

APPENDIX 1



Business Infrastructure Programme (Scotland):
Coldstream

Full Business Case (FBC)

Borderlands Inclusive Growth Deal

Version 2.0

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Purpose of this document

This document sets out the Full Business Case (FBC), in support of the Business Infrastructure Programme (Scotland): Coldstream.

An Outline Business Case (OBC) was completed and agreed as part of the development of the Borderlands Inclusive Growth Deal agreed in November 2020.

This FBC provides the evidence that the most economically advantageous investment project is being delivered and that it is affordable. In addition, the FBC explains the fundamentals of the Business Infrastructure Programme (Scotland): Coldstream and demonstrates that the required outputs can be successfully achieved.

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Executive Summary

Background

1. This document constitutes the Full Business Case (FBC) for the Business Infrastructure Programme (Scotland): Coldstream and seeks approval of £1.2 million of funding under the authority of the Borderlands Inclusive Growth Deal approved by the Prime Minister and the First Minister in March 2021.
2. This FBC is structured in accordance with the five case model as recommended by the guidance in the HM Treasury Green Book: strategic, economic, financial, commercial, and management. The Strategic Case discusses the rationale and policy context for the project. The FBC then develops value for money, affordability, procurement, and governance considerations as articulated in the Economic, Financial, Commercial, and Management Cases.
3. The full cost of implementing the proposed project is estimated to be £1,201,268. It is planned that the project will start in June 2023 and be completed by May 2024. **The project has a positive economic impact with an estimated Benefit-Cost ratio (BCR) of £2.10:£1. It should be noted that this is within the context of an overall programme BCR of £3.80:£1, which represents very good value for money.**

Project Description and Strategic Case

4. The FBC for developing land in Coldstream is a constituent part of the Business Infrastructure Programme (Scotland), which is one of the programmes within the Supporting Business, Innovation and Skills theme of the Borderlands Inclusive Growth Deal. The objectives of the programme are to increase the supply of modern industrial premises in the South of Scotland and to facilitate private sector investment. It is proposed to build-out vacant employment land at Coldstream by constructing 333 sq. m. of new business space at a cost of £1,201,268. The project will be completed by May 2024.
5. New industrial space in the Scottish Borders will also be serviced in Hawick following on from the Coldstream project. Three criteria were used in selecting the two 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.
6. A property market update and demand study undertaken by Ryden on behalf of South of Scotland Enterprise in August 2022 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. The Ryden 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 of Scotland, including the Scottish Borders.
7. 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 environmentally friendly buildings that will help to assist the quest for a low carbon, more sustainable economy.
8. The Business Infrastructure Programme (Scotland) complies with policies and strategies for inclusive economic growth at the UK, Scottish, regional, and local levels, including robust carbon management. Each of these initiatives aims to address the constraints on economic growth in the South of Scotland that are manifested in relatively poor productivity.

9. Investment objectives for the Business Infrastructure Programme (Scotland) have been agreed by Dumfries and Galloway and Scottish Borders Councils. These are to create critical mass and a dynamic business environment; improve site uptake; and develop the quality of the supply of investment property. The project at Coldstream will assist in meeting these investment objectives and in meeting the strategic opportunities presented by the Borderlands Inclusive Growth Deal:

- **Developing a future-proofed knowledge-based rural economy:** The creation of new, fit-for-purpose business space will be configured to the digital connectivity requirements of such an economy.
- **Strengthening trade across borders:** Opportunities will be available for businesses to have a base in a geographical location that is ideally placed between the large markets of northern England and the central belt of Scotland.
- **Developing our offer to the world:** State of the art business space in an attractive rural location will be attractive to inward investors who, in a post-Covid-19 pandemic environment, may be looking to locate outside urban centres.

Economic Case

10. The Business Infrastructure Programme (Scotland) will support the delivery of new business infrastructure across Dumfries and Galloway and the Scottish Borders thereby contributing to addressing the challenges that the Borderlands Inclusive Growth Deal is designed to overcome. Seven Critical Success Factors (CSF's) have been developed:

- 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.

11. The Options Appraisal in the economic case of the OBC assessed a number of options. The preferred option includes the proposal to develop industrial space on vacant employment land at Coldstream.

12. 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 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.

13. The whole life Carbon Emissions Impact associated with the project, including embodied carbon from construction, has been estimated as 323 tonnes CO₂e over a ten-year period. This impact has been quantified and included within the BCR.
14. There are two major risks that could potentially impact on the value for money of the project: lower underlying demand and higher costs. These risks have been included within the project risk register and will be monitored as the project proceeds.

Financial Case

15. The project at Coldstream will cost £1,201,268. This cost has increased by 39 per cent since the OBC, mainly owing to inflation in the cost of construction materials.
16. The Borderlands Inclusive Growth Deal Heads of Terms agreement provides £8 million for business infrastructure in the South of Scotland. These sums will be drawn down over the period of the Borderlands Inclusive Growth Deal. Funding will be provided as grant and will be drawn down quarterly in arrears.
17. At present, there is a funding gap of £0.34 million between the cost of the Hawick site and the funding available in the funding profile after the costs of the Coldstream site will have been met. This issue will need to be addressed prior to the submission of the Full Business Case for the Hawick site.
18. Council revenue funding will finance any maintenance and management costs that are required on an ongoing basis.

Commercial Case

19. In accordance with the requirements of the Borderlands Inclusive Growth Deal and with the policy of Scottish Borders Council, community benefit clauses will be put in place to benefit the long-term unemployed, young people looking for apprenticeships, and other people requiring work experience opportunities.
20. Given the significant degree of uncertainty and price fluctuation in the construction sector at present, it is proposed that Scottish Borders Council's direct labour division, SBC Contracts, should be the principal contractor for the Coldstream development. This will allow for a streamlined procurement route without the risk of conflict thus enabling a quality product to be delivered quickly, efficiently and cost-effectively.

Management Case

21. Business Infrastructure Scotland will be overseen by the Borderlands Project Board for Business, Innovation and Skills, which will be supported by the two local authorities as the lead project sponsors. Officers from the councils will also work with the Scottish Government to develop the detail of the five constituent projects.
22. 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. A Project Manager will be responsible for managing the delivery of the project.
23. An Accountable Body (Dumfries and Galloway Council) has been agreed so that legal and financial responsibility for funding is assured and covered by appropriate internal and external audit arrangements.
24. The key milestones for the project are that construction will begin in June 2023 and be completed by May 2024. It is anticipated that the first tenants will occupy their unit in September 2024.
25. A project risk register and benefits realisation plan are being developed for the project.

1. Introduction

1.1. Context

1.1.1. The Borderlands Inclusive Growth Deal is a partnership between the local authorities of Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland Council, and Scottish Borders Council. The Borderlands area faces a number of economic challenges that are common to each local authority area, notably relatively low productivity, a declining working age population, and issues caused by economic, social and digital exclusion. The Business Infrastructure Programme is being implemented to encourage business growth, increase productivity, and ensure that those who are currently excluded from the labour market are given more opportunities to enter it.

1.1.2. The Business Infrastructure Programme sits within the Supporting Business, Innovation and Skills theme of the Borderlands Inclusive Growth Deal. There are three strands to the Business Infrastructure Programme:

- An English strand, which will involve funding from the UK Government to support the development of business growth and productivity in Cumbria and the North East of England.
- A Scottish strand, which covers projects in Dumfries and Galloway and in the Scottish Borders, including projects at Coldstream and Hawick. It is the second of these projects that is the subject of this Full Business Case (FBC).
- Funding from the Scottish Government to develop the former nuclear power site at Chapelcross in Dumfries and Galloway (now referred to as the Chapelcross Green Energy Park).

1.1.3. The Scottish Borders strand of the proposed programme will make a significant contribution to the achievement of the wider policy agenda and the Borderlands Inclusive Growth Deal programme objectives by supporting the development of business premises to accommodate business growth and diversification. The objectives of the programme are to increase the supply of modern industrial premises in the South of Scotland and to facilitate private sector investment. These aims will be achieved at Coldstream by building 333 sq. m. of new business space on vacant employment land at an estimated cost of £1,201,268 and by acquiring and servicing land at Hawick at an estimated cost of £2,372,456. The proposed pathway from inputs to outputs is summarised in the logic model shown in Figure 1.

Figure 1: Business Infrastructure Scotland Logic Model

Strategic Context	Inputs (Costs)	Activities	Beneficiaries	Short-term outcome(s)	Medium-term impacts	Long-term impacts
<ul style="list-style-type: none"> Market failure. Obsolescence. Lack of supply. Suppressed demand. Economic and social exclusion in rural areas; Low wages. Low skills base. Low productivity. 	<p>Funding streams, including Borderlands Inclusive Growth Deal and local authority contributions.</p> <p>Capital investment to deliver industrial space.</p> <p>Complementary Borderlands Growth Deal investments:</p> <ul style="list-style-type: none"> Skills. Digital. Borders Railway Feasibility. Business Infrastructure (England). Chapelcross Green Energy Park. 	<p>Development of immediately available employment land supply as part of a place-based approach.</p> <p>Development of new industrial space in areas of greatest demand/with strong latent markets.</p> <p>Marketing of industrial units.</p> <p>Community benefits through construction (MA's, etc).</p> <p>Supply chain engagement through supplier development activities.</p> <p>Support to start-up and established businesses through South of Scotland Enterprise and Business Gateway.</p>	<p>Employees, nearby local businesses.</p> <p>Private businesses, employees, people excluded from certain labour markets.</p> <p>Young people, unemployed.</p> <p>Local businesses.</p> <p>Entrepreneurs, local businesses.</p>	<p>Take-up of industrial space by the private sector/removal of constraints.</p> <p>Private sector investment in innovative practices, e.g. R&D and also in Fair Work and Living Wage initiatives.</p> <p>Development of skillsets.</p> <p>Local supply chain builds up knowledge and experience.</p> <p>Increase in start-up businesses.</p>	<p>Increase in area's R&D activity and in employees benefiting from Fair Work.</p> <p>Young people compete for well-paid jobs.</p> <p>Local suppliers compete for high-value contracts.</p> <p>Increase in business survival rates.</p>	<p>Area has reputation for quality offer and private sector has confidence to invest in speculative development.</p> <p>Improvement in productivity (and GVA). Narrowing of employment disparities by gender, etc.</p> <p>Increase in wage levels and reduction in regional disparities.</p> <p>Influx of skilled workers and maintenance of local talent pool as the area builds a higher profile nationally.</p> <p>Place-based assets are used to improve the lives of people, support inclusive and sustainable economic growth, and create more successful towns.</p>

1.2. Document Purpose

1.2.1. This document and its appendices form the FBC for the Coldstream project within the Business Infrastructure Programme (Scotland). This FBC represents the final stage of the agreed Borderlands Inclusive Growth Deal business case development process for Coldstream following approval of the Programme OBC in November 2020. This FBC is submitted for approval in the Borderlands Inclusive Growth Deal Funding Agreement.

1.3. Document Status

1.3.1. This FBC is intended for review by the Scottish Government to confirm the Coldstream project should be approved for funding through the Borderlands Inclusive Growth Deal.

1.4. Document Structure

1.4.1. This FBC is structured around HM Treasury Green Book guidance:

- **Project Description** (Section 2).
- **Strategic Case** (Section 3), setting out a clear rationale for the project.
- **Economic Case** (Section 4), identifying the key economic impacts of the project and its overall value for money.
- **Financial Case** (Section 5), presenting evidence of the project's affordability.
- **Commercial Case** (Section 6), summarising the preferred approach to project procurement and rationalising the commercial and legal viability of such an approach.
- **Management Case** (Section 7), setting out how Scottish Borders Council will ensure that the project is delivered successfully – on time and to budget, with suitable governance and risk management processes in place.

