

Notice of meeting and agenda

Edinburgh and South East Scotland City Region Deal Joint Committee

10.00 am Friday, 4th June, 2021

Virtual Meeting - via Microsoft Teams

This is a public meeting and members of the public are welcome to watch the live webcast.

Contacts

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1. Order of Business

- 1.1 Including any notices of motion and any other items of business submitted as urgent for consideration at the meeting.

2. Declaration of Interests

- 2.1 Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

3. Previous Minutes

- 3.1 Minute of the Edinburgh and South East Scotland City Region Deal Joint Committee of 5 March 2021 – submitted for approval as a correct record 7 - 12

4. Forward Planning

- 4.1 Joint Committee Work Programme – report by Andrew Kerr, Chief Officer, Edinburgh and South East Scotland City Region Deal 13 - 16
- 4.2 Joint Committee Rolling Actions Log – none.

5. Items for Consideration

- 5.1 A720 (Sherriffhall Roundabout) Progress Update - presentation by Transport Scotland

5.2	City Region Deal Progress Report – report by the Chief Officer, Edinburgh and South East Scotland City Region Deal	17 - 32
5.3	Queen Margaret University Innovation hub for Food, Drink and Health Sciences Business Case – report by Catherine Molloy, East Lothian Council and Steve Scott, Director of Campus & Commercial Services, Queen Margaret University, Edinburgh	33 - 218
5.4	Dunfermline Strategic Transportation Intervention Measures (STIM) Full Business Case – report by Pam Ewen, Head of Planning, Fife Council	219 - 366
5.5	Regional Prosperity Framework - Consultation Draft – report by the Chief Officer, Edinburgh and South East Scotland City Region Deal	367 - 418

Gavin King

Clerk

Membership

The City of Edinburgh Council

Councillor Adam McVey

Scottish Borders Council

Councillor Shona Haslam

East Lothian Council

Councillor Norman Hampshire

West Lothian Council

Councillor Lawrence Fitzpatrick

Fife Council

Councillor David Alexander

Councillor David Ross

Higher/Further Education Consortium

Professor Peter Mathieson

Midlothian Council

Councillor Russell Imrie

Regional Enterprise Council

Leeann Dempster

Claire Pattullo

Further information

If you have any questions about the agenda or meeting arrangements, please contact Veronica MacMillan, City of Edinburgh Council, Business Centre 2.1, Waverley Court, 4 East Market Street, Edinburgh EH8 8BG, Tel 0131 529 4240, email veronica.macmillan@edinburgh.gov.uk.

The agenda, minutes and public reports for this meeting can be viewed online by going to <https://democracy.edinburgh.gov.uk> .

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Minutes

Edinburgh and South East Scotland City Region Deal Joint Committee

Microsoft Teams

10.00am, Friday 5 March 2021

Present:

City of Edinburgh Council – Councillor Adam McVey

East Lothian Council – Councillor Norman Hampshire (In the Chair)

Fife Council – Councillor David Ross

Midlothian Council – Councillor Russell Imrie

Scottish Borders Council – Councillor Shona Haslam

Higher/Further Education Consortium – Professor Peter Mathieson

Regional Enterprise Council – Claire Pattullo

In attendance:

Steve Grimmond, Chief Executive, Fife Council

Monica Patterson, Chief Executive, East Lothian Council

Dr Grace Vickers, Chief Executive, Midlothian Council

Graham Hope, Chief Executive, West Lothian Council

Andy Nichol, City Region Deal Programme Manager, City of Edinburgh Council

Graeme Rigg, City Region Deal PMO, City of Edinburgh Council

Rob Dickson, Executive Director, Scottish Borders Council

Keith Winter, Executive Director of Enterprise and Environment, Fife Council

Gordon Mole, Head of Business and Employability, Fife Council

Adam Dunkerley, Opportunities Fife Partnership Manager, Fife Council

David Baxter, Senior Programme Officer, City of Edinburgh Council

David Hanna, City Region Deal PMO, City of Edinburgh Council

Lisa Howden, Trainee Accountant, City of Edinburgh Council

Ewan Kennedy, Policy and Planning Manager, City Edinburgh Council

Veronica MacMillan, Committee Services, City of Edinburgh Council

Alice Mitchell, Economic Development and Regeneration Manager, West Lothian Council

Derek Oliver, Chief Officer, Place, Midlothian Council

Professor Bruce Whitelaw, Deputy Director Roslin Institute, Easter Bush, University of Edinburgh

David Brown, Head of Government and Public Sector, PwC

Jarmo Eskelinen, Executive Director, Data Driven Innovation Programme

John Scott, Head of Delivery, Data Driven Innovation Programme

Helen Wood, Head of University Space, University of Edinburgh

Mark Graham, Senior Economist, Data Driven Innovation Programme

1. Minutes

Decision

To approve the minute of the Edinburgh and South East Scotland City Region Deal Joint Committee 4 December 2020 as a correct record.

2. Work Programme

The Work Programme was presented and detailed the planned dates for the City Region Deal business case approvals by Joint Committee.

Decision

To note the planned dates for future business for the City Region Deal Joint Committee.

(Reference – Work Programme, submitted.)

3. City Region Deal Progress Report

The Joint Committee considered a report that advised of progress across the City Region Deal Programme.

A RAG (Red, Amber, Green) scale was assigned to programmes and projects by the Partnership Management Office (PMO), as well as scores for inclusive growth and partnership working. In this update, the overall status was assigned as 'Amber' and there were no actions for the Joint Committee.

Andy Nichol paid tribute to the sad passing of Henna Khatoon and advised that a collection had been organised in conjunction with Henna's family and the proceeds would go to MacMillan Cancer Support and the British Heart Foundation.

Decision

1) To note the progress across the City Region Deal Programme.

Edinburgh and South East of Scotland City Region Deal Joint Committee – 5 March 2021

- 2) To note that a collection had been organised for the sad passing of Henna Khatoon, in conjunction with Henna's family, and the proceeds would go to MacMillan Cancer Support and the British Heart Foundation.

(Reference – report by the Chief Officer, Edinburgh and South East Scotland City Region Deal, submitted.)

4. Revision of Terms of Reference for Elected Member Oversight Committee

Details were provided of two revisions that were proposed to the Terms of Reference for the Elected Member Oversight Committee. The revisions were in Section 1 (Membership) and Section 7 (Meeting Frequency).

The first amendment to Section 1 (Membership) reflected the desire for flexibility in membership and the fact that the Regional Enterprise Council and Higher/Further Education were considered equal partners in developing the Regional Spatial Strategy and Regional Growth Framework. It allowed for greater flexibility in the future.

Decision

- 1) To adopt the revised Terms of Reference for the Elected Member Oversight Committee.
- 2) To appoint Councillor Altany Craik, Fife Council, as the Convener of the Elected Member Oversight Committee.

(Reference – report by the Chief Officer, Edinburgh and South East Scotland City Region Deal, submitted.)

5. Easter Bush Business Case

Approval was sought to secure funding for, and to enact, the Easter Bush project as set out in the Easter Bush Final Business Case. Preparation of the Business case had been led by the University of Edinburgh and Midlothian Council – on behalf of the Edinburgh and South East Scotland City Region Deal consortium partners – in accordance with the HM Treasury 5 Case model guidance.

The City Region Deal had a long history of excellence and leadership in informatics and data science that included one of the largest computing schools in Europe (the University of Edinburgh's School of Informatics); the UK's principal super-computing facility (Edinburgh Parallel Computing Centre) and the largest concentration of internationally-significant and world-leading informatics research in the UK.

As with the DDI programme as a whole, the Easter Bush Agri-Tech Campus was designed around five key areas of intervention (or 'TRADE' themes):

- **Talent:** Develop a flow of talent in data driven entrepreneurship and the application of Agri-tech
- **Research:** Develop, in conjunction with industry, a world-leading research capability in data science
- **Adoption:** Undertake a range of industry engagements focussed on building collaborative partnerships to enable new research and innovation activity
- **Data:** Support initiatives, such as the Agri-EPI Centre, to create data assets to help businesses with IoT, technology, robotics and novel systems of production
- **Entrepreneurship:** Generate a pipeline of new high-growth start-ups and scale-ups and support equity investment.

By demonstrably improving innovation and incrementally enhancing the City Region DDI ecosystem the Easter Bush Agri-Tech Campus would, over the next 15 years, deliver:

- **Talent:** By directly engaging with around 141,000 people, including around 25,000 that would be undertaking credit bearing CPDs and other courses, in the application of data to develop genetics and health innovations in agriculture and aquaculture
- **Research:** through hosting world-leading applied researchers and projects worth an additional £116 million over the lifetime of the DDI Programme
- **Adoption:** increasing new company engagements (100) to enhance data adoption in agriculture
- **Data:** supporting new initiatives to curate, analyse and translate huge datasets – such as the new centres of Data Driven Breeding and Aquaculture Genetics and Health – to encourage and enable the creation of Agri-Tech Assets
- **Entrepreneurship:** through the establishment of an additional 30 new high-growth firms and support to around 150 graduates in setting up or joining micro Agri-Tech companies.

Both Midlothian Council and the University of Edinburgh recognised that adequate road access to the site had to be provided if constraints on the further development of Easter Bush were to be avoided.

The proposed roads infrastructure changes would be a key enabler of the future development of the Easter Bush Campus that comprised of the A701 Relief road, A702 Link Road, Bush Loan Junction and Straiton junction.

Decision

To approve the Easter Bush final business case and implementation of the associated Agri-Tech activities and transport improvements.

(Reference – report by the Senior Responsible Officer, Data Driven Innovation Delivery Board and Senior Responsible Officer, Transport Appraisal Board, Edinburgh and South East Scotland City Region Deal, submitted.)

6. Fife Industrial Innovation Investment Programme – ESESCR Deal – Full Business Case for Tranche 2

The Joint Committee considered a report that sought approval for the second tranche of investment (years 4-6) of the Fife Industrial Innovation Investment (i3) Programme. The Fife i3 Programme was a ten-year investment programme in innovation, business property and employment land in Fife.

The Fife i3 Programme was being delivered a part of the Edinburgh and South East Scotland City Region Deal's innovation theme. The Programme would deliver a sustained investment programme in modern business premises to support the delivery of Inclusive Growth and Innovation in Fife. It would increase the supply of serviced employment land and new industrial, office and business space in Fife.

Decision

- 1) To approve the Full Business Case (FBC) included as Appendix 1 to the report.
- 2) To note that the Full Business Case (FBC) included as Appendix 1 to the report had been approved by Fife Council's Policy and Coordination Committee on 23 November 2020 and confirmed Fife Council's commitment of the resource required for delivery.
- 3) To note that the report followed the Full Business Case for the Fife i3 Programme which was approved by the Edinburgh and South East Scotland City Region Deal Joint Committee on 1 March 2019.
- 4) To note that a further Full Business Case for the third tranche (years 7-10) of investment would be prepared in 2023/24.

(Reference – report by the Executive Director for Enterprise and Environment, Fife Council, submitted).

