These new units will provide 333 sq. m. of industrial space at an estimated cost of £1,201,268 and will be built out by July 2024. There are currently no buildings on the proposed development land and the site is allocated for business use in the Local Development Plan and was considered as part of the LDP2 process.
- 4.5 In the Strategic Case section of the Full Business Case, it shows that in the Scottish Borders, demand has recently been stimulated by public sector intervention for newly built industrial units in Hawick. The problem is that there is not enough of this type of property currently available in the region. One of the objectives of the Business Infrastructure Programme (Scotland) is that building out sites will ensure a provision of more modern, environmentally friendly buildings that will help to assist the quest for a low carbon, more sustainable economy.
- 4.6 Investment objectives for the Business Infrastructure Programme (Scotland), which apply to the Coldstream project, have been agreed by Dumfries and Galloway and Scottish Borders Councils to:
- Objective 1: Create Critical Mass and A Dynamic Business Environment.
 - Objective 2: Improve Site Uptake.
 - Objective 3: Develop the Quality of the Supply of Investment Property.
- 4.7 The programme's Critical Success Factors (CSFs) are presented in the Economic Case as the key criteria for investment against which the options for the Business Infrastructure Programme (Scotland) were appraised. The CSFs are:
- CSF 1: strategic fit with Borderlands Partnership objectives (narrowing the productivity gap, inclusive growth, and increasing the working age population).
 - CSF 2: responding to local demand for business accommodation.
 - CSF 3: delivering against local sector and growth objectives.
 - CSF 4: tackling market failure to attract private sector investment.
 - CSF 5: ability to finance from available funds.
 - CSF 6: achievability within the programme envelope.
 - CSF 7: ability to optimise social value and advance inclusive growth in terms of potential costs, benefits and risks.
- 4.8 The Options Appraisal in the Economic Case of the Outline Business Case assessed a number of options. The preferred option that is being taken forward best fits the objectives for the wider Business

Infrastructure Programme (Scotland). It includes the proposal to develop industrial space on vacant employment land at Coldstream. In addition to the projects at Coldstream and Hawick, this option also includes three projects at sites in Dumfries and Galloway.

- 4.9 The Economic Impact Analysis for the Coldstream site shows that it would create up to nine jobs (FTE), including three that are additional, achieve net additional GVA of £2.2 million, and deliver 333 sq. m. of new industrial space for the Scottish Borders. The value for money assessment of the preferred option shows that it would generate a Benefit Cost Ratio (BCR) of 2.1:1, which is part of an overall programme with a BCR of 3.8:1, which represents very good value for money.
- 4.10 The Economic Case also shows that the programme is expected to deliver significant economic benefits for the Borderlands area and the wider region:
- Stimulating the industrial property market through greater levels of investment.
 - Contributing to a low carbon economy and savings in CO2 emissions on premises that are built-out to high energy efficiency standards.
 - Contributing to inclusive growth and generating local employment opportunities for disadvantaged, young and long-term unemployed.
 - Increasing the provision of business space available to business start-ups and local SME's.
 - Increasing opportunities for higher value skills employment.
 - Creation of temporary construction jobs and the potential to generate apprenticeship opportunities.
- 4.11 As discussed in the Financial Case, the grant funding of the project will be distributed by Dumfries and Galloway Council, the accountable body for the Borderlands Inclusive Growth Deal in Scotland, to Scottish Borders Council as the grantee. It should be noted that the financial projections in the Financial Case are based on the funding streams that were envisaged at the time of writing. The financial implications of the project are explored in more detail in the next section of this report.
- 4.12 The Commercial Case outlines the procurement strategy for the project. This has been determined by the prevailing conditions of uncertainty and price fluctuation in the construction sector. Obtaining competitive tenders in the Scottish Borders from larger construction firms is more challenging owing to the lack of suitable local businesses. Therefore, a decision has been made for the Coldstream development to be delivered through SBC Contracts.