2. PROJECT DESCRIPTION

- 2.1.1. The Business Infrastructure Programme (Scotland), of which the project outlined in this FBC is part, is intended to help to address the three challenges that the Borderlands Inclusive Growth Deal is designed to overcome. It will *narrow the productivity gap* through delivering quality business premises and serviced sites, attract higher value knowledge-based businesses and labour, and raise productivity levels. It will generate higher value employment opportunities and encourage further investments in skills development.
- 2.1.2. The Business Infrastructure Programme (Scotland) will help to *increase the Working Age Population* through delivering new, more diverse and higher value business and employment opportunities in new and expanding businesses. Consequently, there will be an attractive employment offer to working age people, including young people, from inside and outside the area.
- 2.1.3. Finally, the Business Infrastructure Programme (Scotland) will help to *deliver inclusive growth* and contribute to a well-being economy by encouraging a fair and inclusive jobs market through a number of initiatives such as Fair Work and the Living Wage, as well as the use of community benefits in procurement processes, thereby assisting in the enhancement of regional cohesion to provide greater economic opportunities across the South of Scotland.
- 2.1.4. A property market update and demand study undertaken by Ryden on behalf of South of Scotland Enterprise in August 2022 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.¹ While the vacancy rate for industrial units in the South of Scotland is relatively high at 8.9 per cent, this is a reflection of a mismatch between demand and supply. There is evidence of strong demand for smaller industrial units of up to 5,000 sq.ft. Nevertheless, the Ryden 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.
- 2.1.5. New industrial space in the Scottish Borders will be constructed and serviced in Coldstream and Hawick, respectively. The methodology used to select these sites for inclusion in the programme was set out in the OBC and is detailed in Appendix 5 of this FBC. In summary, 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.

2.1.6. Coldstream Business Park in Berwickshire is located on the north-east edge of the town of Coldstream close to the English-Scottish border. It is intended to develop vacant employment land at the 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 will provide 333 sq. m. of industrial space at an estimated cost of £1,201,268 and will be built out between April 2023 and April 2024. There are currently no buildings on the proposed development land and the site is allocated for business use in the Local Development Plan. The site has been considered as part of the recent LDP2 process and it should be noted that it benefits from good 4G coverage.

2.1.7. It is also proposed that a site will be acquired at North Burnfoot, Hawick, and made serviceable for business use with Borderlands Inclusive Growth Deal funding supplemented by a contribution from Scottish Borders Council. The total cost is estimated to be £2,372,456. Servicing work was to be completed by 2024-25, but is likely to be delayed by 12 months because of the likelihood of a compulsory purchase process. Once servicing has been completed, it is intended that, depending upon market conditions and the drivers of demand at that time, the site will be either sold to the private sector or industrial units will be built to demand. The site at Hawick will be the subject of a future Full Business Case.

2.1.8. The Scottish Borders region has characteristics that are common to areas with a predominantly rural spatial profile. The population of 115,240 is spread across numerous market towns, villages, isolated, and very isolated, rural settlements. Critically, it is projected that this population will increase by only 0.7 per cent by 2043 (compared to a projected increase of 2.5 per cent in Scotland) and that the working age population will decline by 4.8 per cent (compared to 0.2 per cent for Scotland).² Consequently, this would mean that the dependency ratio will increase from 69.2 in 2018 to 87.4 in 2043, the highest in Scotland (the average for Scotland will be 60).³

2.1.9. In the Scottish Borders, geography tends to dictate the nature of the business base rather than sectors, which are manifested in clusters rather than being dispersed over a wide geographical area.⁴ The local business base consists of 5,050 businesses (2022). Of these businesses, 4,575 (90.6 per cent) are micro-businesses employing nine people or less. Across Scotland as a whole, 87.8 per cent of businesses are micro.⁵

² National Records of Scotland.

³ Skills Development Scotland, *Regional Skills Assessment, Scottish Borders*, March 2022.

2.1.10. Total industrial floorspace across the Scottish Borders amounts to some 2.82 million sq. ft. Vacancy rates for industrial floorspace is 5.2 per cent.⁶ The share of employment in sectors that require industrial space, such as manufacturing, is greater than the Scottish average. However, rent levels in the region are below those required to incentivise the private sector to build new industrial space, which has created a market failure situation.

2.1.11. The Centre for Regional Economic Development, University of Cumbria, has identified the current business environment across the Borderlands as being the main constraint to economic growth in the area:

“[T]he business environment in the Borderlands continues to present many challenges including poor physical infrastructure, low quality digital connectivity, decline of working-age population, narrow range of skills, low productivity and low incomes.”⁷

2.1.12. Moreover, in 2019, a study commissioned by the Scottish Government, The Good Economy’s *Business-Led Inclusive Job Growth in the South of Scotland*, reported:

“The South of Scotland is particularly challenged in achieving business-led inclusive job growth. This evidence is known national and locally, providing the rationale for establishing SoSEP and the new Enterprise Agency. ...The South of Scotland’s unfavourable growth performance is mainly attributable to the region’s shrinking working age population and lack of business dynamism, specifically in the 1–19 employee, early-stage and scale-up business range. On the Inclusion side, resident earnings are relatively low even when compared to other rural areas of Scotland and Great Britain. Furthermore, the region has a weak skills profile and is short of graduate talent.”⁸

2.1.13. The economy in the Scottish Borders is particularly reliant on sectors such as agriculture and tourism, which tend to be less productive in terms of Gross Value Added (GVA). Using the most recently available data from 2020 for GVA per hour worked, it can be seen from Figure 2 that the Scottish Borders (£32.30) is performing poorly relative to most of the rest of Scotland.

⁴ University of Edinburgh, *Development Opportunities in the Scottish Borders: Evolving Data-Driven Innovation and the Entrepreneurial Ecosystem. Preliminary Analysis Report*, 2021.

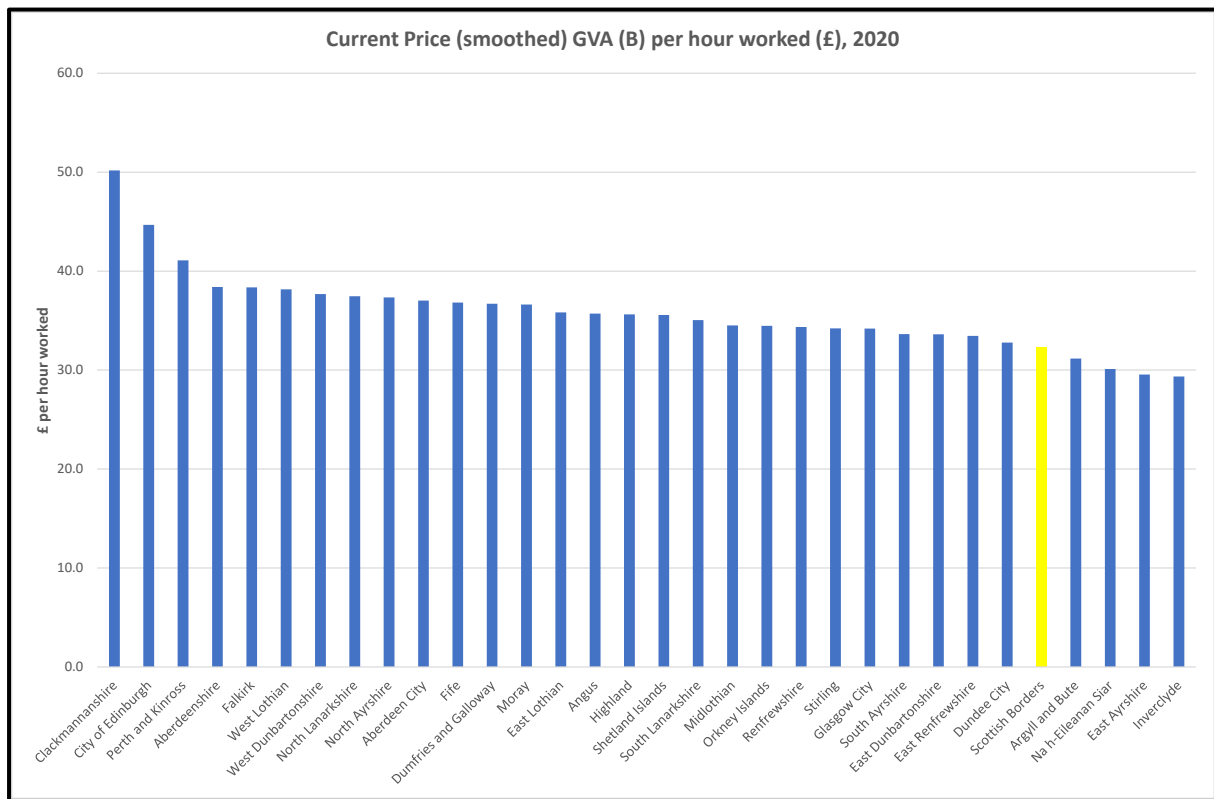
⁵ NOMIS.

⁶ Ryden report.

⁷ Centre for Regional Economic Development, *Business Growth and Business Support in the Borderlands: Review of Evidence*.

⁸ The Good Economy, *Business-Led Inclusive Job Growth in the South of Scotland*, June 2019.

Figure 2: Productivity levels per hour worked by local authority, 2020



Source: Office for National Statistics

- 2.1.14. The Covid-19 pandemic has exacerbated the economic problems facing the Scottish Borders. The Oxford Economics Vulnerability Index in 2020 assessed a local authority area's economic diversity, business environment and digital connectivity to gauge its resilience in relation to the economic shock caused by the pandemic. This analysis showed that the Scottish Borders was the third most vulnerable local economy in Scotland. The area was particularly vulnerable in the capability of digital connectivity, suggesting low broadband speeds and therefore more obstacles to working from home.
- 2.1.15. The Covid-19 pandemic resulted in a large increase in unemployment across the UK. In the Scottish Borders, the number of working age residents claiming Universal Credit as a result of being unemployed peaked at 3,835 or a rate of 5.7 per cent in July 2020. By October 2022, these numbers had fallen to 1,910 and 2.8 per cent respectively. In the Mid Berwickshire ward, which includes Coldstream, there were 145 working age residents (a rate of 2.4 per cent) claiming the benefit in October 2022.
- 2.1.16. With respect to business infrastructure, the current business property offer in the Scottish Borders is not economically viable. A previous South of Scotland property market baseline study undertaken by Ryden on behalf of Scottish Enterprise in March 2020 reported that a problem for all businesses in the region was access to business premises, particularly modern business premises.⁹ The study analysed supply through a survey of properties on the market. It concluded that the largest proportion of properties were graded as being in satisfactory condition, "performing well but with minor problems that require repair and maintenance". However, where properties require substantial refurbishment, the study noted that the cost of such work would not be recovered through increased capital values meaning that the public sector would have to intervene to support re-investment in existing properties to support sustainable economic development. Shortfalls of between £8.25 and £35 per sq. ft. were quantified depending on the type of building that would house an industrial unit.
- 2.1.17. The Ryden study of 2020 also carried out a consultation to gauge the types of businesses that might be attracted to the area. It found that small and medium-sized businesses, particularly those offering high quality, service sector employment, were key. In order to attract such businesses, digital connectivity would need to be improved as would the provision of high quality, modern premises.