7. ESESCR Deal Transport Appraisal Board bid into the Bus Partnership Fund

As part of its response to the climate emergency, the Scottish Government had been providing a long-term investment of over £500m through the Bus Partnership Fund to deliver targeted bus priority measures on local and trunk roads. This was intended to reduce the negative impacts of congestion on bus services and address the decline in bus patronage.

The Bus Partnership Fund would complement the powers in the Transport (Scotland) Act 2019, that would enable local authorities to work in partnership with bus operators, to develop and deliver ambitious schemes that incorporated bus priority

measures. The Fund would focus on the evidence of how bus services would be improved by addressing congestion, but the partnership approach was also expected to leverage other bus service improvements to help tackle the climate emergency, reduce private car use and increase bus patronage.

The closing date for Phase 1 submissions into the Bus Partnership Fund was 19 April 2021. It was proposed that the City Region Deal's Transport Appraisal Board coordinated a regional bid into the fund. A corridor approach to identify interventions across the South East Region would be taken. This regional bid could be submitted together with individual bids by Councils or other bids as appropriate. The proposed approach would be subject to approval by the relevant Councils in March and April 2021.

Decision

- 1) To note the timetable for bidding into Transport Scotland's £500 million Bus Partnership Fund.
- 2) To note that the Transport Appraisal Board had a remit to consider the benefits of collective regional based bids for external funding as set out at Appendix 1 to the report.
- 3) To authorise the Transport Appraisal Board to prepare a collective South East of Scotland regional bid for submission to Transport Scotland for funding from its Bus Partnership Fund, subject to agreement by the six individual Councils.
- 4) To note that Clackmannanshire and Falkirk Councils had been invited to join the Transport Appraisal Board to participate in the regional bid.
- 5) To note that the applications must be from partnerships working towards Bus Service Improvement Partnership (BSIP) status, as defined by the Transport (Scotland) Act 2019.
- 6) To note that separate partnership bids into the fund may be submitted in addition to the regional bid, and that the partnerships would remain in close contact to ensure that bids complemented and do not duplicate one another.
- 7) To receive further reports on the progress of any measures and interventions together with any additional proposals to support the work of the Transport Appraisal Board.

(Reference – report by Dr Grace Vickers, Chair, Edinburgh and South East Scotland City Region Deal Transport Appraisal Board, submitted).

Edinburgh and South East Scotland City Region Deal Joint Committee

10 am, Friday 4 June 2021

Work Programme for City Region Deal Joint Committee

Item number 4.1

Executive Summary

This paper outlines the planned dates for City Region Deal business case approvals by Joint Committee.

Steve Grimmond

Chief Officer, Edinburgh and South East Scotland City Region Deal

Contact: Andy Nichol, Programme Manager, Edinburgh and South East Scotland City Region Deal

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Work Programme for City Region Deal Joint Committee

1. Recommendations

- 1.1 To note the planned dates for future business for the City Region Deal Joint Committee.

2. Background

- 2.1 The City Region Deal partners and Government are working towards business case approval timelines, as set out in this report. This matches with the timeline for drawing down funds from Government over the 15 years of the City Region Deal as set out in the Financial Plan agreed in summer 2018, and grant offer letter for 2021/22.
- 2.2 In addition to the business cases, other reports that are expected to be submitted to Joint Committee are included in the work programme.

3. Main report

- 3.1 The work programme for Joint Committee meetings that partners are currently working towards is shown in Table 1. The dates are subject to business cases being approved by: The Scottish Government; the UK Government; the relevant Boards within the City Region Deal structure; and the relevant Council committees and/or Higher and Further Education Courts, prior to Joint Committee consideration.

Table 1: Work Programme for Joint Committee

Joint Committee Date	Reports for consideration
4 June 2021	<ul style="list-style-type: none"> • A720 (Sheriffhall roundabout) progress update (presentation) • Dunfermline Strategic Transportation Intervention Measures (STIM) Full Business Case • Queen Margaret University Innovation hub for Food, Drink and Health Sciences Full Business Case • Regional Prosperity Framework: draft for consultation
3 September 2021	<ul style="list-style-type: none"> • Annual Report 2020/21 • Benefits Realisation Plan Implementation Plan • Dunard Centre revised business case • Regional Prosperity Framework: final report
3 December 2021	<ul style="list-style-type: none"> • A720 (Sheriffhall roundabout) progress update (presentation)

3.2 The A720 City Bypass grade separation of Sheriffhall Roundabout is being managed and delivered by Transport Scotland. Transport Scotland are scheduled to provide updates on progress to the Transport Appraisal Board, as well as the Executive Board and Joint Committee every six months.

4. Financial impact

4.1 There is no financial impact relating to this report. Financial cases are being set out in detail in the respective business cases. Financial contributions that are required by partner organisations for projects are being requested in separate reports to councils or courts prior to being taken to Joint Committee for approval.

5. Alignment with Sustainable, Inclusive Growth Ambitions

5.1 Inclusion is a key driver for the City Region Deal. Business cases for projects included demonstrate how they will reduce inequalities and tackle the inclusion challenges specific to the city region.

5.2 The [City Region Deal Benefits Realisation Plan](#) (BRP) was approved for the programme on 4 September 2020. This incorporates clear indicators to align with the Scottish Government’s Inclusive Growth Framework. The impact on equalities, human rights and sustainability will also be measures. A BRP Implementation Plan is being developed, with input from key stakeholder groups within and outwith the City Region Deal Governance structure, including the Regional Enterprise Council, third sector partners, the NHS and elected members.

6. Background reading/external references

6.1 [City Region Deal Document](#): August 2018

7. Appendices

None.

Edinburgh and South East Scotland City Region Deal Joint Committee

10 am, Friday 4 June 2021

City Region Deal Progress Report

Item number 5.2

Executive Summary

The Edinburgh and South East Scotland City Region Deal progress report gives an indication of progress across the City Region Deal programme.

In this update, the overall status is assigned as “Amber”. There are no actions required from the Joint Committee.

Steve Grimmond

Chief Officer, Edinburgh and South East Scotland City Region Deal

Contact: Andy Nichol, Programme Manager, Edinburgh and South East Scotland City Region Deal

E-mail: andy.nichol@edinburgh.gov.uk | Tel: 0131 529 4461

City Region Deal Progress report

1. Recommendations

1.1 To note the progress across the City Region Deal Programme.

2. Background

2.1 This progress report is being used across the City Region Deal's governance structure to monitor progress across all aspects of the City Region Deal. It is updated and shared with Government on a weekly basis and is taken to all Board meetings. A RAG (Red, Amber, Green) scale is assigned to programmes and projects by the Programme Management Office (PMO), as well as scores for inclusive growth and partnership working.

2.2 Tables and 2 show the guidelines that are used when determine RAG statuses and scores:

Table 1: RAG Status Guidelines

T: Status against **timeline** set out in business case/implementation plan;

B: Status against **budget** set out in financial plan

RAG Status	Definition - Timeline	Definition - Budget	Action Required
Green	In line with business case/implementation plan	In line with financial plan.	No management action required
Amber	Delay is considered acceptable by PMO.	Within acceptable range.	Management action is in place by senior management to address issues, and project is being closely monitored.
Red	Delay is significant.	Outwith acceptable range.	Immediate action is required by senior management and relevant Boards as appropriate to address issues. Issues must be highlighted to Government.

Table 2: Strategic Added Value Score

Score	Description
1 (Low)	<ul style="list-style-type: none"> • There are opportunities for links with one or two other CRD themes that may add value to the proposal. • Partnership working with wider stakeholders, to add value to the proposal has not been thoroughly considered, but may be possible, and should be explored. • One or two of the five “inclusive growth” measures listed in the Deal Document could be incorporated into the delivery of the project.
2 (Medium)	<ul style="list-style-type: none"> • There are opportunities for links with two or three other CRD themes that may add value to the proposal. • Partnership working with wider stakeholders, to add value has been factored into the business case to some extent, but there are opportunities to enhance. • Two or three of the five “inclusive growth” measures listed in the Deal Document could be incorporated into the delivery of the project.
3 (High)	<ul style="list-style-type: none"> • There are opportunities for links with three or four other CRD themes that may add value to the proposal. • Partnership working with wider stakeholders, e.g. private/third sector is already taking place and strategic added value effects are clear. • Three, four or five “inclusive growth” measures listed in the Deal Document could be incorporated into the delivery of the project.

3. Main report

3.1 The performance report is shown in Appendix 1. The overall status of the City Region Deal is assigned as “Amber”. There are no actions required from the Joint Committee.

4. Financial impact

4.1 The overall cumulative total of Grant claimed for the Deal to date (2018 – present) is £167.5 million. This total includes the funding issued by Transport Scotland and Scottish Government Housing.

4.3 Since the onset of COVID-19, Scottish and UK Governments have agreed to allow the draw down monthly in arrears as opposed to quarterly for projects entirely funded by Government that have asked for the flexibility.

5. Alignment with Sustainable, Inclusive Growth Ambitions

5.1 Inclusion is a key driver for the City Region Deal, and scores have been included for each project. Business cases for projects included demonstrate how they will reduce inequalities and tackle the inclusion challenges specific to the city region.

5.2 The [City Region Deal Benefits Realisation Plan](#) (BRP) was approved for the programme on 4 September 2020. This incorporates clear indicators to align with the Scottish Government’s Inclusive Growth Framework. The impact on equalities, human rights and sustainability will also be measured. A BRP Implementation Plan is being developed, with input from key stakeholder groups within and outwith the City Region Deal Governance structure, including the Regional Enterprise Council, third sector partners, the NHS and elected members.

6. Background reading/external references

6.1 [Edinburgh and South East Scotland City Region Deal Document](#) (August 2018)

6.2 [City Region Deal Benefits Realisation Plan](#): ESESCR Deal Joint Committee report 4 September 2020

7. Appendices

7.1 Edinburgh and South East Scotland City Region Deal Progress Report (May 2021)

Progress Report

Last updated: 31 May 2021

Overall Status
Last Quarter

Amber

Overall Status
This Quarter

Green



CITY REGION DEAL

Edinburgh & South East Scotland

Page 1: Dashboard

Recent Achievements and Milestones

Achievement/Milestone	Date
Easter Bush Business Case approved by Joint Committee	Mar 21
Fife I3 Phase 2 Programme Business Case approved by Joint Committee	Mar 21
Regional bid into Bus Partnership Fund	Apr 21

Upcoming Milestones	Target Date
Regional Prosperity Framework – Report for Consultation	Jun 21
QMU Innovation Park Business Case	Jun 21
Dunfermline Housing Business Case	Jun 21
City Region Deal Annual Report 2020/21	Sep 21
Dunard Centre Revised Business Case	Sep 21
Benefits Realisation Plan Implementation Plan final	Sep 21
Regional Prosperity Framework Final Report	Sep 21

Financials Summary

*Funding issued by Transport Scotland and SG Housing not included in this total

Total CRD Grant £000	CRD grant drawdown to date £000		21-22 CRD grant allocation forecast	21-22 grant drawdown
600,000	167,477	27.91%	£57.51m*	£0.70m*

Top 3 Risks (from PMO Risk Register) - last updated May 21; next update Aug 21

Risk	Impact	Likehood	Severity	Resolution Plan or Mitigating Action
Covid-19 impacting the City Region Deal projects resulting in potential delays and cost increases	4	3	12	<ul style="list-style-type: none"> Regular updating of progress report and monthly financial forecasts, so that project leads can inform PMO of any issue well in advance, and PMO can raise with Government, Executive Board and Joint Committee as appropriate. Establish Change Management process as set out in the Benefits Realisation Plan. Review outputs and timelines in the light of Covid-19, and consider advancement of spend where appropriate Pivot projects proactively where possible in line with need and opportunity.
Impacts of EU exit	4	3	12	<ul style="list-style-type: none"> Regular engagement with project leads to highlight any risks well in advance, so that PMO can raise with Government, Executive Board and Joint Committee as appropriate. Establish Change Management process as set out in the Benefits Realisation Plan. Review outputs and timelines for business cases at every stage of development in the light of Brexit uncertainty. Regional Growth Framework under development has "Adaptable" as one of its three themes, where Brexit risks are noted.
Financial profile: underspends across the national City Region and Growth Deals will cause reprofiling pressures for Government	4	2	8	<ul style="list-style-type: none"> Continue to spend according to agreed profile. Achieve business case approval in line with Deal Implementation Plan. Regular programme monitoring and reporting. Close engagement with Government.