- 4.13 The Management Case outlines the management structure, governance, and arrangements to ensure the delivery, monitoring and evaluation of the project. The governance structure will be led by the Borderlands Project Board for Business, Innovation and Skills, which will be supported by the two Scottish local authorities as the lead programme sponsors. A Project Delivery Board to give strategic guidance and an officer-level Project Delivery Team are being established within Scottish Borders Council for the Coldstream project.
- 4.14 As the lead delivery partner, Scottish Borders Council will be responsible for recording the benefits of the project. Indicative outcomes have been developed as part of the Full Business Case and apply across the Coldstream and Hawick sites.
- 4.15 Scottish Borders Council will be responsible for monitoring and evaluation, and also any reporting of changes to project scope, scale, and cost. Any changes will be recorded in a Change Control Notification and immediately reported to the relevant authority as per the governance arrangements.
- 4.16 The Full Business Case is the final part of a continuous set of approval milestones for the programme in accordance with HM Treasury Green Book guidance. A Full Business Case for the Hawick site will be developed, and a report will be brought to Council in due course.

5 IMPLICATIONS

5.1 Financial

- (a) Officers remain in discussions with Scottish Government officials regarding the overall Borderlands financial profile for 2023-24 and beyond. Council will be updated on the financial position when this is clarified. Currently, the funding position for the programme shows that Scottish Borders Council will draw down £3m from the Borderlands Inclusive Growth Deal, which will be supplemented by £632k from the Council for the development of the site at Hawick.
- (b) When the Outline Business Case for the Business Infrastructure (Scotland) Programme was brought to Council in November 2020, the Coldstream project was estimated to cost £866,794, which was to be entirely funded from the Borderlands Inclusive Growth Deal. Since that date, costs have increased by 39 per cent to £1,201,268 mainly because of inflation in the cost of construction materials.
- (c) A total of £1.2m is therefore required for the project at Coldstream and it is intended that this money will be fully drawn down from Borderlands Inclusive Growth Deal grant funding. Scottish Borders Council received approval from the accountable body to spend up to £51,781 at risk on pre-

construction work in 2022-23 prior to the anticipated approval of the Full Business Case.

5.2 Risk and Mitigations

The programme has a risk register laying out all strategic and operational risks with associated mitigations, and this feeds into a wider risk register that the Council maintains for the Borderlands Inclusive Growth Deal programme.

5.3 Integrated Impact Assessment

As part of the Full Business Case submission to Government, the project is required to complete an Integrated Impact Assessment. This Integrated Impact Assessment has been prepared and submitted along with the Full Business Case to ensure that it meets the requirements of the Equality and Fairer Scotland duties.

5.4 Sustainable Development Goals

The development of the programme will contribute to the ambitions to be a green, fair and flourishing region, helping to achieve net zero ambitions, and support community wealth building and thriving places. An assessment of this contribution towards the outcomes of the 17 UN Sustainable Development Goals has been undertaken and a Carbon Impact Assessment has been submitted as part of the Full Business Case.

5.5 Climate Change

As the programme is taken forward, there will be specific assessments undertaken to assess embodied carbon emissions during its implementation and lifecycle. The Carbon Impact Assessment required by Government has allowed for the measurement of carbon impacts and benefits relating to the five themes—Resilience, Transport, Nature-based solutions, Energy and Waste—as set out in the Council’s Climate Change Route Map.

5.6 Rural Proofing

This report does not affect or amend rural proofing policies.

5.7 Data Protection Impact Statement

There are no personal data implications arising from proposals contained in this report.

5.8 Changes to Scheme of Administration or Scheme of Delegation

There are no changes to the Scheme of Administration or the Scheme of Delegation as a result of the proposals within this report.

6 CONSULTATION

6.1 The Chief Financial Officer, the Director of Corporate Governance, the Chief Officer Audit and Risk, the Director of People Performance & Change, the Clerk to the Council and Corporate Communications have been consulted on this report.

Approved by

Jenni Craig
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Background Papers: None.

Previous Minute Reference: Council – 26 November 2020.

Note – You can get this document on tape, in Braille, large print and various computer formats by contacting the address below. Stuart Kinross can also give information on other language translations as well as providing additional copies.

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