⁹ Ryden, *South of Scotland Property Study*, March 2020

- 2.1.18. Since March 2020, the impact of the Covid-19 pandemic has greatly affected the industrial property market. Ongoing price shocks caused by rising inflation hinders speculative development. Across the south of Scotland as a whole, the supply of industrial property has fallen by 25 per cent since the pandemic began. Ryden, in its study for South of Scotland Enterprise of August 2022, reported that although the current vacancy rate for industrial units of 8.9 per cent is healthy, the need to have a choice of units across many places means that the tightening of supply needs to be monitored closely. Ryden concluded that supply might already have reached a pinch-point with 52 per cent being units smaller than 5,000 sq. ft. compared with take-up of 72 per cent since 2015.¹⁰
- 2.1.19. Current stock is therefore inadequate given the area’s ambition to raise productivity levels. The construction of the Borders Innovation Park, which is part of the Edinburgh and South East Scotland City Region Deal, is helping to address this problem in the central Scottish Borders. However the region’s geography – a large area of over 4,732 sq. km. – consisting of numerous market towns and district centres – and with poor transport infrastructure linking the east of the region with the west – indicates that there is a need for more localised hubs, particularly in peripheral areas, that will link business and jobs growth with place-focused investment.
- 2.1.20. In policy terms, the increasing emphasis upon a wellbeing economy—which will be explained fuller in the Strategic Case—means that property markets are now being tailored to provide modern, flexible workspace in sustainable locations, with the aim to stimulate growth by attracting new businesses and supporting existing businesses to create well-paid jobs.
- 2.1.21. Place-focused investment promotes a shared understanding of Place and the need to take a more collaborative approach to a place’s services and assets to achieve better outcomes for people and communities. The Place Principle means that the benefits of planning, investment and implementation activity at the local level of place should be considered – where a local focus could drive a more inclusive approach to growth. Consequently, while investment at the Borders Innovation Park is aimed at establishing a hub of regional significance and impact, smaller scale interventions at carefully selected sites within the context of local Housing Market Areas (HMA’s) will help to stimulate inclusive growth at sub-regional level. Coldstream is one such site.
- 2.1.22. An independent economic impact appraisal of the programme was undertaken to verify the anticipated benefits of its constituent projects and to justify the value for money of the proposed interventions. The benefits for the Coldstream site are summarised below in figure 3.

¹⁰ Ryden report, 2022.

Figure 3: Summary of Programme benefits

Type of benefit	Quantifiable benefit
GVA (inc. carbon impact and exc. construction)	£2.9 million
Gross jobs (FTE)	9
Net additional jobs (FTE)	3
Benefit-to-Cost Ratio	2.1:1

Source: Scottish Borders Council

3. Strategic Case

3.1. Overview

3.1.1. This section describes the “case for change”, explaining the rationale for making the proposed investment and presenting evidence on the strategic policy fit of the project.

3.1.2. The Strategic Case establishes:

- The context for the business case, outlining the strategic aims at national, devolved, regional and local levels.
- The management of carbon for the project.
- The rationale for the proposed investment.
- The market context and the demand for industrial property in the Scottish Borders.
- How current market failure provides evidence to support the proposed intervention.
- A set of objectives to meet the project’s aims.
- Outputs and KPI’s for determining successful delivery of the objectives.
- Wider benefits.

3.2. National policy objectives

3.2.1. The UK Government released a White Paper on 2 February 2022, *Levelling Up the United Kingdom*, which sets out a number of missions to enable all citizens to have the same opportunities.¹¹ The priorities of these missions include employment and productivity, manufacturing, and attracting businesses to locations around the United Kingdom where economic activity and employment rates have been relatively low. A £4.8 billion Levelling Up Fund has been announced to expedite this policy and will provide capital investment for regeneration. This will enable some funding to be used for employment land and business space. Preference is given to bids from Category 1 areas, which are based on an Index of priority places, which has been developed by the UK Government using a range of economic and social criteria. The Scottish Borders is a Category 1 area.

3.2.2. The objectives of the Business Infrastructure Programme (Scotland) are also aligned with the UK Government’s Industrial Strategy (November 2017). This strategy articulates five foundations of productivity to transform the UK economy and boost productivity and earning power: Ideas; People; Infrastructure; Business Environment; and Place (Figure).¹²

¹¹ <https://www.gov.uk/government/publications/levelling-up-the-united-kingdom>

¹² HM Government: *Industrial Strategy: Building a Britain fit for the future*, November 2017.

Figure 4: The alignment of the Business Infrastructure Programme (Scotland) with the UK's Industrial Strategy

UK Industrial Strategy Five Foundations	Description	Compatibility with the objectives of the Business Infrastructure Programme (Scotland)
Ideas	The world's most innovative economy.	Creation of business space and wider investment to generate innovative ideas and products.
People	Good jobs and greater earning power for all.	Creation of new and higher value jobs.
Infrastructure	A major upgrade to the UK's infrastructure.	The area's business infrastructure will be modern and flexible.
Business Environment	The best place to start and grow a business.	Provision of space to aid start-up businesses.
Place	Prosperous communities across the UK.	Creation of economic activity that will foster inclusive growth.

Source: Dumfries and Galloway and Scottish Borders Councils

3.3. Devolved policy objectives

3.3.1. The Scottish Government's *National Strategy for Economic Transformation* (March 2022) is a ten-year strategy containing priorities and actions towards creating a wellbeing economy.¹³ Delivering economic prosperity in the context of a green recovery from the Covid-19 pandemic and transition to a net zero economy, while improving business prospects, productivity and people's access to skilled, well-paid jobs will require business infrastructure that will include employment land and premises for start-up businesses and for established businesses to expand and grow.

3.3.2. The project is also aligned to Scotland's *National Performance Framework*,¹⁴ which aspires to:

- Having a globally competitive, entrepreneurial, inclusive and sustainable economy.
- Tackling poverty through sharing opportunities, wealth, and power more equally.
- Having thriving and innovative businesses, with quality jobs and fair work for everyone.

3.3.3. The *National Performance Framework* was extended in 2021 to include economic capital, which will include the range of potential impacts and outcomes delivered by employment land and premises, including long-term economic sustainability

3.3.4. National Planning Framework 4 (NPF4) was adopted by Scottish Ministers in February 2023. The project at Coldstream is aligned with Policy 26 of NPF4: "Development proposals for business and industry uses on sites allocated for those uses in the LDP will be supported."¹⁵

¹³ <https://www.gov.scot/publications/scotland-national-strategy-economic-transformation-evidence-paper/>

¹⁴ <https://nationalperformance.gov.scot/>

¹⁵ <https://www.gov.scot/publications/national-planning-framework-4/pages/3/>

3.4. Regional policy objectives

3.4.1. *The Regional Economic Strategy for the South of Scotland* of 2021 is a ten-year strategy that seeks to maximise the economic opportunities in the South of Scotland, whilst taking account of its key challenges.¹⁶ It was developed by the South of Scotland Regional Economic Partnership, which comprises members from Scottish Borders Council, Dumfries and Galloway Council and South of Scotland Enterprise, together with appointed members from businesses, communities, social enterprises, registered social landlords, and representatives from colleges, universities and public bodies. The latter include the Scottish Funding Council, Skills Development Scotland, Scottish Enterprise, and Visit Scotland.

3.4.2. The vision of the Regional Economic Strategy recognises the unique strengths of the South of Scotland in relation to its natural capital, the quality of its communities and cultural identity and aims to increase the working population and attract visitors to the region. Inclusivity, sustainability, innovation and creativity, and making the most of everyone's potential were key elements in influencing the Regional Economic Strategy's vision and its priority themes.

3.4.3. The Regional Economic Strategy's six priority themes are:

- Skilled and Ambitious People.
- Innovative and Enterprising.
- Rewarding and Fair Work.
- Cultural and Creative Excellence.
- Green and Sustainable Economy.
- Thriving and Distinct Communities.

¹⁶ South of Scotland Regional Economic Partnership, *The Regional Economic Strategy for the South of Scotland*, September 2021.

- 3.4.4. These priority themes provide the ambition and intent for a three-year delivery plan, *South of Scotland RES Delivery Plan 2022-2025*, comprising actions by South of Scotland Regional Economic Partnership partner organisations and others based on the priorities identified under each theme. A number of performance targets through which progress will be measured from a baseline position have been established. The delivery plan is to be updated annually.
- 3.4.5. This project is part of a wider strand of proposed investment in business infrastructure activity under the Borderlands Inclusive Growth Deal and, in this respect, Scottish Borders Council will work closely with the other local authorities. It will also benefit from other Borderlands Inclusive Growth Deal programmes and projects, particularly:
- *The Borderlands Skills and Learning Network*. By providing appropriate modern business accommodation, the Business Infrastructure Programme (Scotland) will stimulate new employment and skills opportunities.
 - *The Digital Borderlands programme*, which complements the intention to ensure that premises developed under the Business Infrastructure Programme (Scotland) will have excellent digital connectivity.
- 3.4.6. The project also supports the Inclusive Growth imperative of the Borderlands Inclusive Growth Deal. It will seek to address the acute challenges that areas across the South of Scotland face in delivering employment and business growth. These challenges are attributable in part to low rates of business growth and start-ups, with access to appropriate business support and accommodation acting as a major barrier.
- 3.4.7. The project is one of the strategic development projects identified in the South of Scotland indicative Regional Spatial Strategy (iRSS), which was submitted to the Scottish Government in April 2021 and was produced in order to help inform the preparation of the National Planning Framework (NPF) 4. The new duty to produce a full Regional Spatial Strategy will be enacted with the publication of statutory guidance, which the Scottish Government anticipates will be in place in late 2022.

3.5. Local policy objectives

- 3.5.1. The *Scottish Borders Economic Strategy 2023* sets out a strategic approach to the development of a prosperous economy. Objectives directly relevant to this project are:
- “To ensure that new land and premises are developed to allow businesses to grow and relocate.”
 - “To encourage and support new business start-ups, and the growth of existing businesses.”
 - “To attract new businesses to the Scottish Borders.”

3.6. Carbon Management

- 3.6.1. Providing new, modern, low/zero carbon industrial stock is key to maximising business efficiency and therefore attracting ambitious indigenous businesses and inward investors to the area. It is intended that the new site will meet or exceed current building regulations and legislation in line with the climate change objective for the Borderlands Infrastructure Scotland Programme to support a low carbon economy and will go beyond these standards to meet the requirements of Net Zero by 2045. The *Scottish Borders Council Climate Change Route Map* proposes that 75 per cent of the work required to make this target should be achieved by 2032.
- 3.6.2. These ambitious local standards require the activities and project emissions to be zero carbon or low carbon as standard. Further discussion will take place with the design team once procurement is underway to ascertain the best possible zero/low carbon technologies to be utilised on the site for power and heating. Any plans to go beyond the limits imposed by current regulations and legislation will be developed in due course, including updates to the Local Development Plans and Carbon Management Plans. For example, from 2024, it is expected that non-domestic buildings should have no direct emissions. In this case, there will need to be a clear plan put in place to retrofit the buildings with zero/low carbon energy systems.
- 3.6.3. The project has initially been categorised 4B for its Carbon Emissions Impact according to the Scottish City and Growth Deal Carbon Guidance Control and Influence (A-C). It is intended that as the project matures, this category will change to 3B. It should be noted that when the site is operational, there will be road travel to and from it, but this will create a negligible change overall as such activity could be taking place elsewhere.

3.7. Rationale – The need to invest

- 3.7.1. The fundamental issue driving the Business Infrastructure Scotland programme is that there is industrial property market failure in the South of Scotland that is constraining business activity and undermining efforts to secure inclusive, place-based, economic growth. The proposed response reflects a requirement for investment by the public sector to stimulate the market by providing speculative industrial property and immediately available serviced land, with a particular emphasis on linking this with supporting resilience and growth in the selected location of Coldstream. This approach will act as a catalyst to the process of overhauling the current supply and market reliance on low value stock, which is becoming increasingly obsolescent in physical, functional and environmental terms, by providing high quality premises at a key location that will allow for a more competitive business environment, the building of local economic resilience, and generating inclusive growth.