Project Stages

Stage no.	Definition
1. Define	Business case being developed, and not yet approved by Thematic Board and Joint Committee.
2. Implement	Business case has been approved by Thematic Board and Joint Committee, and is being implemented. In a capital project, this may be construction; for skills projects this may be establishing a course or system.
3. Deliver	Project is in place and monitoring and evaluation is in framework to assess if it is achieving its objectives.
4. Legacy	Project has resulted in mainstreaming or improvements to business as usual (impact) that is generated beyond the funded period

Red, Amber, Green

T: Status against **timeline** set out in business case/implementation plan; B: Status against **budget** set out in financial plan

RAG Status	Definition - Timeline	Definition - Budget	Action Required
Green	In line with business case/implementation plan	In line with financial plan.	No management action required
Amber	Delay is considered acceptable by PMO.	Within acceptable range.	Management action is in place by senior management to address issues, and project is being closely monitored.
Red	Delay is significant.	Outwith acceptable range.	Immediate action is required by senior management and relevant Boards as appropriate to address issues. Issues must be highlighted to Government.

Strategic Added Value Score

Score	Description
1 (Low)	<ul style="list-style-type: none"> • There are opportunities for links with one or two other CRD themes that may add value to the proposal. • Partnership working with wider stakeholders, to add value to the proposal has not been thoroughly considered, but may be possible, and should be explored. • One or two of the five “inclusive growth” measures listed in the Deal Document could be incorporated into the delivery of the project.
2 (Medium)	<ul style="list-style-type: none"> • There are opportunities for links with two or three other CRD themes that may add value to the proposal. • Partnership working with wider stakeholders, to add value has been factored into the business case to some extent, but there are opportunities to enhance. • Two or three of the five “inclusive growth” measures listed in the Deal Document could be incorporated into the delivery of the project.
3 (High)	<ul style="list-style-type: none"> • There are opportunities for links with three of four other CRD themes that may add value to the proposal. • Partnership working with wider stakeholders, e.g. private/third sector is already taking place and strategic added value effects are clear. • Three, four or five “inclusive growth” measures listed in the Deal Document could be incorporated into the delivery of the project.



Overall Total				Project Name	2021 - 2022					Comments
Total Budget £000	CRD Grant Total £000	CRD Grant Claimed To Date £000	CRD Grant Claimed to Date %		Forecast Grant Allocation £000	Grant Claimed to Date £000	Spend to Apr £000	Outturn £000	Outturn Variance £000	
101,047	32,545	32,545	100%	Bayes Centre	0	0	0	0	0	CRD Grant fully drawn down.
22,469	22,469	2,649	12%	National Robotarium	18,416	595	595	18,416	0	Construction start delayed by 2 months due to Covid-19
189,297	57,920	49,899	86%	Edinburgh Futures Institute	8,021	0	0	8,021	0	
190,620	79,595	32,987	41%	Edinburgh International Data Facility (was WCDI)	3,748	0	0	3,748	0	
84,610	49,205	5,748	12%	Usher Institute	9,596	0	0	9,596	0	
42,596	17,366	16,424	95%	Easter Bush	942	0	0	942	0	
30,000	10,900	0	0%	Easter Bush Link Road - A701 & A702	385	0	0	385	0	
52,000	30,000	0	0%	Food and Drink Innovation Hub	1,044	0	0	1,044	0	Delay with Full Business Case due to Covid-19.
49,420	35,000	5,053	14%	Fife Industrial Innovation Investment	5,178	0	250	5,178	0	
29,050	15,000	200	1%	Scottish Borders - Innovation Park	2,116	0	0	2,116	0	Variance due to COVID-19 and inability to commence construction with Class 4 building.
791,117	350,000	145,506	42%	Total Research, development and innovation	49,445	595	845	49,445	0	
25,000	25,000	2,505	10%	Integrated Regional Employability & Skills	4,170	109	192	4,170	0	
25,000	25,000	2,505	10%	Total IRES	4,170	109	192	4,170	0	
120,000	120,000	4,453	4%	Sheriffhall Roundabout*	-	-	-	-	-	SG to fund up to £120m to support improvements to the A720 City Bypass for the grade separation of Sheriffhall Roundabout via Transport Scotland.
36,000	20,000	14	0%	West Edinburgh Public Transport Infrastructure	263	0	12	263	0	
156,000	140,000	4,467	3%	Total Transport	263	0	12	263	0	
44,990	20,000	0	0%	IMPACT/Dunard Concert Hall	3,630	0	0	3,630	0	JR set aside following mediation. To be redesigned and variation made to planning application.
44,990	20,000	0	0%	Total Culture	3,630	0	0	3,630	0	
263,000	15,000	15,000	100%	Housing Company (Edinburgh Living)**	0	0	0	0	0	Separate grant letter from SG. CRD Grant fully drawn down.
50,000	50,000	0	0%	Housing Infrastructure Fund**	0	0	0	0	0	Separate letters from SG for individual proposals. Allocation figure is based on financial plan.
313,000	65,000	15,000	23%	Total Housing	0	0	0	0	0	
1,330,107	600,000	167,477	28%	Total Programme	57,508	704	1,049	57,508	0	

* Scottish Government funded. Transport Scotland taking forward scheme delivery. ** Funding governed by Scottish Government (Housing)

Page 4: Research, Development and Innovation
Theme
Data-Driven Innovation

Project	Stage	Last Milestone	Next Milestone	T	B	SAV	Comments
Bayes Centre	Deliver	Sep 18: Opening	N/A	G	G	3	In compliance with latest Government guidance C-19 guidance, the Bayes Centre is currently closed. July re-opening is currently under investigation
National Robotarium	Implement	Jan 2021: Start on Site	March 2022: Complete construction	A	G	2	Construction progressing in line with programme. Procurement of specialist equipment underway. CEO recruitment process recommenced.
Edinburgh Futures Institute	Implement	Start on site	Jun 22: Complete construction	A	G	3	A revised handover agreed for June 2022 (user fit out by September 2022). Contractor is back on-site, with appropriate on-site working arrangements in place. Operational staff working from home where possible. Currently assessing further impact on delivery of EFI building and programmes.
Usher Institute	Implement	Feb 21: Planning application approved	Jul 21: Commence construction	A	G	2	Planning application approved. Construction due to commence Summer 2021 with construction expected to be completed by Spring 2023.
Easter Bush	Implement	Mar 21: FBC approved by Joint Committee	Aug 21: Mobilise team to deliver business plan	G	G	2	Joint Committee approval secured on 5 Mar 2021.
Edinburgh International Data Facility	Implement	Apr 21: Building open	Jul 21: Complete hardware installation	G	G	2	Procurement of large equipment is completed and supplier (HPE) appointed. Hardware installation now well underway.

Page 5: Research, Development and Innovation Theme
Edinburgh Innovation Park (QMU Food and Drink)

Project	Stage	Last Milestone	Next Milestone	T	B	SAV	Comments
Edinburgh Innovation Park (QMU Food and Drink Hub)	Define	<p>ELC and QMU got approval from respective organisations on the draft FBC on 27/04/2021</p> <p>FBC also approved by ESESCR Director's group on 7/5/2021</p> <p>Junction tender issued . Currently progressing Stage 2</p>	<p>FBC to be presented to Transport Appraisal Board, Executive Board, Leader's Group.</p> <p>Targeting JC approval June 2021</p>	G	G	2	<p>Positive feedback received from UKG/SG week commencing 3/05/2021 – QMU/ELC responding on some further observations.</p> <p>Junction tender is a 2 stage process with the final award scheduled for July 2021 (subject to any impact that Covid may have on workforce/ availability of construction materials/costs). Commencement of construction is targeted for August 2021 once the vaccination centre at QMU has been deconstructed.</p> <p>At this stage (subject to any further impact that Covid may have) the completion of the junction is scheduled for August 2022.</p>

Page 6: Research, Development and Innovation Theme
Projects in Fife and Scottish Borders

Project	Stage	Last Milestone	Next Milestone	T	B	SAV	Comments
Borders Innovation Park	Implement	Start of site works for Phase 1.	Site works for Phase 1 ongoing.	A	G	1	The building of Phase 1 is continuing, but site works for Phase 2 are still delayed owing to disruption caused by the Covid-19 pandemic. It is now intended that the proposed workshop to revisit the business case for Phases 2 and 3 will take place in May after the lifting of restrictions at the end of April.
Page 25 Fife Industrial Innovation Investment (Fi3P)	Implement	Acquisition of Fife Interchange North, Dunfermline (Q4 20/21) Flemington Rd, Glenrothes Build Complete (Q4 20/21)	Q4: Planning consent for Lochgelly Site Servicing (delay expected into Q2 21/22) Q1: Fife Interchange North, siteworks commenced	G	G	2	The site acquisition at Fife Interchange North, Dunfermline is now complete. The contract for siteworks has been let and works will commence in June 2021. Flemington Rd, Glenrothes , business units complete and tenant interest is strong. First tenants will take up occupancy during May, and development is approx. two thirds let. Marketing continues to secure tenants for remaining units. Construction continues at Dunnikier Business Park, Kirkcaldy – completion expected Q3 21/22. Marketing underway. The need for further drainage assessment at Lochgelly , required by Scottish Water, is expected to delay planning consent.

Project	Stage	Last Milestone	Next Milestone	T	B	SAV	Comments
IRES Programme	Implement/Deliver	Positive and well attended IRES board on 11 th May 2021. Benefits Realisation Plan approved at Joint Committee in Sep 2020 stating thematic outcomes for the IRES programme.	Work continues to align project outcomes with overall IRES Benefits Realisation targets, and profile based on Covid impact and available funding.	G	G	3	<ul style="list-style-type: none"> IRES Programme Connector is working with Project Leads to further develop monitoring and evaluation, and feed into the overall Benefits Realisation plan framework. IRES board met on 11 May 2021 with presentations on Housing and Construction Infrastructure – Rural Skills Survey, Labour Market Analysis update, Health and Social Care Gateway progress, and Monitoring & Evaluation – all well received. Budget setting work for 21/22 completed.
Integrated Knowledge System	Implement/Deliver	Initial IKS platform demonstration site.	<p>Project plan confirmed and agreement with relevant organisations.</p> <p>Meeting with caseworkers from third sector who use Caselink to discuss IKS and data.</p>	G	G	3	<ul style="list-style-type: none"> Ongoing work with Hanlon on Management Information System (MIS) Development with an early demo site created and ongoing learning of new system and processes. Agreement in place to pilot the IKS system for School Work Experience in Edinburgh. Potential to expand into a larger Young Person Guarantee offer and work across region. Data migration snapshot has been completed to understand the quantities of data on current systems. Work continues with IRES PMO to understand what is being recorded, how and on what system across the IRES provision. Investigation into Personal Data Stores continues with outreach to SG Digital Directorate for link with Scottish Attribute Provider Service and speaking to contact centre systems managers in LAs. Ongoing conversations with SG on Shared Measurement Framework.
Labour Market Analysis and Evaluation	Deliver	<p>ESES Cross Cutting Skills Research (CCSR) final draft delivered and agreed by IRES LMAE theme group.</p> <p>Development of Climate Emergency and Green Skills Research Brief.</p>	<p>Share findings of CCSR with wider IRES Programme and implement findings in projects.</p> <p>Mini Competition ITT to go live on Public Contract Scotland and consultant to be awarded</p> <p>Monitoring and evaluation of LMI Toolkit is anticipated to begin at the end of May 2021.</p>	G	G	2	<ul style="list-style-type: none"> The Labour Market toolkit data and resource update is on-going. The aim is for the publication of the updated toolkit resources to coincide with the monitoring and evaluation plan. This will allow us to capture engagement with the toolkit and to identify additional resources to house within the toolkit. The Regional Intelligence Hub options appraisal paper has been updated to reflect the comments from the wider IRES Project leads. To be presented at Directors Group in early June 2021. The research briefing for the regional Climate Emergency and Green Skills paper has been finalised with procurement to progress to ensure findings coincides with the development of the Regional Growth Framework. LMAE continues to support Workforce Mobility highlighting links between employability opportunities and transport barriers.

Project	Stage		Next Milestone	T	B	SAV	Comments
Integrated Employer Engagement	Implement	IEE Employer fund case studies video circulated.	HCI & IEE partnership proposal - present to JAD Group.	G	G	2	<ul style="list-style-type: none"> C19 Jobs continues to be populated with regional vacancies daily with a restructure of the support & info page for easier navigation in preparation for another shift in employment contracts. Recruiting for dedicated employability offer to support delivery of Retail Rapid Response (RRR) programme at Fort Kinnaird RSC. RSC workstream supporting Datakirk with SQA accreditation to increase upskilling opportunities for ethnic & minority client groups. Retail industry showing immediate signs of recovery with increased job numbers but this is to be approached with caution as this is following the trend witnessed in England of a surge of recruitment following 'natural movement' with those looking to move away from Furlough. Ongoing Risk: Covid19 has impacted employers general recruitment practices since business case approval; being addressed and offer adjusted to support businesses and client groups.
		Community Benefits portal development – workshop 1 completed mapping out user journeys for site access.	Confirm name for Community Benefits (CB) portal and agree stakeholder engagement schedule. M&E framework to be determined with PMO for CB portal.				
Intensive Family Support	Implement/Deliver	<p>Delivery began in West Lothian and Scottish Borders</p> <p>New Chair appointed to IFSS Project Board. Meeting held to discuss renewal of governance documents to reflect progress.</p> <p>Community of Practice (CoP) meeting held with Family Support Workers and Youth Workers.</p>	<p>Next IFSS Project Board meeting scheduled for September 2021. Group Remit will be updated ahead of this meeting to be discussed with group.</p> <p>Next CoP scheduled for Advice and Employability Workers.</p> <p>Outreach materials will be circulated monthly to each group to shape the discussions to each collaborative.</p> <p>Data will be compiled and Social Network survey results from caseworkers and stakeholders will be received.</p>	G	G	2	<ul style="list-style-type: none"> West Lothian and Scottish Borders now in direct delivery phase. Fife steering group now in place, joining Midlothian, East Lothian, and Edinburgh. IFSS Contract Officer in attendance at these meetings. CoP development plan for 20-21 underway and will continue to meet once monthly in rotation with various staff IFSS Project Board Remit under review. IFSS website and social media developed and under review from IRES leads via IRES Comms group. All current IFSS caseworkers trained on IFSS Information Management Software. Ongoing support in place. Professional Development programme continues with Systemic practice training underway with Edinburgh and Fife services and 1:2:1 with IFSS Contact Officer looking at IFSS via a whole system approach. Social Network Survey data (managers) being collated, with survey currently open to IFSS Caseworkers and Stakeholders. Concern over COVID-19 pandemic ongoing impact on delivery timescale and progress. Continued building of positive relationships with Managers and Caseworkers across the IFSS.

**Page 9: Integrated Regional
Employability and Skills
Theme (3/3)**

Project	Stage	Last Milestone	Next Milestone	T	B	SAV	Comments
Housing and Construction Infrastructure (HCI) Skills Gateway	Implement	2021 Scholarship application process launched with new website at hciskills.org	Delivery of pre-COP26 engagement activities.	A	A	3	<ul style="list-style-type: none"> Recruitment for two Entrepreneurial Scotland interns (paid at living wage) underway to support HCI and COP26 activity during summer 2021. Application period continuing at Edinburgh Napier University, Heriot-Watt University and University of Edinburgh for 2021-22 HCI scholarships. FE short courses to resume following reduction in Covid-19 restrictions. Work ongoing to deliver pre-COP26 engagement activities, including <i>Net Zero</i> webinars and <i>IceBox Challenge Glasgow</i>.
Data-Driven Innovation (DDI) Skills Gateway	Implement	Prepare for delivery of year 3 programme of activity. Recruit for Data Education in Colleges (DEC) Project lead. Work with SDS on programme of Live Lessons.	DEC lead to take up post. Implementation plans to be updated to reflect new funding profile. Partnership working opportunities to be further explored.	G	G	2	<ul style="list-style-type: none"> Follow up session held with Scottish Government team implementing findings of the Logan Review. Replacement PM now recruited for DEC programme – takes up post 31 May 2021. Team conducting Annual Review of 20 /21 – to produce short film of highlights. Engagement session arranged with Fife Council in first instance to explore opportunities for wider take-up of Data Skills for Work opportunities. Additional funding being used to develop British Sign Language (BSL) vocabulary linked to data and tech activities. Exploring opportunities to embed data literacy across wide range of employability and skills programmes and align with other funding sources. Further Live Lesson session held mid April – good attendance from across the region and beyond.
Workforce Mobility	Implement	IRES Board – Validated Steering Group Recommendations	IRES Board – Baseline Assessment, policy review, pilot projects & next Steps.	G	G	2	<ul style="list-style-type: none"> National/regional/local policy review against barrier nearing completion. Workshop held with Steering group on 26th April. Change control approved to utilise budget to support local authorities to submit demand responsive transport bids to the UK Community Renewal Fund. Commit up to £60k for a potential £3M investment in Demand Responsive Transport (DRT) pilots across the region. Procured consultancy support for UK Community Renewal Fund applications. Data gathering, analysis and GIS mapping continues across the regions. Starting to deliver information and outputs. Further data gathering pilot commencing with employers, college and NHS in the Scottish Borders to enhance the demand information out with fixed bus routes that allows informed investment decisions to be made. Bus transport funding pilot to support Kickstart ongoing, information to be passed to all partners across region to see if it can be rolled out further when the Paths for All application process commences in Feb 2022.

T: Timeline; B: Budget; SAV: Strategic Added Value score

Project	Stage	Last Milestone	Next Milestone	T	B	SAV	Comments
A720 Sheriffhall <i>(last update provided by Transport Scotland on 26 May 2021)</i> Page 29	Define	Consultation on draft orders closed 31 January 2020. Transport Scotland is currently considering the responses.	Ongoing statutory process and drafting of responses to representations.	G	G	1	<ul style="list-style-type: none"> Public Transport and Active Travel review report published on the Transport Scotland website in December. Discussions on-going with the City of Edinburgh Council to close out matters. Discussions/meetings now underway to inform objection resolution. Formal objection response drafting substantially complete. Legal advisors appointed for inquiry preparation. Background inquiry evidence preparation underway. Transport Scotland continue to provide quarterly technical and spend updates as part of the City Deal reporting process.
West Edinburgh	Define	Permission being sought from SG/TS for drawdown on advance/preparatory business case costs to be shared proportionately between the funders (TS/CEC)	Agreement of revised Objectives. Delivery of the Strategic Case Report.	G	G	1	<p>£36m of funding identified (£20m from SG to support public transport infrastructure improvements) and £16m from City of Edinburgh Council plus contributions from the private sector and developers (TBC).</p> <p>In 2019, CEC developed a model to further prioritise the measures set out in the 2016 West Edinburgh Transport Appraisal (which amounted to £108m inc. optimism bias), with an emphasis on public transport and active travel prioritisation. Joint Committee have approved the appointment of Jacobs to execute Stage 1 of the project delivery plan. This will include further feasibility of proposals, developing outline designs, refining the current business case and updating the West Edinburgh programme delivery plan accordingly (including financial profiles).</p> <p>Agreement on funding between CEC and Transport Scotland has been agreed and Stage 1a has commenced.</p> <p>Note: CRD partners submitted an application to Transport Scotland's Bus Partnership Fund Application, which cites A8/89 as a key strategic Public Transport corridor, further announcements to follow.</p>

Project	Stage	Last Milestone	Next Milestone	T	B	SAV	Comments
Dunard Centre	Define	Project taken off pause following agreement to dispose of judicial review against CEC.	Variation to planning application.	A	A	2	Judicial Review set aside following successful mediation. Concert hall to be redesigned and variation made to planning application in spring 2021, and full business case thereafter.

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Project	Stage	Last Milestone	Next Milestone	T	B	SAV	Comments
Affordable housing	Deliver & Define	Analyse Regional SHIP outputs for 20/21	Present regional overview	A	N/A	2	<ul style="list-style-type: none"> Regional SHIP to explore collaboration opportunities on 21/22 programme.
Strategic sites	Implement & Define	Site Leads meeting 8 March	Dunfermline OBC – 4 June Joint Committee Site Leads meeting 12 July	A	A	2	<ul style="list-style-type: none"> Outline Business Cases for sites are at different stages of development. Regular leads meetings now established to explore challenges, innovation and shared learning from business case development.
Innovation & skills	Implement	ESESCR Deal Home Demonstrator has secured funding from Scottish Gov.	Establish regional workstream looking at standardisation.	A	N/A	3	<ul style="list-style-type: none"> Demonstrator project will look at standardised housing types, procurement and delivery models to increase offsite manufacturing across the city region.
Infrastructure, funding and land assembly	Define	Develop proposal for regional infrastructure forum.	Develop infrastructure discussion paper June.	A	N/A	2	<ul style="list-style-type: none"> Forum proposal to be developed in line with the recently published Interim Regional Spatial Strategy and emerging Regional Growth Framework ahead of a initial meeting to test appetite of partners and infrastructure providers.
Housing company	Deliver	Homes under construction across various sites.	Ongoing Delivery.	G	G	1	<ul style="list-style-type: none"> The City of Edinburgh Council and Scottish Futures Trust will continue to share learning and financial models with partners, to explore regional delivery models.