- 3.7.2. As with many rural economies, the Scottish Borders faces the challenge presented by market failure caused by a combination of dispersed business activity across geographically remote locations, poor infrastructure, and obsolescence. Investing in new industrial space in strategic locations within the region will therefore create the conditions that can allow business innovation to occur more easily and allow innovative businesses to grow, diversifying and future proofing the economic base at the local level.
- 3.7.3. As alluded to above, the Scottish Borders is vulnerable to the current economic environment given its relatively poor connectivity, particularly digital connectivity, greater number of small businesses as a proportion of the business base, dispersed communities, and higher levels of self-employment. However, there has been a latent market for smaller and medium-sized business units that pre-existed the Covid-19 pandemic, particularly for affordable space that is modern and up-to-date with a need for high quality digital connectivity, strong energy efficiency measures, and accessibility to town centres. There have been encouraging expressions of interest in the business incubator space that will be developed as part of another Borderlands Inclusive Growth Deal project, the Mountain Bike Innovation Centre at Innerleithen in the Scottish Borders. Moreover, occupancy rates of business property let by Scottish Borders Council have not declined since the start of the Covid-19 pandemic in March 2020.
- 3.7.4. Public sector intervention of the kind represented by this project is now more important than ever given the current economic climate. It is imperative that there is a return on the investment in this project that is maximised to meet the objectives of the Borderlands Inclusive Growth Deal. There are opportunities that can be exploited given that the Covid-19 pandemic has highlighted the attractions of living and working in a high quality rural area, with attractive market towns, well performing schools, and good quality housing. However, these attractions will continue to be elusive to many of those currently excluded from the labour market and to businesses that are currently unable to maximise productive potential unless the type of market failure that has resulted in the need for the Business Infrastructure Programme (Scotland) is addressed.

3.8. Market context and responding to demand

- 3.8.1. The employment land audit carried out by Scottish Borders Council in 2021 shows the total available business and industrial land at that time (Figures 5a and 5b).

Figure 5a: Summary of employment land supply in the Scottish Borders, 2021

Status of Land	Area (hectares)
Immediately available	41.1
1-5 years	45.2
Beyond 5 years	11.0
Under construction	1.4
Total	98.7

Source: Scottish Borders Council Employment Land Audit 2021

Figure 5b: Availability of employment land supply by Housing Market Area, 2021

HMA	Area	Immediate	1-5 yrs	Beyond 5 yrs	Under Construction	Total
Berwickshire	Chirnside	0.7	0	0	0	0.7
	Coldstream	7.2	0.1	0	0	7.4*
	Duns	4.2	1.5	0	0	5.7
	Eyemouth	7.9	0	1.9	0	9.8
	Greenlaw	0	0.6	0	0	0.6
	Berwickshire		20	2.3*	1.9	0
Central	Earlston	0	4.6	0.2	0	4.8
	Galashiels	0.4	0	2.6	0.2	3.3*
	Hawick	0.7	7	5	0.2	12.9
	Jedburgh	1.2	4.9	1.3	0.0	7.5*
	Kelso	1.8	3.2	0	0	5
	Morebattle	0	0.6	0	0	0.6
	Newtown St Boswells	0	12.8	0	0	12.8
	Selkirk	1.7	2.5	0	0	4.2
	St Boswells (Charlesfield)	10.7	4	0	0	14.8*
	Tweedbank	2.2	1.8	0	1	5
	Central		18.7	41.5*	9.1	1.4
Northern	Innerleithen	0.4	0	0	0	0.4
	Lauder	2	0	0	0	2
	Peebles	0	0.7	0	0	0.7
	West Linton	0	0.7	0	0	0.7
	Northern		2.4	1.4	0	0
Southern	Area Total	0	0	0	0	0
Scottish Borders	Total	41.1	45.2	11	1.4	98.6

* denotes figures do not add up owing to rounding.

Source: Scottish Borders Employment Land Audit 2021

- 3.8.2. Of the total employment land in the Scottish Borders, which consists of 66 sites, some 42 per cent was immediately available, i.e. sites serviced (fully or partially) with no constraints to prevent development, with another 46 per cent being available within five years. However, these figures paint an overly optimistic picture of the situation as there is a limited take-up of sites by the private sector. In 2020-21, take-up of employment land in the Scottish Borders was only 0.55 ha, which consisted of three sites. This figure was down on 2019-20 when 3.23 ha was taken up, although this was prior to the Covid-19 pandemic. Moreover, of the 30 sites immediately available, the majority are less than one ha. in size, with only three sites exceeding five ha. in size.
- 3.8.3. When the high-level data is disaggregated to a local level, it can be seen that Berwickshire HMA, which includes Coldstream, has 20 ha. of immediately available employment land, which is almost 49 per cent of all immediately available employment land in the Scottish Borders.
- 3.8.4. There are 27 industrial estates located in the Scottish Borders. Of these, 15 are owned or part-owned by Scottish Borders Council. The remainder are owned by a mixture of owner-occupiers and private investors. The largest industrial estates are Tweedbank Industrial Estate (22,718 sq. m.), which changed ownership in 2018-19, Bankend Industrial Estate, Jedburgh (12,580 sq. m.), and Pinnaclehill Industrial Estate, Kelso (12,143 sq. m.).
- 3.8.5. According to analysis carried out by Ryden in March 2022, industrial stock in the Scottish Borders for sale or rent consisted of 18 units, which totalled 222,443 sq. ft. in area. Of these, 65 per cent of space was in properties that exceeded 30,000 sq. ft. in area (Figure 6).

Figure 6: Industrial Stock in the Scottish Borders, March 2022

Size band (sq. ft.)	Number of properties	Area (sq. ft.)
0-999	2	699
1,000-4,999	6	18,749
5,000-9,999	6	46,217
10,000-29,999	1	11,844
30,000+	3	144,934
Total	18	222,443

Source: Ryden

3.9. Demand for industrial property in the Scottish Borders

3.9.1. The experience derived from the initial phase of the Borders Innovation Park where tenants and owner-occupiers were identified for the buildings to be constructed (amounting to 7,696 sq. m of mainly office and some industrial space) suggested that demand existed when a supply of new, quality business space was made available. However, the experience of the Covid-19 pandemic and the modal shift to hybrid working patterns makes it more difficult to support this conclusion, certainly with regard to office space.

3.9.2. The experience of the “build it and they will come” principle has been mirrored elsewhere in the Scottish Borders. For example, in 2019, four new industrial units covering an area of 456 sq. m. became available at Galalaw Business Park in Hawick and these were immediately let to businesses. These were the first new units that Scottish Borders Council had built in some 50 years. This experience illustrates the need for public sector intervention because of a lack of private sector investment in business space in the area. The aftermath of the Covid-19 pandemic only reinforces this need.

3.9.3. Scottish Borders Council does not currently do much marketing for its industrial and commercial properties as it has an occupancy rate of 88 per cent (Figure 7), which is close to saturation point, and there are waiting lists in many areas. Enquiries are mainly generated by the availability of premises listed on the Council’s website.

Figure 7: Occupancy rates of Scottish Borders Council industrial and commercial properties, January-March 2023

Locality	Occupancy rate
Berwickshire	78 per cent
Cheviot	89 per cent
Eildon	93 per cent
Teviotdale & Liddesdale	85 per cent
Tweeddale	97 per cent
Overall	88 per cent

Source: Scottish Borders Council

3.9.4. Figure 8 gives an indication of the demand for various sizes of industrial property within the Scottish Borders based on the period from 2015 to 2022. It shows that 58 per cent of properties sold or let for employment use had an area between 1,000 and 4,999 sq. ft. A further 28 per cent of properties had an area between 5,000 and 29,999 sq. ft. (These figures omit properties sold for redevelopment.)

Figure 8: Industrial take-up in the Scottish Borders, 2015-2022

Size band (sq. ft.)	Number of properties	Area (sq. ft.)
0-999	17	11,679
1,000-4,999	70	167,718
5,000-9,999	24	160,717
10,000-29,999	9	167,433
30,000+	0	0
Total	120	507,547

Source: Ryden

3.9.5. Analysis carried out by Ryden of recent industrial transactions in the Scottish Borders (Figure 9) shows that rents between £2 and £6.95 per sq. ft. were agreed. These rates compare favourably with those in the central belt and parts of Northumberland and Cumbria. Rents in the neighbouring town of Berwick-upon-Tweed, Northumberland, for example, are £6 per sq. ft. while rents for industrial property in Midlothian are typically £9 per sq. ft. The length of the leases involved varies between one and ten years.

Figure 9: Recent industrial transactions in the Scottish Borders

Address	Size (sq ft)	Details
Unit 3, Tweedside Park, Galashiels	7,740	Let in March 2022 at £4.20 per sq.ft.
Caerlee Mill, Innerleithen	17,932	Purchased by South of Scotland Enterprise in October 2021. To be converted into the Mountain Bike Innovation Centre, which is part of a Borderlands Inclusive Growth Deal project.

Pinnaclehill Industrial Estate, Kelso	13,808	Let in October 2021.
10 Commerce Road, Hawick	5,551	Let in September 2021 at £2 per sq ft.
Unit 1, Block 10 Tweedbank, Galashiels	3,737	Let in August 2021 to Scottish Ministers/ NHS Borders on a 5-year lease.
Unit 2a, Hawick Trade Park, Hawick	3,175	Let in August 2021 to motor trade business on a 5-year lease at £5.50 per sq.ft.
Unit 1A, Gibson Buildings, Level Crossing Road, Selkirk	5,865	Let in June 2021.
Unit G, Pinnaclehill Industrial Estate, Kelso	2,893	Let in April 2021 at £3.15 per sq.ft.
Charlesfield Industrial Estate, St Boswells	7,043	Let in April 2021
Pinnaclehill Industrial Estate, Kelso	3,864	Let in December 2020 at £6.50 per sq.ft.
Unit 1-2 Netherdale Industrial Estate, Galashiels	3,631	Let in March 2020 at £6.95 per sq.ft.
Netherdale, Galashiels	6,776	Let in February 2020 at £3.02 per sq.ft.
Unit F, Pinnaclehill Industrial Estate, Kelso	1,652	Let in February 2020 at £3.15 per sq.ft.

Source: Ryden

3.10. Market failure

3.10.1. The concept of market failure is fundamental to the need for the Business Infrastructure Programme (Scotland). It will address three core market failures:

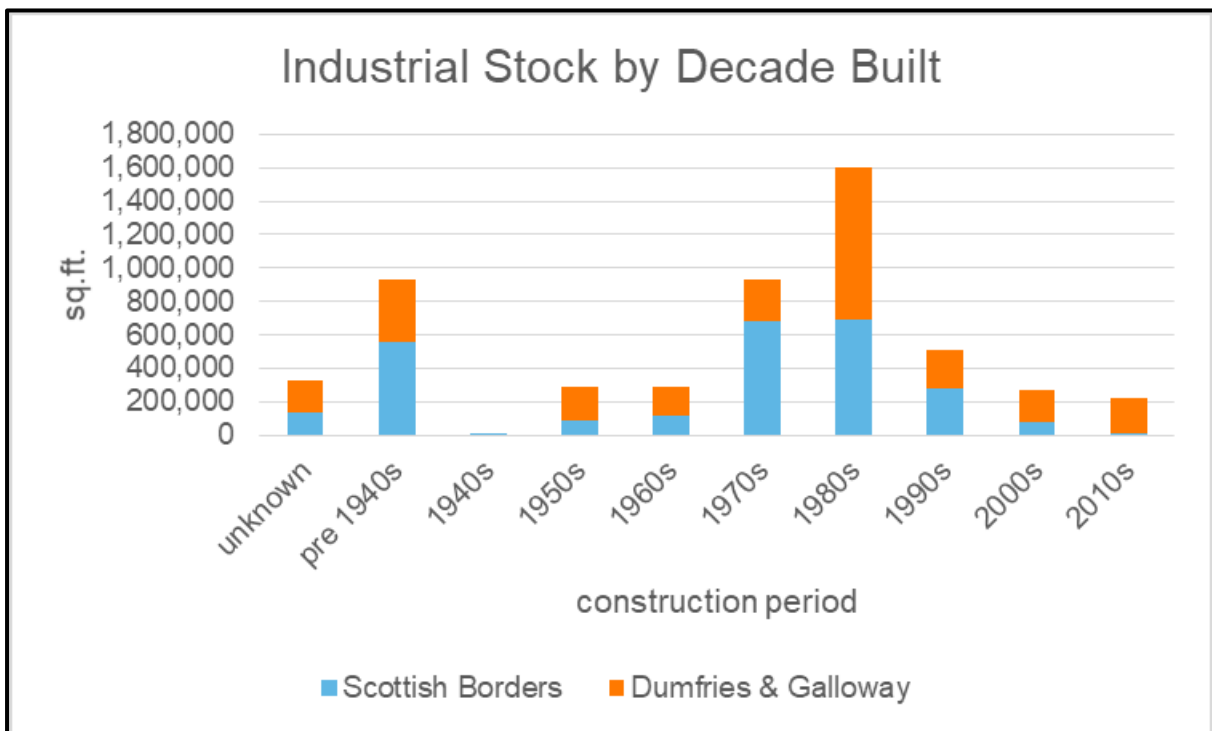
- **Positive externalities.** Private investors (including developers, businesses and banks) are likely to value the benefits of sector growth and area regeneration in a different way to the public sector. They may be unwilling to take higher risks or bear the extra cost of developing specific sites, premises and sectors regarded by the public sector as key economic development priorities. This can lead to under-investment and a case for public resources to unlock economic development benefits (including employment, skills, clustering, site decontamination, vacancy, and wider regeneration).
- **Imperfect information.** The private sector may not be fully aware of the risks and potential returns of investment opportunities in an area. This could give rise to perceptions of the area as being one of high risk and low opportunity, in turn reflected in investors' propensity not to seek to invest.

- **Co-ordination failure.** The time, cost and complexity involved in ownership and management of larger sites will not readily be borne by the private sector, providing a role for the public sector to facilitate investment.

3.10.2. As a rural economy with dispersed, relatively small centres of population, the Scottish Borders is constrained by poor infrastructure and remoteness compared to the more urbanised economies of the central belt. Over time, the difficulties in creating a critical mass to stimulate the market has led to market failure resulting in a lack of supply of modern business premises and the increasing obsolescence of existing stock.

3.10.3. Figure 10 shows that over half (52 per cent) of the industrial floorspace in the Scottish Borders dates from the 1970's and 1980's. In 2020, Ryden carried out an analysis of the condition of industrial property supply in the South of Scotland. In summary, it showed that of 49 properties assessed, only 25 were categorised as being in satisfactory condition. The report suggested that the main cause of this situation was the prohibitive costs to the market of the maintenance and renovation of aged stock.

Figure 10: Age profile of industrial stock in the South of Scotland



Source: Ryden

- 3.10.4. Given their age, few of these buildings will have been refurbished to standards introduced by the Scottish building regulations of 2002 let alone be in a condition to meet the requirements of the switch to a low carbon economy. Moreover, the April 2016 reduction in vacant property rates relief from 100 per cent to 10 per cent after six months means that an older industrial building of over 1,000 sq. m. is liable to an annual rates bill of around £18,000.
- 3.10.5. There is a vacuum in the market with the private sector unable to invest in essential infrastructure and develop modern business space because of the relative costs of development compared to rental and capital values. Public funds can be provided to address the resulting commercial viability gap where it will lead to a more equitable distribution of economic opportunity and growth.

3.11. Our objectives

- 3.11.1. The Business Infrastructure Programme (Scotland) aims to unlock potential in line with the general policy rationale for City Region and Growth Deals. It will capitalise on the core opportunities highlighted in the Borderlands Inclusive Growth Deal. It will assist in developing a future-proofed knowledge-based rural economy through ensuring that new and existing knowledge-based businesses have access to modern, flexible accommodation and the space to expand and invest.
- 3.11.2. The ability of towns and businesses in the South of Scotland to establish themselves in growing markets has been constrained by a lack of investment in business sites and infrastructure. The programme will help in strengthening trade across borders through developing key clusters of business activity across the area and positioning towns and strategic business sites as key trading nodes. By providing modern business sites and premises, the programme will encourage new businesses with international market reach to locate in the area. The programme will also target and support smaller businesses to invest in scaling up productivity and capacity to serve export markets.
- 3.11.3. The programme is key in developing an offer to the world. It will provide a clear indication, nationally and internationally, that the South of Scotland is a place where businesses are able to grow within attractive modern premises.

3.12. Investment objectives

- 3.12.1. Investment objectives for the Business Infrastructure Programme (Scotland) have been agreed by Dumfries and Galloway and Scottish Borders Councils. The project at Coldstream will assist in meeting these. Figure 11 illustrates the proposed investment objectives.

Figure 11: Proposed Investment Objectives

INVESTMENT OBJECTIVES	EXISTING ARRANGEMENTS	BUSINESS NEED
<p>Through this programme our investment objectives are to:</p>	<p>What is currently happening/ the status quo:</p>	<p>To tackle the problems with the status quo, we need:</p>
<p>Objective 1: Create Critical Mass & A Dynamic Business Environment: Provide high quality business space in strategic locations that provide clusters of business activity and establish towns as key trading nodes with a dynamic business environment.</p>	<p>The rurality of the South of Scotland has resulted in dispersed supply and low critical mass of business space, and this constrains business activity and growth.</p> <p>Dispersed supply together with the perception of being on the periphery undermines the competitiveness of the South of Scotland as a business location despite its proximity to markets in the Central Belt and northern England.</p> <p>Diseconomies of scale associated with providing high quality modern industrial space in rural and remote rural locations in the South of Scotland acts as a barrier to investment.</p>	<p>To cluster business space at key locations in the South of Scotland – particularly where there is a high degree of connectivity with transport and broadband infrastructure - and use this clustering to support towns as business and employment locations.</p>
<p>Objective 2: Improve Site Uptake: Increase the uptake of the area’s allocated employment land by growth businesses/inward investors</p>	<p>Co-ordination failure by the private sector to unlock constrained sites prevents the South of Scotland offering business locations to meet the demand by growth businesses and inward investors.</p>	<p>An increase in the number of effective sites for business and industrial use in the South of Scotland.</p>
<p>Objective 3: Develop the Quality of the Supply of Investment Property:</p>	<p>The quality of the available supply of modern, energy efficient, high quality accommodation is rapidly reducing owing to increasing obsolescence and low replacement rates.</p> <p>Rents for this stock are low and are depressing the investment market for business space.</p>	<p>The provision of new supply of high quality business space for rent to meet demand.</p> <p>New, high quality stock with higher investment yields that will strengthen the investment market and will attract private sector investment into the supply side across the South of Scotland.</p> <p>New, high quality stock with higher yields that attract investment into improving the quality of the existing supply in order to remain competitive.</p>

3.13. Outputs and Key Performance Indicators

3.13.1. To sum up, the Business Infrastructure Programme (Scotland) is a programme that is being tailored to meet the strategic opportunities presented by the Borderlands Inclusive Growth Deal:

- **Developing a future-proofed knowledge-based rural economy:** The creation of new, fit-for-purpose business space will be configured to the digital connectivity requirements of such an economy.
- **Strengthening trade across borders:** Opportunities will be available for businesses to have a base in a geographical location that is ideally placed between the large markets of northern England and the central belt of Scotland.
- **Developing our offer to the world:** State of the art business space in an attractive rural location will be attractive to inward investors who, in a post-pandemic environment, may be looking to locate outside urban centres.

3.13.2. The Coldstream project will achieve the following outputs:

- 333 sq. m. of business floorspace constructed for owner occupation.

This will lead to the following outcomes:

- Nine gross jobs (FTE)
- Three net additional jobs (FTE) created.
- £2.9 million estimated additional GVA (inc. carbon impact and exc. construction) generated.

3.14. Wider Benefits

3.14.1. There will also be wider benefits from the programme, including:

- Contributing to the low carbon economy.
- Contributing to Inclusive Growth, tackling low wages and rural poverty.
- Creating an industrial property market and stimulating greater levels of investment.
- Increasing opportunities for higher value skills employment.
- Attracting those in the working age population.

3.15. Inclusive Growth Assessment

- 3.15.1. The Business Infrastructure Scotland Programme aims to address the challenge to create inclusive growth as stated in the objectives of the Borderlands Inclusive Growth Deal by encouraging a fair and inclusive jobs market through a number of initiatives such as Fair Work and the Living Wage. Community benefits will also be used, where appropriate, in procurement processes.
- 3.15.2. Business Infrastructure Scotland will help accelerate Inclusive Growth across the region as it delivers a programme of site servicing and construction. Each site is not a stand-alone project, but part of a wider programme, which will increase the supply of a diverse range of serviced employment land and modern business premises. The projected intervention will create employment for local people within the region and will be accessible to those with protected characteristics.
- 3.15.3. An Integrated Impact Assessment (IIA) has been completed for the Coldstream project, and this highlighted no negative impacts on any of the protected characteristics within the general duties under the Equalities Act 2010. The full Integrated Impact Assessment is at Appendix 4.

4. Economic Case

4.1. Overview

4.1.1. This section identifies the key economic impacts of the project and presents an assessment of its overall value for money. This effectively shows the extent to which the project's benefits outweigh its costs. The economic impacts of the project have been appraised following the principles contained within HM Treasury's Green Book guidance.

4.1.2. This section contains the following elements:

- An overview of the project's Options Appraisal, including the Critical Success Factors identified for the overall programme.
- A value for money assessment of the preferred option.
- Sensitivity analysis.
- Potential risks to achieving value for money.
- A description of the anticipated economic impacts from the project.

4.2. Options Appraisal

4.2.1. The Business Infrastructure Programme (Scotland) will support the delivery of new business infrastructure across the Scottish Borders and Dumfries and Galloway thereby contributing to addressing the challenges that the Borderlands Inclusive Growth Deal is designed to overcome. The Outline Business Case developed Seven Critical Success Factors (CSF's):

- CSF 1: strategic fit with Borderlands Partnership objectives (narrowing productivity gap, inclusive growth and increasing 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.

4.2.2. The OBC also identified three potential options, all of which included the build-out of vacant employment land at Coldstream. (Please note that the costs are those calculated at the time of the OBC):

- Option 1 – a total public sector investment of £12.2 million including £8 million from the Borderlands Inclusive Growth Deal for site build-out on Coldstream Business Park, full site servicing on Hawick (5ha) and a phase 1 of site servicing on Annan (3.04ha), Castle Douglas and Newton Stewart.
- Option 2 - a total public sector investment of £13.4 million including £8 million from the Borderlands Inclusive Growth Deal for site build-out on Coldstream Business Park, full site servicing on Hawick, a smaller scale of site servicing on Annan (1.89ha), phase 1 site servicing and build-out on Castle Douglas (0.96 ha) and Newton Stewart (0.85ha).
- Option 3 – a total public sector investment of £15.1 million including £8 million from the Borderlands Inclusive Growth Deal for site build-out on Coldstream Business Park, full site servicing on Hawick, phase 1 of site servicing on Annan, phase 1 site servicing and build-out on Castle Douglas and Newton Stewart.

4.2.3. The preferred option (Option 2) that is being taken forward best fits the objectives for the wider Business Infrastructure Programme (Scotland), including the Coldstream site. In addition to the projects at Coldstream and Hawick, this option includes three projects in Dumfries and Galloway:

- Annan Business Park - site acquisition and site servicing of 1.89 ha. to include 12 serviced plots at a total public sector cost of £2,811,555 including £1.5 million from the Borderlands Inclusive Growth Deal.
- Castle Douglas - site acquisition and site servicing of a Phase 1 and build-out of premises providing 930 sq. m. of industrial space across five units at a total public sector cost of £3,925,546 including £2.05 million from the Borderlands Inclusive Growth Deal.
- Newton Stewart - site acquisition and site servicing of a Phase 1 and build-out providing 765 sq. m. of industrial space at a total public sector cost of £3,026,005 including £1.45 million from the Borderlands Inclusive Growth Deal.