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Edinburgh and South East Scotland City Region Deal Joint Committee

10am, Friday 4 June 2021

Queen Margaret University Innovation hub for Food, Drink and Health Sciences Business Case

Item number 5.3

Executive Summary

This report seeks approval to secure funding for, and enact, the Food and Drink Innovation Hub (“Hub”) at Queen Margaret University as set out in the Food and Drink Innovation Hub Final Business Case. Preparation of this Business Case has been led by East Lothian Council and Queen Margaret University on behalf of the Edinburgh and South East Scotland City Region Deal consortium partners - in accordance with the HM Treasury 5 Case model guidance

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Project Manager, East Lothian Council

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Steve Scott

Director of Campus & Commercial Services, Queen Margaret University, Edinburgh

E-mail: sscott@qmu.ac.uk

Criteria	Details/Link to Document								
<p>Contribution to City Region Deal commitments and Inclusive Growth Framework</p>	<p>Skills' and 'Research, development & Innovation' are two key priorities for the City Region Deal with which the proposals align closely. The City Region Deal features the following five overarching inclusive growth objectives to which all component projects are expected to contribute:</p> <ul style="list-style-type: none"> • Accelerating inclusive growth - to unlock new talent pools for business, promoting fair work, and equipping disadvantaged citizens with the skills they need to succeed; • Removing the barriers to growth - through interventions to increase housing and enhance transport connectivity across the Region; • Delivering community benefits through procurement - by integrating partner approaches to supplier engagement and procurement in order to increase the value achieved from Deal investments; • Targeting employability and skills interventions - by widening access and addressing skills shortages to boost the flow of individuals from disadvantaged groups into good career opportunities; and, • Delivering social benefit through innovation - through challenge-based social benefit projects and programmes across the City Region. <p>The Hub and innovation programme will help to address the City Region Deal priorities noted above by removing barriers to growth and promoting more inclusive outcomes.</p> <p>See Section 5 of the Main Report for additional information.</p>								
<p>Alignment, integration with, or dependence on, other City Region Deal activities</p>	<p>The other City Region Deal activities with the potential for alignment with investment in the Hub project include:</p> <table border="1" data-bbox="373 1115 1474 1697"> <thead> <tr> <th data-bbox="373 1115 683 1144">CRD Theme</th> <th data-bbox="683 1115 1474 1144">Scope of Potential Collaboration</th> </tr> </thead> <tbody> <tr> <td data-bbox="373 1144 683 1395">Skills</td> <td data-bbox="683 1144 1474 1395"> <ul style="list-style-type: none"> • The skills aspects of the proposals align strongly with the 5 key pillars in the IRES Programme. QMU's proposals will create a range of relevant and practical new skills pathways including full and part time options and employer sponsored CPD to improve in-work progression. In particular, the focus on CPD courses is seen as a route to formalise qualification in the food and drink sector where currently this is lacking, reducing mobility and professional growth within the sector as skills are not formally endorsed or recognised </td> </tr> <tr> <td data-bbox="373 1395 683 1563">Transport</td> <td data-bbox="683 1395 1474 1563"> <ul style="list-style-type: none"> • The operation of the Hub is dependent on completion of the A1 junction to provide access. In addition this will improve connectivity to the wider residential development of 1500 homes, a new primary school and community facilities and enhance the overall setting (place), attractiveness and competitiveness of the Hub and EIP offer. </td> </tr> <tr> <td data-bbox="373 1563 683 1697">Data</td> <td data-bbox="683 1563 1474 1697"> <ul style="list-style-type: none"> • Data Driven Innovation (DDI) is a key workstream for the City Deal with the ambition to make Edinburgh the Data Capital of Europe. QMU and ELC will work with other City Deal partners to identify ways to embed data science skills in the teaching and research offers and to grow the City Region's data assets </td> </tr> </tbody> </table>	CRD Theme	Scope of Potential Collaboration	Skills	<ul style="list-style-type: none"> • The skills aspects of the proposals align strongly with the 5 key pillars in the IRES Programme. QMU's proposals will create a range of relevant and practical new skills pathways including full and part time options and employer sponsored CPD to improve in-work progression. In particular, the focus on CPD courses is seen as a route to formalise qualification in the food and drink sector where currently this is lacking, reducing mobility and professional growth within the sector as skills are not formally endorsed or recognised 	Transport	<ul style="list-style-type: none"> • The operation of the Hub is dependent on completion of the A1 junction to provide access. In addition this will improve connectivity to the wider residential development of 1500 homes, a new primary school and community facilities and enhance the overall setting (place), attractiveness and competitiveness of the Hub and EIP offer. 	Data	<ul style="list-style-type: none"> • Data Driven Innovation (DDI) is a key workstream for the City Deal with the ambition to make Edinburgh the Data Capital of Europe. QMU and ELC will work with other City Deal partners to identify ways to embed data science skills in the teaching and research offers and to grow the City Region's data assets
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	Business Innovation Parks	<ul style="list-style-type: none"> • QMU works in collaboration with Scotland's Rural College (SRUC) and James Hutton to ensure collaborative alignment of academic research with the Food and Drink industry strategy. This will also support ongoing inter-institutional initiatives in support of graduate start up and employability in the Food and Drink sector. QMU is also working with the Highland Region and support the HIFDN in delivering Food Science support with a memorandum of understanding under development. • QMU is in regular liaison with representatives of the Aberdeen, Inverness, Stirling and Tay Cities city region deals (the last of which incorporates the James Hutton institute all of which include city region deals include Food and Drink elements, The Food and Drink proposals of the other city region deals are considered to be complementary to the innovation Hub, with all of them serving their respective local SME catchment area and bringing different strengths to Scotland's offer 																		
Scale and regional distribution of expected outcomes, benefits, and leverage, from activity	<p>Based on the distribution of current activities across the areas of talent, research, adoption, data and entrepreneurship, (See Main Report paragraph 3.5 for additional detail on “TRADE” activities) the anticipated direct net economic benefit of the Food and Drink Innovation Hub is projected to be £67.4m, of which £51.5m will accrue to the City Deal Region.</p> <p>As illustrated, in the table below, the net present value (NPV) of the City Deal investment in the Hub of £27.8m will, over the 15 year time period assessed and in net present value terms, generate a net additional £67.4m GVA (NPV) and 80 FTE jobs as a result of the direct and indirect impacts associated with the activities set out under the “TRADE” headings. Including the wider potential impact on bringing forward development of EIP, net additional GVA rises to £144.4m (NPV) and 760 FTE jobs. The consequent cost benefit ratios are 1:2.4 based on direct and indirect benefits rising to 1:5.2 including the wider benefits of the Innovation Park.</p> <table border="1" data-bbox="368 1205 1517 1592"> <thead> <tr> <th></th> <th>Including Innovation Park</th> <th>Excluding Innovation Park</th> </tr> </thead> <tbody> <tr> <td>Total GVA (£'m, NPV at 01 Sep 2020)</td> <td>144.4</td> <td>67.4</td> </tr> <tr> <td>Total cost (£'m, NPV at 01 Sept 2020)</td> <td>27.8</td> <td>27.8</td> </tr> <tr> <td>Cost benefit ratio</td> <td>1:5.2</td> <td>1:2.4</td> </tr> <tr> <td>Direct & Indirect Employment (FTE, gross)</td> <td>880.7</td> <td>80.7</td> </tr> <tr> <td>Direct & Indirect Employment (FTE, net)</td> <td>758.5</td> <td>78.5</td> </tr> </tbody> </table> <p>In addition, the proposals will generate a range of impacts for businesses and against the City Deal inclusive growth objectives that are not directly reflected in the above - e.g. in respect of promoting female entrepreneurship, widening skills participation to disadvantaged groups, contributing to the creation of data assets for the City Region aligned to the DDI programme, the specific alignment of these proposals to addressing key public health challenges, and strategic added value through leadership and coordination within the food and drink sector. Case study evidence from existing activities of SCFDI set out at Appendix D further illustrate the potential outcomes that are expected to be delivered.</p> <p>In line with the outputs reported in the City Deal benefits realisation plan, the £36m investment is expected to support construction employment equivalent to 198 annual Full Time Equivalents (FTEs) or c.20 FTEs when converted to new/maintained permanent jobs.</p>			Including Innovation Park	Excluding Innovation Park	Total GVA (£'m, NPV at 01 Sep 2020)	144.4	67.4	Total cost (£'m, NPV at 01 Sept 2020)	27.8	27.8	Cost benefit ratio	1:5.2	1:2.4	Direct & Indirect Employment (FTE, gross)	880.7	80.7	Direct & Indirect Employment (FTE, net)	758.5	78.5
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<p>Compliance with financial requirements and agreed expenditure profile</p>	<p>East Lothian Council have provided a £6 million capital contribution for the land (together with £4 million for the acquisition of the land on which the Hub will be located together with the wider EIP). There is no capital contribution from QMU. This business case is specifically seeking £30 million in Government funding towards this expenditure.</p>
<p>Equalities Impact</p>	<p>This Programme of work sits within the Equalities Framework laid out by the City Region Deal, through its Inclusive Growth Framework, which has five key themes aimed at accelerating inclusive growth and social benefit through innovation, with specific regard to minorities and disadvantaged population.</p> <p>Due to limitations in the available data, as part of the agreed benefits realisation plan for the Edinburgh and South East Scotland City Region Deal it has initially been agreed to monitor and report on four of the protected characteristics:</p> <ul style="list-style-type: none"> • Age • Disability • Race and minority and ethnic communities • Sex. <p>The socio economic duty (Part 1 of the Equality Act 2010), also known as the Fairer Scotland Duty [FSD], came into force in April 2018. The duty places a legal responsibility on public bodies in Scotland to actively consider using their functions to reduce inequalities of outcome caused by socio-economic disadvantage when making strategic decisions.</p> <p>See Section 5 of Main report for additional information.</p>
<p>Alignment and fit with City Region Deal governance arrangement</p>	<p>East Lothian Council and Queen Margaret University will respectively oversee the delivery of the Hub and the wider Edinburgh Innovation Park identified in the Business Case.</p> <p>Subject to final legal and tax due diligence, following successful approval of the FBC it is the intention of the parties to establish a formal joint venture company to take forward the development, management and operation of the Hub and any future EIP. The principal reasons for adopting this approach are:</p> <ul style="list-style-type: none"> • It offers a single point of interface (landlord) for tenants of the Hub and future EIP while providing confidence that both QMU and ELC stand behind and are committed to the obligations and service being offered to tenants; • An arms-length vehicle enables more nimble day-to-day management and governance structures to be put in place to respond to the rapidly evolving needs of the SME and innovation sector while retaining appropriate strategic control and influence for the partners; • Over time, the JV vehicle may offer a desirable route to leverage in third party commercial investment on a structured basis; • It provides appropriate financial and commercial incentives for both parties to invest in the success of the Hub and EIP via their respective academic and land assets; • It offers flexibility in recruitment of appropriate management and leadership resource to grow the offer and its standing in its key target markets over time; and • A review of case study evidence suggests this is the most common formula for similar successful projects elsewhere in the UK and further afield with established advantages.

	<p>Overview of JV Roles and Responsibilities</p> <p>The table below summarises the overall roles, rights and responsibilities of both parties in respect of the activities and requirements of the JV:</p> <p>East Lothian Council</p> <ol style="list-style-type: none"> 1. Grant receiving body for the City Deal and rights to sign off on specification and budget for the Hub 2. Investment of a £6m capital contribution to fully fund construction of the Hub; 3. Owner in perpetuity of the land; 4. Grantor of a ground lease to the JV for construction of the innovation Hub; 5. Grantor on a plot by plot basis of ground leases for the development of future plots at EIP as opportunities arise and primary recipient of any ground lease premium established over time; 6. Joint provider (with QMU) of working capital to the JV during the operational phase to establish a working capital fund; 7. Leading on the delivery of the A1 grade Separated Junction and through are a procurement process will appoint the successful bidder to deliver the Junction. <p>Queen Margaret University</p> <ol style="list-style-type: none"> 1. Responsible for the detailed design and specification of the Hub; 2. Manage the procurement of the design and build contract for the Hub and its supervision on behalf of the JV; 3. Primary responsibility for the day-to-day management, marketing and operation of the Hub/JV including: 4. Provision of facilities management services under Service Level Agreement; 5. Secondment of key operational staff to the JV; and, 6. Operator of the SCFDI facilities. 7. Joint provider (with ELC) of working capital to the JV during the operational phase to establish a working capital fund; <p>A heads of terms has been agreed between the parties reflecting the above principles and subject to approval of the FBC and final legal and tax due diligence, detailed legal agreements will be progressed.</p> <p>The two partners will agree a method of progress reporting to the City Region Deal Joint Committee (that is responsible for delivering value for money from the Edinburgh and South East Scotland City Region deal and wider regional collaboration).</p>
PMO compliance check	All evidence provided.
Government approval	Final comments have been received and are being responded to.
Partner sign-off	On 27 April 2021, East Lothian Council and the Queen Margaret University Court agreed that this Business Case can progress for formal approval.
Advisory Board sign off	On 10 May 2021, The City Region Deal Transport Advisory Board were provided with a summary presentation of the case and confirmed their on- going advisory role in relation to the transport dimensions of this project post any formal approval.
Executive Board sign off	On 20 May 2021 the Executive Board agreed that the Business case can progress for formal approval at the Joint Committee meeting.

Edinburgh and South East Scotland City Region Deal Joint Committee

Queen Margaret University Innovation hub for Food, Drink and Health Sciences Business Case

1. Recommendations

- 1.1 To approve the Food and Drink Innovation Hub final business case

2. Background

- 2.1 East Lothian Council (ELC) and Queen Margaret University (QMU) are working in partnership to develop and deliver a Food and Drink Innovation Hub on land owned by ELC, adjacent to the University Campus, which will focus on food and drink related innovation. The Hub is located in East Lothian, adjacent to the QMU campus at Craighall on the boundaries of both Edinburgh and Midlothian.
- 2.2 The development of the Hub also unlocks a further significant opportunity for the partners to develop ELC's landholdings adjacent to the campus into the Edinburgh Innovation Park (EIP). The EIP would be a science and technology park, aligned with the University and the Hub that will support the growth of high value added and innovative businesses including those in food & drink related sectors that would directly mature in and benefit from the activities of the Hub. The development also includes infrastructure improvements, being the delivery of a grade separated junction, 1500 new homes (including affordable homes) a new primary school and community centre. A Segregated Active Travel Corridor will also improve connectivity and accessibility throughout the development.
- 2.3 In the last decade innovation has become a key tool of economic renewal and growth in developed economies causing small and medium sized enterprise (SMEs) to dominate not only the innovation space, but also the complexion of the economy. The economic importance of innovation as a tool to increase competitiveness and to gain market traction has created a new demographic whereby SMEs form the backbone of the global knowledge economy and company start-ups and spin-outs are creating economic renewal and regeneration.
- 2.4 The need to support and promote innovation is embedded in national and local government economic policy, including the City Region Deal, and is integral to QMU's Strategy for 2020-2025.
- 2.5 QMU has a well established reputation in food and drink related innovation. The food and drink sector is growing significantly in importance and relevance, driven by major

global trends such as climate change, health, ageing and the associated demands of consumers. Responding to these trends means food and drink related innovation is now a much broader field than might traditionally be considered the case and this has created opportunity for nimble SMEs to flourish.

- 2.6 The QMU Innovation Hub directly responds to this market opportunity and will offer an integrated home for, and holistic service offering tailored to, food and drink related innovation, building on QMU's strength in food and drink and related disciplines, including health science and business management, to support existing providers and foster new high growth SMEs.
- 2.7 The state-of-the-art innovation facility for the food and drink sector in Scotland will drive company growth, supporting and developing existing and creating sustainable new businesses to access a global market for healthy and functional food. The development will allow the Queen Margaret University, along with businesses, to form and grow a business sector that will harness the potential of translational medicine in food and drink. This will in turn support the diversification of the Food and Drink industry towards preventative, therapeutic and rehabilitative applications of expertise in genomics of food and drink sector.
- 2.8 The Hub proposal and future EIP opportunity it unlocks, presents an exciting opportunity to develop a best in class offer to attract, establish, nurture and grow the City Region, and Scotland's, food and drink sector and the vibrant SME market in Edinburgh and the city region.
- 2.9 This Business Case has been endorsed by UK and Scottish Governments and City Region Deal Executive Board and is now presented to the Joint Committee for approval.

3. Main report

- 3.1 Scotland's Food and Drink Industry to double its turnover to £30 billion by 2030 .The Food and Drink sector is worth £14.4 billion annually, with 119,000 people working directly across the wider industry, and food manufacturing in Scotland is growing at twice the rate of the UK average for the sector. The Food and Drink Sector needs 27,000 new jobs in the next ten years. This is a key opportunity for the Hub in working with HE and FE partners to change the culture in the pipeline of next generation businesses.
- 3.2 In the last decade innovation has become a key tool of economic renewal and growth in developed economies causing small and medium sized enterprise (SMEs) to dominate not only the innovation space, but also the complexion of the economy. The economic importance of innovation as a tool to increase competitiveness and to gain market traction has created a new demographic whereby SMEs form the backbone of the global knowledge economy and company start-ups and spin-outs are creating economic renewal and regeneration. The need to support and promote innovation is embedded in all national and local government economic policy, including the City Region Deal, and is integral to Queen Margaret University's Strategy for 2020-2025.
- 3.3 QMU has a well established reputation in food and drink related innovation. The food and drink sector is growing significantly in importance and relevance, driven by major global trends such as climate change, health, ageing and the associated demands

of consumers. Responding to these trends means food and drink related innovation is now a much broader field than might traditionally be considered the case and this has created opportunity for nimble SMEs to flourish.

3.4 QMU traces its origins to the establishment of 'The Edinburgh School of Cookery and Domestic Economy' in 1875 with twin aims of improving women's access to higher education and improving the diets of working class families. It has since grown rapidly to offer a wide range of courses from its modern campus but has remained focused on making a real practical impact on everyday life and remains outward looking with a strong ethos of partnership and collaboration. QMU's purpose is to *"help to create a better society through education, research and innovation, and by providing a supportive and creative learning environment in which students and staff thrive"*. It is a university that is modern in outlook and facilities but with a maturity built on a long history of serving the community, both locally and globally, and enhancing its wellbeing. It strives to work in a transparent and inclusive manner and hold to its core values of: social justice, environmental sustainability, intellectual curiosity, valuing the individual, ambition and excellence.

3.5 To provide a holistic offer, ELC and QMU will work with partners to fund and deliver a programme of activities targeted at supporting food & drink related innovation and intended to maximise the economic and social impacts of the Hub. Aligned with the wider City Deal proposals for innovation, activities and outputs will be delivered in 5 areas ("TRADE"):

- **Talent:** creating and retaining a sustainable pool of Food & Drink and health sciences related talent in the City Region, Scotland and the UK;
- **Research:** expanding and enhancing the Food & Drink and health sciences research activities;
- **Adoption:** increasing the use and adoption of Food & Drink and health sciences related activities and events by the public, private and third sectors in the City Region and beyond;
- **Data:** providing the analytical capacity and data accessibility to underpin Food & Drink and health sciences related activities; and,
- **Entrepreneurship:** enabling City Region based and other entrepreneurs to develop new Food & Drink and health sciences based businesses (through commercialising innovative research and accessing relevant talent and datasets).

3.6 By demonstrably improving innovation the Food and Drink Innovation Hub will, over the next 15 years, deliver:

- **Talent** – QMU will refresh and expand its academic course offering to reflect strategic skills needs and skills gaps in food, drink related disciplines with courses of all types designed to meet sector needs and raise wages through increased productivity and skills. The Hub will align with the City Deal Integrated Regional Employability and Skills (IRES) programme and will support inclusive growth outcomes by building upon

QMU's strong track record of engagement with women and encouraging people into higher education who may not otherwise have considered such a path.

The courses offered will take advantage of the new facilities available in the Hub to embed the skills needed for new product testing and development and will embrace an innovation driven and enterprising culture. In addition, the new commercial relationships formed through the Hub represent a significant opportunity to promote employability and industry access to skills through industrial placement, part-time learning and apprenticeships. This growing supply of talent will be encouraged to develop student-led start-ups under the Entrepreneurships theme. Activities and outputs to be delivered over a 15-year programme include Food and Drink Technology BSc, Food Science MSc, OHDs and CPD courses.