4.2.4. The preferred option allows Scottish Borders and Dumfries and Galloway to benefit from serviceable sites coming forward as well as build-out of specific premises on a number of smaller sites such as Coldstream to ensure greater certainty around the realisation of jobs and GVA through direct provision of high quality and energy efficient business space.

4.3. Value for money assessment

4.3.1. Value for money calculations for the preferred option assess costs per one unit of benefits achieved (i.e. cost per one FTE job or per one pound generated in the economy), net present value (NPV) of cash flows, and provides a benefit/cost ratio (BCR). The BCR is compared across all options in the sensitivity analysis.

4.3.2. The total public sector capital costs associated with the investment to unlock business infrastructure at Coldstream are outlined in Figure 12 below.

Figure 12: Value for money assessment

GVA impact and jobs impact	
NPV of Direct GVA (inc. carbon impact and exc. construction)	£2.9 million
Gross jobs (FTE)	9
Net additional jobs (FTE) impact	3
BCR	2.1:1

Source: Scottish Borders Council

- 4.3.3. In addition to the jobs set out above, demand for temporary construction jobs will be generated during the construction phase. Temporary construction benefits are not factored into the value for money assessment but are a wider benefit that may also bring about local employment, procurement and training opportunities. A displacement rate of 50 per cent was assumed in the economic model.
- 4.3.4. Following the BCR assessment, the Preferred Option would generate a BCR of 2.1:1 and although this represents medium value for money, it needs to be viewed within the context of the programme as a whole, which has a BCR of 3.8:1 that represents very good value for money.
- 4.3.5. More detail about the economic appraisal is provided in Appendix 1. In summary, the economic appraisal found:
- A total economic cost (optimism bias included and discounted) of £1.76 million.
 - Additionality adjustments/factors used to calculate the BCR, providing justifications/the evidence for using these adjustments...
 - The total economic benefit was calculated by using BEIS GVA per manufacturing job data as shown in Appendix 1.
 - The lifetime period of the project ends at 2040-41.

4.4. Sensitivity Analysis

4.4.1. To assess the robustness of the value for money assessment, the preferred option has been subject to sensitivity testing by adjusting key variables that drive direct and indirect benefits.

4.4.2. In line with the sensitivity testing undertaken at the OBC stage, the individual sites within the programme have been sensitivity tested by making adjustments to the following variables, each of which drive project costs and economic effects:

- Test 1: The timing and quality of jobs created through the programme on sites that are being serviced is at higher risk of being delivered than on sites that include build-out of specific premises. A risk factor of 50 per cent has been applied to jobs on sites that are site servicing only.
- Test 2: Indirect and induced job creation (multiplier effects) have been removed from the appraisal.
- Test 3: Deadweight has been increased to 50 per cent across all projects.
- Test 4: Total costs have increased by 20 per cent, with 44 per cent Optimism Bias incorporated.

4.4.3. The results of this sensitivity testing for the Coldstream site are set out below in Figure 13. The results demonstrate that when looking at the adjusted impacts, Coldstream falls into a “low” value for money category under tests 2-4.

Figure 13: Summary of Site Specific Sensitivity Testing for Coldstream

	Test 1	Test 2	Test 3	Test 4	Preferred option
Coldstream	n/a	1.8	1.4	1.7	2.1

Source: Scottish Borders Council

4.5. Value for money risks

4.5.1. There are two major risks that could potentially impact on the value for money of the project:

- **Lower underlying demand.** This is a risk as it is difficult to determine the levels of demand for the anticipated space across the lifetime of the programme given the unpredictability of future economic conditions.
- **Higher costs** resulting from an underestimation of capital costs or an increase in the future costs of servicing and construction owing to macro-economic conditions. Price volatility created by inflationary conditions has already been apparent in the period between the approval of the OBC and the production of this FBC.

4.5.2. These risks have been included within the Project Risk Register, which is in Appendix 2 of this FBC, and will be monitored as the project proceeds.

4.6. Carbon Management

4.6.1. The whole life Carbon Emissions Impact associated with the project, including embodied carbon from construction, has been estimated in tonnes of CO₂ emissions (CO₂e) over the economic appraisal period. Using the BEIS carbon values, it is estimated that carbon emissions will amount to 323 tonnes CO₂e, which is quantified as having a cost of £96,903. This cost has been considered in the cost/benefit calculations described in the value for money assessment above and reduces the BCR from 2.1:1 to 2.0:1. Further detail of the Carbon Emissions Impact is provided in Figure 14.

Figure 14: Carbon Emissions Impact

Measurement	Value
Floor area (sq. m.)	333
Assumed kgCO ₂ e/sq. m. ¹⁷	970
Net whole life carbon across economic appraisal period (tonnes CO ₂)	323
Average BEIS carbon value (£)	300
Economic cost of carbon over economic appraisal period (£)	96,903
BCR (exc. carbon emissions impact)	2.1:1
BCR (inc. carbon emissions impact)	2.0:1

¹⁷ Assumption is based on the RIBA 2030 Climate Challenge metric (2025 target).

Source: Scottish Borders Council

4.6.2. The project is unable to expedite a fully electric solution at its outset, but this will be considered as a retrofit option as the project matures beyond the first 12 months of the operation of the site.

4.7. Economic Impacts

4.7.1. Beyond the direct and indirect impacts modelled above, it is anticipated that the project will help to deliver a wider range of benefits for businesses and residents across the Scottish Borders. Whilst these cannot be factored into a value for money assessment, they highlight the depth of added value likely to be achieved:

- 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. Census data indicates that workplaces in the Scottish Borders tend to draw labour from a local catchment with 30 per cent of workers residing within 5km of their workplaces and an above average proportion residing within 2km of their workplace.
- 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.

5. Financial Case

5.1. Overview

5.1.1. This section presents evidence of affordability across the life of the project. It also includes information on the drawdown of Borderlands Inclusive Growth Deal funding.

5.2. Project costs

5.2.1. The project will cost £1,201,268. This cost has increased by 39 per cent since the OBC, mainly owing to inflation in the cost of construction materials, and was verified by Scottish Borders Council's cost consultants in February 2023. A contingency of 10 per cent has been applied to the construction cost. A summary of the current project costs is given in Figure 15.

Figure 15: Cost estimate summary

Cost element	Cost (£)
Construction	██████████
Project management	██████████
Consents, survey, site investigation, and utility connections	██████████
Contingency	██████████
Totals	1,201,268

Source: Scottish Borders Council

5.3. Spend profile

5.3.1. The Borderlands Inclusive Growth Deal Heads of Terms agreement provides £8 million for business infrastructure in the South of Scotland. These sums will be drawn down over the remaining period of the Deal. Funding will be provided as grant and will be drawn down quarterly in arrears.

5.3.2. Within the Scottish Borders, the current spend profile is £4.02 million (Figure 16), split on the basis of an 75 per cent contribution from the Scottish Government through the Borderlands Inclusive Growth Deal, i.e. £3 million, and a contribution of 17 per cent from Scottish Borders Council (£0.68 million).

Figure 16: Funding profile, 2022-23 to 2030-31 (£million)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	Totals
Scottish Government	0	0.989	0.512	1.412	0.087	0	0	0	0	3
Scottish Borders Council	0	0	0.682	0	0	0	0	0	0	0.682
Totals	0	0.989	1.194	1.412	0.087	0	0	0	0	3.682

Source: Scottish Borders Council

5.3.3. At present, there is a funding gap of £0.34 million between the cost of the Hawick site and the funding available in the funding profile after the costs of the Coldstream site will have been met. This issue will need to be addressed prior to the submission of the Full Business Case for the Hawick site.

5.3.4. 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 this FBC. Figure 17 shows the projected spend on the Coldstream site as at February 2023.

Figure 17: Coldstream spend profile, 2022-23 to 2024-25

	2022-23	2023-24	2024-25	Total
Spend (£)	30,236	1,157,493	13,539	1,201,268

Source: Scottish Borders Council

5.4. Funding assumptions

- 5.4.1. In its role as the Borderlands Inclusive Growth Deal's accountable body, Dumfries and Galloway Council will have a framework in place to ensure accountability; that the funding represents value for money; and that there are sufficient safeguards in place to ensure the money is spent in accordance with appropriate legal requirements. As a recipient of this money, Scottish Borders Council will abide by all accountability and assurance criteria.
- 5.4.2. As set out in the funding agreement, each project in receipt of Borderlands funding will provide an auditors' review confirming that the project outcomes have been successfully achieved each year and also at the end of the project, unless agreed in writing with the Programme Management Office (PMO) and Accountable Body.

5.5. Revenue activity

- 5.5.1. Council revenue funding will finance any maintenance and management costs that are required on an ongoing basis. This funding source will also resource work on employability initiatives, community benefits, and innovative activity and business support that is required through the assistance of South of Scotland Enterprise and Business Gateway. Businesses that are interested in occupying the new premises will be encouraged to develop fair and progressive workplace practices through highlighting opportunities to participate in national, regional, and local initiatives on Fair Work and the Living Wage.

5.6. Carbon Management

- 5.6.1. The requirement to change over from an energy system supplied by gas to one supplied by electricity has been noted as part of this Full Business Case. Given that the timescales for making this change are not yet known, the cost has been excluded from the project costs put forward in this Financial Case. It is proposed that when the time of the switchover and the associated costs are known, a change control notification will be provided with these details. As part of the planning process to retrofit the buildings with zero/low carbon energy systems, costings and timings will be calculated in due course. At this stage, no definitive funding stream can be identified to pay for this work and it may be that it is funded out of the Council's budget for maintaining its commercial and industrial properties.

5.7. Accountancy Treatment

- 5.7.1. The assets created by the Business Infrastructure Programme (Scotland) will initially be owned by Scottish Borders Council. These will be transferred to the Council's Property Portfolio on completion.

6. Commercial Case

6.1. Overview

- 6.1.1. This section sets out the approach for procuring the construction of the project. With regard to the procurement of works and services, Scottish Borders Council's procurement regulations will be fully adhered to as will the provisions of relevant UK and Scottish legislation. Scottish Borders Council is very experienced in delivering infrastructure works in the Scottish Borders.
- 6.1.2. All procurement will take place in accordance with Scottish Borders Council's procurement regulations and the relevant legislation. All contracts let by the Council must comply with the Council's Procurement and Contract Standing Orders.
- 6.1.3. The outputs and options are described below together with an outline of the proposed approach.

6.2. Required outputs

- 6.2.1. The outputs required throughout the project from consultants and contractors will be monitored throughout the duration of all contracts that are let. The project manager will have responsibility for the monitoring of performance; compliance with the specification and other terms of the contract; costs and benefits; Best Value requirements; equality requirements; delivery; and risk management. The contractors must adhere to the procurement regulations described above. With regard to meeting the equality duty, an Integrated Impact Assessment has been completed for the project and is at Appendix 3.
- 6.2.2. In accordance with the requirements of the Borderlands Inclusive Growth Deal and with the policy of Scottish Borders Council, community benefit clauses will be put in place to benefit the long-term unemployed, young people looking for apprenticeships, and other people requiring work experience opportunities. These clauses will help to unlock opportunities within relatively deprived communities and groups thereby assisting inclusive growth.

6.3. Procurement Strategy

6.3.1. There is a significant degree of uncertainty and price fluctuation in the construction sector at present with various reports of principal contractors tendering for works, but refusing to commit to either the tender price or to a contract period. An additional consideration is that the construction sector is “overheating” at present making it likely that obtaining competitive tenders in the Scottish Borders from larger construction firms will be more challenging owing to the lack of suitable local businesses.