- **Research & Adoption** - QMU will work with partners across the sector including other FE and HE institutions and the private sector to leverage additional research and R&D spend into the sector and its translation into new and innovative product development. Target activities and outputs include:
 - Leverage £5.2m of Research Council funding over 15 years with a focus on alignment with the UK Industrial Strategy challenges relating to transforming food production and healthy ageing as well as wider consumer and public health priorities focussed on healthier and more sustainable foods and improved health outcomes; (see Appendix D – Case studies)
 - More than doubling the income leveraged from the private sector on R&D projects from current levels by the end of the first year of operations of the Hub. This represents £9.0m of private sector research and development projects over 15 years including collaborative projects aligned across the food, drink and health science sector and led by the expansion and evolution of current SCFDI activities;
 - Promote and facilitate partnership working to combine individual capabilities and strengths into new integrated offers to market for multi-disciplinary research and testing services. Continue to liaise with partners with whom discussions have taken place including Scotland's Rural College (SRUC) and the James Hutton Institute, to ensure collaborative alignment of academic research. A partnership with Edinburgh Napier University on complex chemical analysis and data science is also being developed, taking advantage of City Region wide strengths.
- **Data** - Data Driven Innovation (DDI) is a key workstream for the City Deal with the ambition to make Edinburgh the Data Capital of Europe. QMU and ELC will work with other City Deal partners to identify ways to embed data science skills in the teaching and research offers and to grow the City Region's data assets. Target activities and outputs include:
 - Establish a research partnership with Edinburgh Napier University to combine data science and chemical analysis skills with SCFDI's existing offer (reflected in new PhD numbers captured under talent above);

- Explore opportunities to embed access to data driven skills and insights in teaching, research and entrepreneurship support in partnership with City Region DDI partners
- Work with DDI programme to create new City Region data assets for food & drink related innovation (these being large scale, accessible, suitably anonymised data sets available to be used to deliver new research insights and, ultimately, new products). Examples of opportunities for collaboration include overlaying nutritional insights with genomics research by University of Edinburgh at Easter Bush to develop genetically resilient crops for drought afflicted countries to prevent famine and childhood malnutrition
- **Entrepreneurship** – Providing flexible lease accommodation, access to the bespoke research services and facilities of SCFDI and supported by delivery of co-ordinated tailored and focused enterprise support services to encourage the creation of new businesses (including staff and student led start-ups from talent and research activities), scaling up existing small scale enterprises and promoting exports in the food and drink sector addressing a key policy objective at all levels of government and for the City Deal. Building on the existing integrated provision and particular success with female entrepreneurship, outputs and activities include:
 - c.100 new start-ups surviving to maturity over 15 years attracting £5m of seed investment on conservative assumptions;
 - Continue to simplify and co-ordinate the business support landscape for HEI start-ups and SMEs of all types through the continued growth of the successful on- campus Business Gateway service delivered by ELC (the only Business Gateway located on a university campus). Target outputs from the support offered include c.100 new start-ups over 15 years. Opportunities to relocate the service to the Hub building will be explored to enhance the visibility of the service;
 - To promote inclusive growth outcomes discussions are underway with Scottish Government and others to deliver a Women’s Business Centre at QMU, building on the university’s high proportion of female students & staff and female founded start-ups. Target metrics include addressing gender inequality across the region with men earning 14% more than women and making a contribution to addressing the UK’s £250bn female entrepreneurship gap.
 - QMU and Business Gateway will work with City Region partners in the DDI Programme and sector partners including the Scottish Food and Drink Federation (SFDF) to explore the funding and creation of a cohort based accelerator programme for the most promising start-ups. More widely the target is to take advantage of Edinburgh’s wider innovation ecosystem and the formal and informal networking opportunities and learning it offers to grow businesses.
 - Promotion through the Joint Venture of the build out of the EIP on a commercial basis offering entrepreneurs that mature in the Hub, and others attracted to the offer, a place to grow in a thriving innovation-led community.

4. Financial impact

- 4.1 Through this business case, East Lothian Council and Queen Margaret University seek approval for capital investment of £40 million (of which Government is asked to fund £30 million).
- 4.2 East Lothian Council has provided a capital contribution of £10 million (being £6 million for the construction of the Food and Drink Innovation Hub and £4 million for the acquisition of the land on which the Food and Drink Innovation Hub and wider Edinburgh Innovation Park will be located)
- 4.3 The actual spend profile will vary across the funding period and will be regularly updated in response to learning and changing circumstances to ensure maximum impact against its programme and wider inclusive growth goals.
- 4.4 Overall the initial due diligence undertaken by both East Lothian Council and Queen Margaret University indicates that the two components of this project and associated risk profiles are affordable if the capital grant is approved at the currently requested level and phasing.

5. Alignment with Sustainable, Inclusive Growth Ambitions

- 5.1 City Region Deal partners are committed to ensuring that Inclusive Growth ambitions are embedded across the deal, reflecting the challenges being faced across the
- 5.2 The Hub and innovation programme will help to address the City Region Deal priorities by removing barriers to growth and promoting more inclusive outcomes through:

5.2.1 **Addressing shortages in strategic employment space and increasing job density in East Lothian**

East Lothian Council has already invested £4m to acquire the site for the wider Edinburgh Innovation Park (“EIP”) to support high value job creation in the area and address the issue of unequal job density across the City Region. The site is one of few in East Lothian to have excellent road and rail connections to the rest of the county and wider city region and this proposal will safeguard it for employment use. The 5,040 sq m of high quality floorspace for the SME market in the Hub (and its impact on pump-priming the development of up to a further 40,000 sqm of business space over the 20 to 25 year build out of the EIP) will play an important role in addressing the identified shortage of suitable business premises in East Lothian and address more widely the acute pressures facing the wider SME market in and around Edinburgh.

5.2.2 **Promoting innovation-led growth in the local/national food & drink sector**

The focus on promoting innovation in food, drink and health sciences aligns strongly with the local focus on developing a high value-added food and drink sector and the wider City Region Deal priority for innovation-led growth that capitalises on the strength of local HEI partners. By providing a step change in accessibility to research skills and facilities, the proposals aim to increase business investment in formal innovation such as research and development and the benefits it brings.

The emerging relationship with local businesses is represented in East Lothian Food and Drink Ltd (representing 40 SMEs) recently taking a lease in QMU's Business Innovation Zone which is already promoting dialogue and engagement with employers, SME networking, and student and graduate mentoring. The Hub is expected to offer an excellent facility to support product launches and is a tangible statement to coordinate and bring leadership to the strength and growth prospects of the regional and Scotland-wide food and drink sector.

5.2.3 Addressing City Region Deal skills priorities through new full time, part time and in-work skills pathways

The talent and skills aspects of the proposals align strongly with the five key pillars in the IRES Programme. In revisiting its skills pathways and re-aligning provision alongside a wider pivot towards engaging with industrial and commercial customers on product development activities, QMU's proposals will create a range of relevant and practical new skills pathways including full and part time options and employer sponsored CPD to improve in-work progression. In particular, the focus on CPD courses is seen as a route to formalise qualification in the food and drink sector where currently this is lacking, reducing mobility and professional growth within the sector as skills are not formally endorsed or recognised.

5.2.4 Promoting Inclusive Growth outcomes with a particular focus on skills development female entrepreneurship

QMU traces its origins to the establishment of 'The Edinburgh School of Cookery and Domestic Economy' in 1875 with twin aims of improving women's access to higher education and improving the diets of working class families. While it has grown and evolved significantly as an institution in the intervening decades, it continues to have an inclusive and practical ethos at its heart.

QMU's accessible reputation and range of practical oriented courses means it is well positioned to encourage people into Higher Education that may otherwise not consider it. The majority of its students come from a local or regional catchment (including several feeder FE colleges) and many live at home and commute-in to the campus. Additionally, over three quarters of QMU's students and staff are women.

QMU's reach is complementary to delivery against the five City Deal inclusive growth objectives that include a focus on talent, employability and social benefit through innovation across all groups. The proposed skills pathways are already mentioned above and the focus on innovation related to diet related health issues, which disproportionately affect more deprived communities, should deliver social benefit. Discussions are also ongoing with multiple parties (including Scottish Government Women in Business policy team and Women's Enterprise Scotland) to build on QMU's successes in female higher education and entrepreneurship to establish a women's business centre. This recognises the high degree of female enterprise in the food & drink sector on which the proposals centre and the requirement for bespoke support to help women grow small home businesses into larger enterprises. Finally, opportunities to embed community benefits in the procurement of the Hub will be explored.

- 5.3 In addition, the Hub will also specifically address agreed **inclusive growth objectives of East Lothian Council**. One of East Lothian Council Plan themes is 'Growing Our Economy'. This aims 'to increase sustainable and inclusive economic growth as the basis for a more prosperous East Lothian and reduce inequalities within and across our communities'. The Plan recognises that the projected growth in population needs to be matched by corresponding growth in the local economy and local job opportunities, building on the region's key sectors of Food and Drink and tourism. The plan explicitly identifies the City Region Deal and the development of the EIP as a significant enabler of such growth.
- 5.4 The Hub will also build on QMU's inclusive and practical history and sustained growth. **QMU's strategic goals for the future** are as referenced in the QMU Strategic Plan 2020-25 are¹:
- **Seek out partnership and collaboration** - through taking a cross university approach to partnership working with government and industry to solve important societal challenges;
 - **Provide distinctive, accessible, high quality education** - through a reactive and market responsive course portfolio, promoting access to under-represented groups and focusing on staff and student well-being;
 - **Deliver transformative research and innovation** - through building on strength in applied research to grow the proportion of internationally recognised research, grow research income and sustain a culture of innovation through development of the Hub and EIP;
 - **Embed sustainability** - through continuing to incorporate sustainable practices in all its activities and in its teaching;
 - **Invest in the long term future of the university** - through maintaining financial stability and growing staffing and infrastructure.

1

6. Background reading/external references

6.1 [Edinburgh and South-East Scotland City Region Deal Document](#), August 2018

7. Appendices

7.1 Food and Drink Innovation Hub Full Business Case

Edinburgh South East Scotland City Region Deal

Full Business Case: Queen Margaret University Innovation hub for
Food, Drink & Health Sciences

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PART A

1 Project Description & Executive Summary

1.1 Strategic Intent & Vision

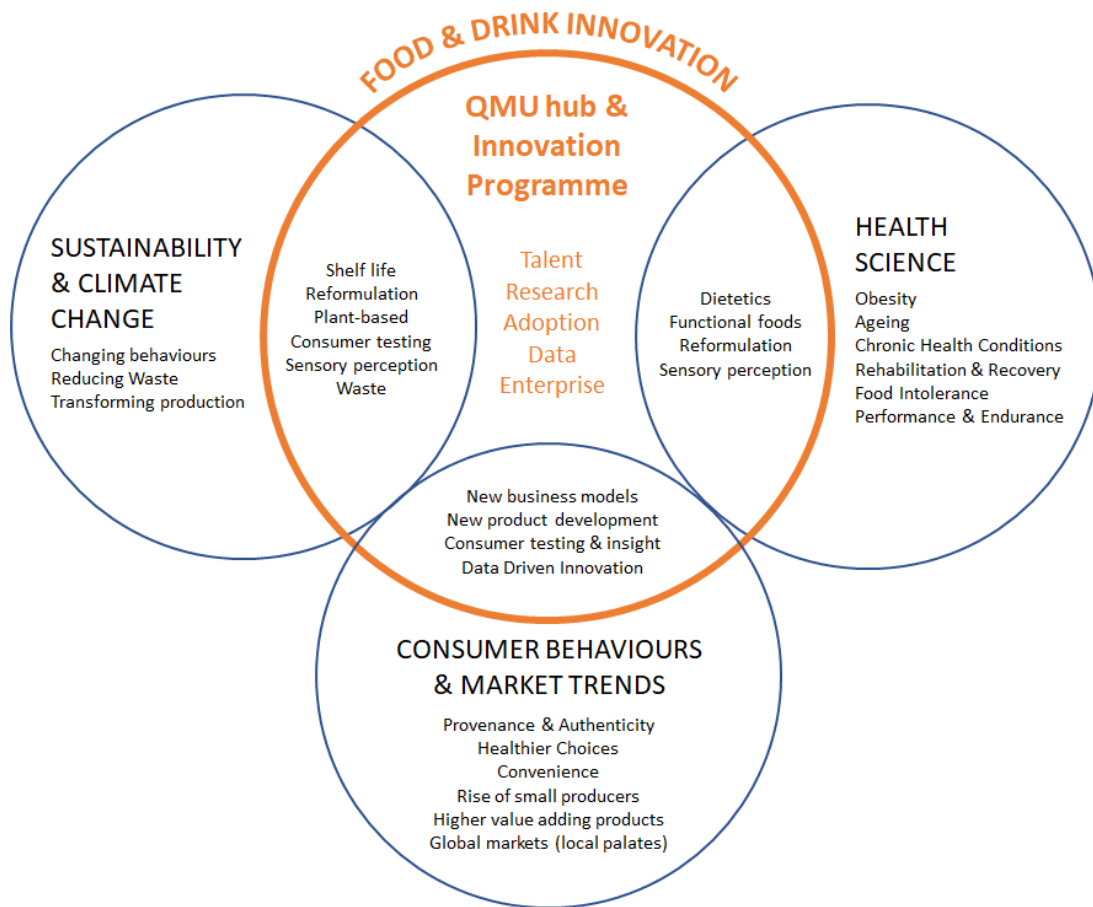
Queen Margaret University (QMU) and East Lothian Council (ELC) are collaborating to develop an Innovation hub on land owned by ELC, adjacent to the University Campus, which will focus on food and drink related innovation. The Hub is located in East Lothian, adjacent to the QMU campus at Craighall on the boundaries of both Edinburgh and Midlothian.