6.3.2. SBC Contracts is the direct labour division of Scottish Borders Council with a proven track record of delivering complex civil engineering works over a long period; more recently, they have established themselves as reliable principal contractors for building construction as well. During the Covid-19 pandemic lock-down period, for example, they completed two new-build early years buildings for SBC Architects at a time when the rest of the industry was at a standstill. The additional pandemic restrictions and associated safety measures delayed the completion date, but the two projects were delivered within budget, to a very high quality standard and, crucially, without any contractual claims, or accidents.

6.3.3. The proposal to use SBC Contracts as the principal contractor for the Coldstream development is influenced by the above experience, but also by the following advantages:

- They were the groundworks contractor for the original industrial estate development and therefore have direct knowledge of the existing infrastructure.
- As in-house colleagues, they are available to respond at short notice and would be co-opted onto the project design team in order for it to benefit from their practical skills to minimise the risk of time and money lost during the construction phase.
- They are local, which supports the sustainability agenda, both in terms of carbon emissions from travel, but also in securing local, skilled jobs and the supply chain.
- They have an exemplary health and safety record, with a highly developed Health and Safety regime for all operatives.

6.3.4. The project will be delivered in an “open book” manner: an external quantity surveyor will be appointed for the project who will develop the contract bill of quantities that will be priced by the principal contractor and scrutinised by the quantity surveyor against market prices. The aim of the contract will not be focussed on profit margins, but on quality and delivery.

6.3.5. In summary, this overall approach will allow for a streamlined procurement route without the risk of conflict thus enabling a quality product to be delivered quickly, efficiently and cost-effectively.

7. Management Case

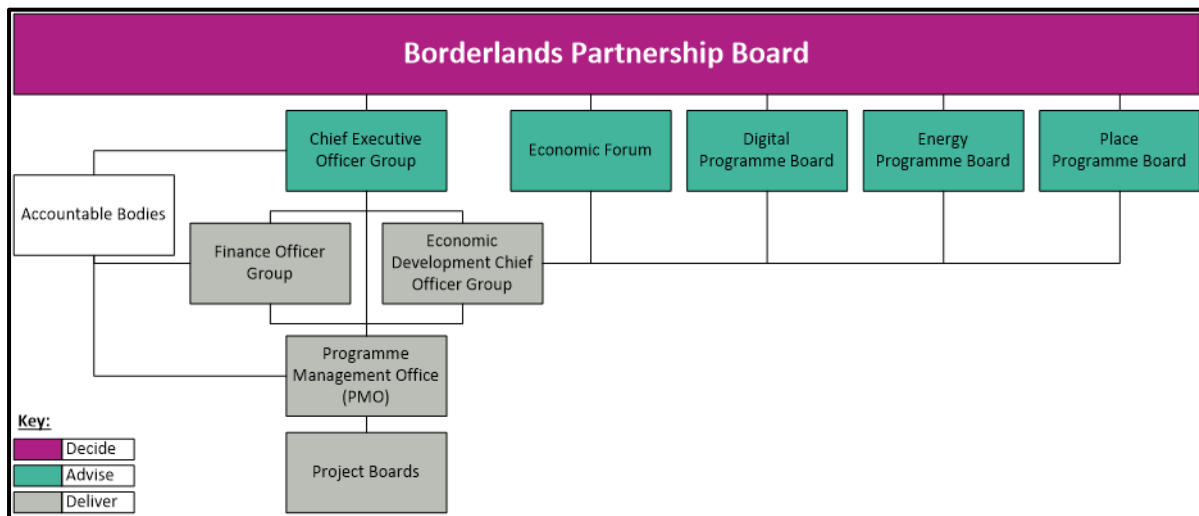
7.1. Overview

- 7.1.1. This section describes how the project will be delivered. It demonstrates the realism of the timescales; that a robust governance structure is in place; that risks have been identified and can be managed; and that there are clear processes in place for communications and stakeholder management.
- 7.1.2. The Management Case also shows how the benefits set out in the Economic Case will be realised and includes measures to assess and evaluate these.
- 7.1.3. This section contains the following elements:
- Governance, organisational structure and proposed roles.
 - A programme implementation scheme.
 - Information on proposed communications and stakeholder management.
 - Risk identification and a risk management strategy, setting out the risks that have been identified, their potential impact, appropriate mitigation and management.
 - A Benefits Realisation, Monitoring and Evaluation Plan, which describes the approach to ensuring that the stated benefits in the Economic Case are delivered. It also describes monitoring of the programme's objectives and KPI's as stated in the Strategic Case.
 - Change management process.

7.2. Project governance and reporting

- 7.2.1. At the regional level, the project sits within the governance structure agreed by the Borderlands Inclusive Growth Deal partners (Figure 18). These governance arrangements will enable decisions to be taken in an open and transparent way for the whole region.

Figure 18: Borderlands Inclusive Growth Deal Governance Structure

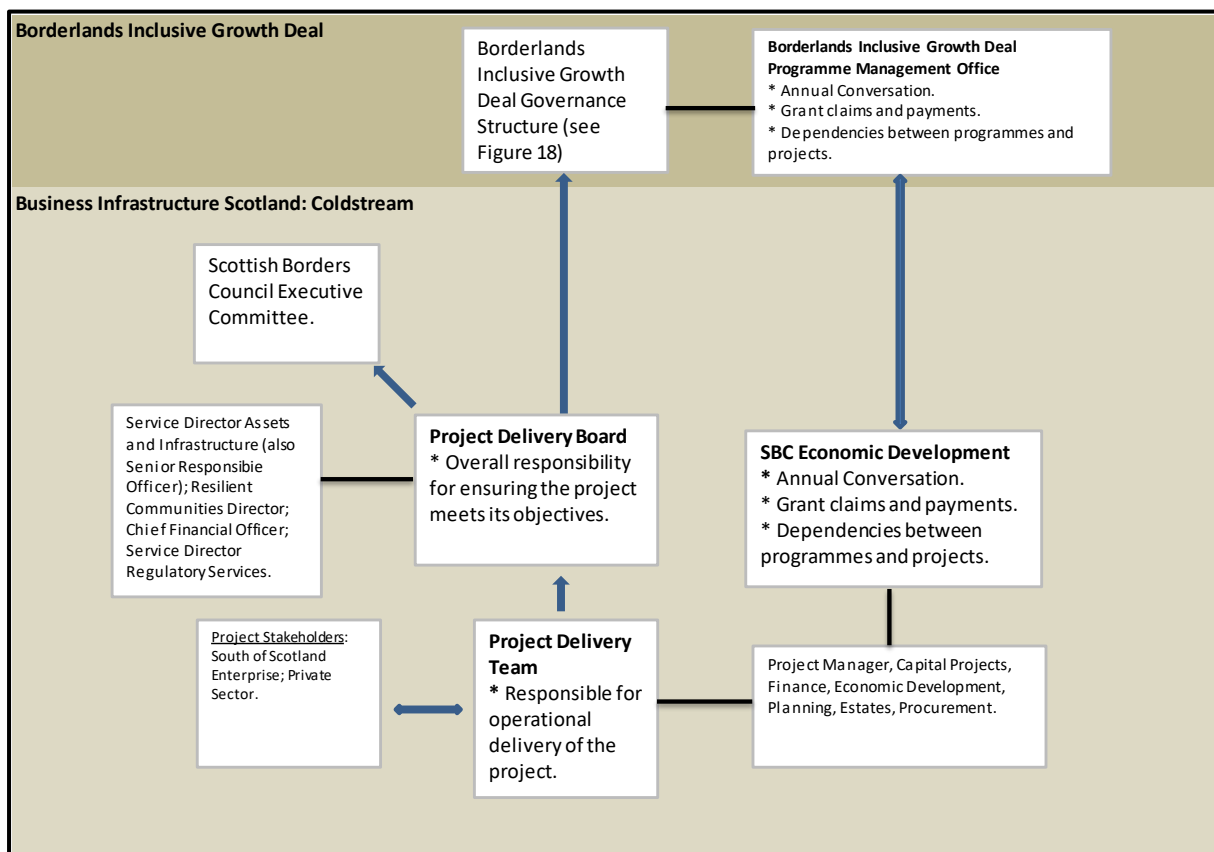


Source: *Borderlands Inclusive Growth Deal*

7.2.2. The Business Infrastructure Programme (Scotland) will be overseen by the Borderlands Project Board for Business, Innovation and Skills, which will be supported by the two local authorities as the lead project sponsors. Officers from the councils will also work with the Scottish Government to develop the detail of the five constituent projects.

7.2.3. 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. A Project Manager will be responsible for managing the delivery of the project. Figure 19 shows how this team fits into the local governance structure, which, in turn, fits into the Borderlands Inclusive Growth Deal governance structure.

Figure 19: Local Governance Structure



Source: Scottish Borders Council

7.2.4. The Project Board will provide strategic oversight and decision-making on the delivery of the project as defined in this FBC, and within the specific areas of remit and scope articulated in the Board’s Terms of Reference (these are reproduced in Appendix 4). The remit will be reviewed at intervals as the project progresses, and the Terms of Reference will be revised and approved by the Project Board if required.

7.2.5. Scottish Borders Council has experience of delivering large scale, multi-million pound capital projects. It has an in-house Major Projects team that has successfully delivered new schools, flood schemes, and other significant infrastructure projects in the recent past.

7.2.6. This project will submit its funding claims to Dumfries and Galloway Council, which is the accountable body for the Borderlands Inclusive Growth Deal finances in Scotland. Stewardship will be provided by the Project Board and membership will include a Section 95 Officer to provide assurance of the project's finances, and ensure that the financial requirements agreed with both the UK and Scottish Governments are met. The project will also be aligned with Dumfries and Galloway Council's financial regulations and, where appropriate, the regional partners'. Should the project present any risks to the overall programme, it will be held to account by Dumfries and Galloway Council.

7.2.7. Should this FBC be approved, formal Government approval will be sought to enable Borderlands Inclusive Growth Deal funds to flow to the project. Funding will be provided by the Scottish Government to Scottish Borders Council via Dumfries and Galloway Council in the respective roles of the local authorities as the delivery and the accountable bodies.

7.3. Project implementation scheme

7.3.1. A basic outline project implementation scheme with key milestones is described in Figure 20.

Figure 20: Summary of Project implementation scheme

Project milestone	Date
Construction start	June 2023
Construction complete	May 2024
Occupation by tenants	September 2024

Source: Scottish Borders Council

7.4. Communications and stakeholder management

7.4.1. A communications officer will sit on the Project Board and a communications plan will be prepared to enable Scottish Borders Council to:

- Inform the public and key stakeholders of progress with the project.
- Communicate the expected benefits of the project.
- Manage stakeholder expectations.

7.5. Carbon Management

7.5.1. The methodology that will be used to manage carbon in this project will be based on *PAS 2080: Carbon Management in Infrastructure*. Carbon management will be a key issue to be considered as part of the governance process.

7.5.2. The intention is for the site to move to a net zero carbon system as soon as practically possible. Whilst this will not be achievable upon the opening of the new units, post-construction, the latest target date for delivering a net zero carbon operation is 2032, which is in accordance with the objectives contained within Scottish Borders Council's *Climate Change Route Map*. However, it is anticipated that this could be done within the first five years of the project.

7.6. Risk management strategy

7.6.1. As lead delivery partner, Scottish Borders Council will be responsible for the identification, management, and mitigation of all risks associated with the project. A project risk register has been developed and is presented in Appendix 2.

7.7. Benefits realisation plan

7.7.1. As lead delivery partner, Scottish Borders Council will be responsible for recording the benefits of the project. Indicative outcomes (see the Strategic Case and Figure 21) have been developed as part of this FBC and apply across the two sites put forward in the Scottish Borders for the Business Infrastructure Programme (Scotland).

Figure 21: Benefits Realisation Plan

Indicators			Targets
Outputs	OP1	New floorspace created	333 sq m
	OP2	Area of site assembled	0.68 ha
	OP3	Number of FTE construction jobs	TBC
Outcomes	OC1	Gross jobs created	9
	OC2	Businesses supported	3
	OC3	Total value of works contracted to SME's	TBC
Impacts	I1	Net additional jobs created	3
	I2	Net additional GVA	£2.2m
	I3	Reduction in CO2 emissions	TBC

Source: Scottish Borders Council

7.8. Monitoring and evaluation

7.8.1. Processes will be put in place to ensure that thorough through-life project evaluation takes place to demonstrate that the project is meeting its strategic objectives. The day-to-day monitoring of performance, budgets, and risks will take place as the project is being implemented. Appendix 6 contains a Monitoring and Evaluation Framework.

7.9. Change management

7.9.1. Scottish Borders Council will be responsible for the monitoring and reporting of changes to project scope, scale, and cost. These changes will be recorded in a Change Control Notification and immediately reported to the relevant authority as per the governance arrangements described above. The “Project Change Control” form is the documentation used to request any change(s). The project manager will complete the “Project Change Control” form to document the request and submit this to the Borderlands PMO.

7.9.2. This will constitute the start of the Change Control process. This is the process through which all requests to change the approved baseline of a project, programme or portfolio are captured, evaluated and then approved, rejected or deferred.

7.9.3. The PMO will assess the Project Change Control form and request any additional information or evidence required to consider the request. As part of the Change Control assessment, the impact of the proposed change(s) on the delivery of the Borderlands Inclusive Growth Deal are fully considered by reviewing the impact on:

- the strategic fit;
- outputs and deliverables;
- spend and grant payments; and
- inclusion and sustainability.

Appendix 1: Financial and Economic Appraisal

Submitted separately.

Appendix 2: Project Risk Register

Risk	Impact	Probability	Mitigation
Increases in the costs of the project.	High.	High.	Financial costs with an allowance for inflation will be calculated as the project goes forward with input from technical cost consultants.
Delays to the project.	High.	Medium.	The project timescales have been increased and this will reduce pressure in this respect.
Lack of sufficient demand for employment land.	High.	Medium.	Scottish Borders Council will monitor potential demand and ensure this information is shared with Government and other stakeholders. Marketing of the units will take place at an opportune time.
Procurement strategy	High.	Low.	By utilising its own direct labour division, SBC Contracts, Scottish Borders Council will be basing its procurement strategy on an organisation with a proven record of accomplishment of delivering complex civil engineering works.
Failure to raise funds from sources other than the Borderlands	High.	Low.	A programme commitment of £8 million by Scottish Government in the Heads of Terms. Scottish Borders

Inclusive Growth Deal			Council has committed £0.68 million in its budget.
Ineffective governance structures.	High.	Low.	Establishment of an overall governance structure for the Borderlands Inclusive Growth Deal includes representation from senior local authority officers and elected members. Scottish Borders Council will appoint a project manager to lead a team that will enable robust project management subject to being accountable to a project board.
Interdependencies with other Borderlands Inclusive Growth Deal initiatives	High.	Low.	Scottish Borders Council is involved in interdependent initiatives and will ensure that there is synergy between relevant projects and programmes.

Appendix 3: Integrated Impact Assessment

Submitted separately.

Appendix 4: Project Board Terms of Reference

BUSINESS INFRASTRUCTURE SCOTLAND PROJECT GOVERNANCE	
Terms of Reference (ToR)	
<p>Purpose: To provide strategic oversight and decision-making on the delivery of the Business Infrastructure Scotland project as defined in the Final Business Cases, and within the specific areas of remit and scope articulated in this document.</p>	
<p>Remit:</p> <p>This ToR describes the governance structure in relation to a project that has a timeline through to 2026. It is, therefore, anticipated that the remit will be reviewed at intervals as the project progresses, and the ToR will be revised and approved by the Project Board if required.</p> <p>Key areas of remit for the Project Board are:</p> <ol style="list-style-type: none"> 1. To provide overall leadership, oversight and decision making with respect to the Business Infrastructure Scotland project, noting that: <ol style="list-style-type: none"> a. The Board comprises officers from a range of services within Scottish Borders Council and also from partner organisations that are key stakeholders in the project – i.e., South of Scotland Enterprise (SOSE), the Borderlands Inclusive Growth Deal Programme Management Office (PMO), and the private sector. b. The Board is designed to be representative of different stakeholder needs/areas of focus, particularly with respect to risk; however, decision-making rests with the key partners and those with required authority as reflected in the quorum and decision making framework. c. Business Infrastructure Scotland Project Board meetings will be chaired by an SBC officer. 2. Agree the project plan linked to the development and final approval of the Business Cases, including project plans, stages or key milestones, capital, operational and maintenance costs, the specific scope of activity across the partner organisations, and review project progress against the plans via compiled highlight reports for each board meeting. 3. Review escalated project changes, risks, mitigations and issues, and agree on appropriate courses of action which will be reported to the board via a formal change management and RACI process. 4. To actively promote the benefits of the project by agreeing a stakeholder management approach and communications plan and 	<p>Scope</p> <p>The scope will be defined by the overall project plan, and the detailed deliverables and responsibilities across the partner organisations captured within the Outline and Full Business Cases. Items that are out of scope are those not defined in the Outline or Final Business Cases.</p> <p>Quorum, Advice & Decision Making:</p> <p>Quorum:</p> <p>Chair and Deputy Chair of the Project Delivery Group.</p> <p>Decision Making:</p> <p>Final decisions signed off by the Chair, or in their absence, the Deputy Chair of the Project Delivery Group.</p> <p>Frequency of Meetings:</p>

<p>any subsequent concerns or threats that such communications might identify.</p> <ol style="list-style-type: none"> 5. Agree when further approvals are required to deliver the project. 6. Approve any additional governance arrangements that are required as the project progresses. 7. Ensure ongoing alignment to the Final Business Cases, commissioning project assurance and monitoring and evaluation reviews in line with any Borderlands Inclusive Growth Deal requirements. 8. Ensure financial reporting requirements/ controls are in place and then monitor with respect to the Borderlands Inclusive Growth Deal. 9. Organise and assess a lessons learned review to inform future changes, evaluate the changes made and evaluate benefits realisation. <p>Project Delivery Group Constitution & Membership:</p> <ol style="list-style-type: none"> 1. John Curry, Director of Infrastructure (SBC), Chair. 2. Samantha Smith, Chief Economic Development Officer (SBC), Deputy Chief. 3. Ian Aikman, Chief Planning Officer (SBC). 4. Steven Renwick, Capital Projects Manager (SBC). 5. Ray Cherry, Architectural Manager (SBC). 6. James Paterson, Procurement Officer (SBC). 7. John Hayward, Planning & Development Standards Officer (SBC). 8. Josephine Stewart, Estates Surveyor (SBC). 9. Katie Greenwood, Economic Development Officer (SBC). 10. Stuart Kinross, Economic Development Officer (SBC). 11. Section 95 officer (SBC). 12. Communications officer (SBC). 13. Borderlands PMO rep. 14. SOSE rep(s). 15. Private sector rep(s). 	<p>Set at a monthly basis but to be reviewed as the project progresses.</p> <p>Attendance at the Board meeting may be either face-to-face or virtual.</p> <p>Papers to be issued 3 working days in advance using 2-page Plan, Do, Check, Act format.</p> <p>Minutes:</p> <p>Minutes and papers will be held in electronic copy</p> <p>Reporting:</p> <p>Project Manager to be responsible for producing a Highlight Report for each scheduled Board meeting to report progress. The Project Board will also be responsible for managing the overall project risk register.</p> <p>Support:</p> <p>To be provided by SBC Resources Admin Team.</p>
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Appendix 5: Site Selection Methodology (Scottish Borders)

Sites were selected according to the following three criteria:

- Strategic fit: Sites had to be in more peripheral areas outside the central Borders, but close to major communication routes.
- Planning status: Sites had to be identified for business use within the Local Development Plan.
- Market failure: Sites had to be situated in an area identified as lacking a supply of good quality, modern industrial premises. The Berwickshire area and the town of Hawick met this criterion.

Berwickshire sites

Duns

It was proposed to construct a block of business units on an existing site at Station Road Industrial Estate. The site is owned and was created by the Council, with EU funding assistance, and completed in May 2014, as an extension to the existing estate. There are currently no buildings on the extension site.

The Council is the main landlord for premises in the town, but is unable to satisfy demand, and has a current waiting list. The Council encourages a mix of tenants within Use Classes 4, 5 & 6.

The site is located beyond and adjacent to the existing estate providing a looped road within the estate. The expansion estate extends to 2 ha, creating 0.95 ha of development plots.

The proposed development would comprise 4 workshop units, which would provide the opportunity to satisfy local demand and stimulate interest in the site. The estimated costs of the workshop scheme would be in the region of £1.1M.

Council premises in this area are at 78 per cent letting.

Coldstream

It was proposed to construct a block of business units on an existing site at Coldstream Business Park. The site is owned and was created by the Council, with EU funding assistance, and completed in October 2015, with landscaping undertaken the following spring. There are currently no buildings on the site.

The site is located on Lennel road on the north east edge of the town, close to the Scotland - England border. The business park extends to 1.5 ha (3.77acres), creating 0.68 ha of development plots.

The proposed development would comprise 3 workshop units, which would provide the opportunity to satisfy local demand and stimulate interest in the site.

The estimated costs of the workshop scheme would be in the region of £850K (subsequently costed at £1.3M).

The Council is the main landlord for premises in the town, but is unable to satisfy demand, and has a current waiting list. One of its current tenants is currently in the process of acquiring a plot at the Business Park to develop their own premises to allow expansion. The Council encourages a mix of tenants within Use Classes 4, 5 & 6.

There is demand for business accommodation in Coldstream, but a lot of existing accommodation is low quality. Council premises in this area are at 78 per cent letting.

Coldstream was selected in preference to Duns on affordability grounds owing to the funding restrictions imposed by the Borderlands funding profile.

Hawick sites

Both of the sites in Hawick are in the North Burnfoot area near the A7 trunk road, adjacent to each other and close to the units recently built at Galalaw. It was proposed to service the selected site at an estimated cost of £2.1M based on costing work done some time ago (preferred site subsequently costed at £2.7M) so as to make it ready for business use.

There is demand for quality business accommodation in the town that cannot currently be met. The quick take-up of the new units at Galalaw demonstrates this demand.

Council premises in this area are at 80 per cent letting.

North Burnfoot 1

This is a strategic business and industrial site, which is suitable for development within Use Classes 4, 5 and 6. The LDP identifies the following site requirements which must be considered:

It is intended that a Planning Brief in the form of Supplementary Planning Guidance will be produced for this site. Vehicular access is available from the road serving Galalaw Business Park and a footway is required on the north west side of the B6359

North Burnfoot 2

This site is currently outside the settlement boundary of Hawick as defined by the LDP 2016 and is not therefore allocated. The Council published a Main Issues Report, which is a forerunner to the next LDP, in November 2018 which identified this site as an option for future development. It is the intention that the site will be included for allocation in the next LDP as a high amenity business site (Class 4 use). It should be noted, however, that the site has been the subject of objection and as such it is likely that it will ultimately be considered by Scottish Government Reporter's during the LDP Examination.

North Burnfoot 1 was selected in preference to North Burnfoot 2 as it is already allocated within the Hawick settlement boundary of the LDP and is not subject to the same planning constraints as North Burnfoot 2.

Appendix 6: Monitoring and Evaluation Framework

Submitted separately.