The development of the hub also unlocks a further significant opportunity for the partners to develop ELCs landholdings adjacent to the campus into the Edinburgh Innovation Park (EIP). The EIP would be a science and technology park, aligned with the university and the hub that will support the growth of high value added and innovative businesses including those in food & drink related sectors that would directly mature in and benefit from the activities of the hub.

In the last decade innovation has become a key tool of economic renewal and growth in developed economies causing small and medium sized enterprise (SMEs) to dominate not only the innovation space, but also the complexion of the economy. The economic importance of innovation as a tool to increase competitiveness and to gain market traction has created a new demographic whereby SMEs form the backbone of the global knowledge economy and company start-ups and spin-outs are creating economic renewal and regeneration. The need to support and promote innovation is embedded in all national and local government economic policy, including the city region deal, and is integral to Queen Margaret University's Strategy for 2020-2025.

QMU has a well established reputation in food and drink related innovation. The food and drink sector is growing significantly in importance and relevance, driven by major global trends such as climate change, health, ageing and the associated demands of consumers. As indicated in the diagram below, responding to these trends means food & drink related innovation is now a much broader field than might traditionally be considered the case and this has created opportunity for nimble SMEs to flourish.

The QMU innovation hub directly responds to this market opportunity and will offer an integrated home for, and holistic service offering tailored to, food and drink related innovation, building on QMU's strength in food and drink and related disciplines, including health science and business management, to support existing providers and foster new high growth SMEs.



The hub proposal and future EIP opportunity it unlocks, presents an exciting opportunity to develop a best in class offer to attract, establish, nurture and grow the City Region, and Scotland’s, food and drink sector and the vibrant SME market in Edinburgh and the city region.

1.2 What will the City Deal Deliver?

The City Deal will enable the delivery of the following three Innovation projects, with further details of each set out in the sections below:

1. QMU Innovation hub (“hub”)
2. Enable development of the Edinburgh Innovation Park (EIP)
3. Strategic Programme for Food & Drink related Innovation (“innovation programme”)

1.2.1 QMU Innovation Hub

The £36m QMU Innovation hub will be the first plot to be developed at EIP and will open in 2025. It will be built through funding from the City Deal (£30m) and a capital contribution from ELC of (£6m).

The Innovation Hub will be bespoke and provide a highly targeted infrastructure and property offer, together with the specialist services required to capture, support and grow companies working in fast-moving innovation-led sectors. It will comprise a serviced multi-occupied laboratory and office building. The design concept for the Hub is for a facility that anticipates success and the need for subsequent 'grow-on' expansion. A number of 'innovation hub' facilities in the UK have not exploited their full potential because success and the concomitant need for contiguous expansion was not anticipated. To deliver an expansion capability, a two phase approach to the development of the QMU Innovation Hub building has been adopted with the first phase being the larger and funded by the City Deal grant. (see **Appendix G – Financial Case**) Further scope for growth is provided for by the EIP overcoming the issues that have constrained growth elsewhere.

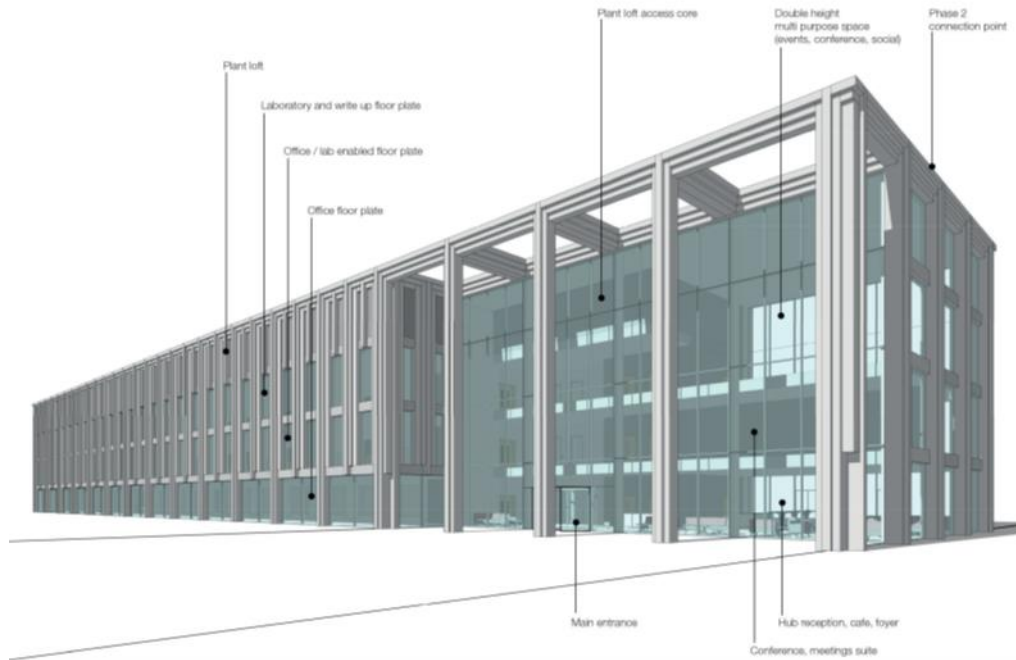
Companies operating in the Innovation Hub will not only benefit from bespoke facilities but will also have easy access to the University, its social capital and to new ideas. Co-location will encourage mentoring and peer support. Close access to business development staff and business support intermediaries will enhance the support on offer, facilitating connections with investors, enabling business collaboration and business growth. The close linkages and proximity to the University Departments, their students and expertise will be an important aspect of this initiative. The Innovation Hub will provide opportunities for students to embrace the innovation and enterprise culture as part of their educational experience, with a wider innovation programme encouraging them to create their own start-ups. The Innovation Hub will provide a home for enterprise initiatives, events and workshops and will display the inspirational, innovative students and staff from across the University.

The Hub will accommodate staff and facilities of QMU's Scottish Centre for Food Development and Innovation (SCFDI) a successful innovation, research and development (R&D) partner to the food and drink sector. SCFDI already addresses the need to reduce barriers to innovation in one of Scotland's key sectors and relocation to the Hub will allow it grow these activities significantly. It will address market identified needs by providing access to specialist industrial scale equipment, the knowledge and skills to undertake R&D projects and a client development kitchen to support product development and product launches. It will enable much closer collaboration between industry and the university offering vastly improved space for co-location and collaboration and will operate on an open basis with partners across the sector bringing much needed leadership and focus.

A more detailed description of the facilities that will be available and the history of SCFDI is set out at **Appendices A & B**;

The Hub is to be funded from public sources as a consequence of market failure (see further assessment in Economic Case) Speculative development to achieve supply led demand is the objective and has been the case in a number of successful 'innovation economy' developments nationally.

The vision of project partners is that the Innovation Hub will act as a national resource underpinned by the expertise found within the region's innovation network working in partnership to grow and support the innovation sector.



The above shows the concept design of the innovation hub

1.2.2 Edinburgh Innovation Park (“EIP”)

The Edinburgh Innovation Park covers 52 acres adjacent to the Innovation Hub and provides an opportunity to transform a strategic economic development site, owned by ELC, into a thriving nationally significant cluster of knowledge exchange, innovation and high value business growth, the Edinburgh Innovation Park (EIP).

EIP will play an integrated role in delivering the ambition of the Edinburgh and South East Scotland City Region Deal (City Deal) to drive innovation and skills-led inclusive growth for all its citizens and to use its areas of knowledge and industrial based strength to help solve important societal challenges.

The strategy behind the EIP was presented by QMU in 2012 but can trace its roots back to 2005 and the relocation of the University to the Craighall site. Adjacency to economic development land and the potential the Craighall site presented for the University to work with industry and business was a paramount consideration in the University's decision to relocate to East Lothian. Since then the partnership with ELC has been formed and realising the potential of this site remains a joint commitment.

Innovation Parks have different development models. The most successful models involve creation of a range of innovation facilities that enable companies to graduate from 'hubs' to grow-on accommodation before taking larger facilities. By developing dynamic clusters of this nature, innovation parks are able to attract inward-investor development by larger enterprises seeking to co-locate with talent in a proven location for innovation and technology.

Demand for the wider Innovation Park will be stimulated by the wider Food and Drink innovation activity of the hub but it is not envisaged that tenants of EIP will be limited exclusively to this sector. The delivery of the hub as the first building at the EIP and the impact of the Innovation Programme (see below) is expected to drive demand for the wider long-term commercial development of the EIP itself over a 25 year period.

Edinburgh Innovation Park is a timely development that aligns closely with national and regional economic policy and the University's own future vision. University Science & technology park (STP) development has become a familiar part of the post-industrial economic landscape. Universities are increasingly recognising their key role in developing the specialist infrastructure and support ecosystem that the innovation sector requires to thrive and grow.

University (STP)'s are in a strong position to foster interactions with innovation-led companies based around tacit knowledge networking and enabling. Universities can be invaluable to SMEs on the forefront of emergent technologies and services, not only as (STP) hosts but increasingly as facilitators. By developing close relationships with (STP) companies, universities are able to facilitate access to expertise, funding, research, commercialisation, partnering and professional advice – all vital elements of innovation enterprise.

Within an (STP) setting, benefits of a co-located university to the regional innovation system are accrued over time and developed through networking, collaborations and partnerships. These interactions are vital contributions both to (STP) companies and the region's innovation networks and provide a significant contribution to the region's economic growth and wellbeing. By embarking on this process through the development of EIP, QMU will become pivotal in promoting innovation both within the University and the City Region.

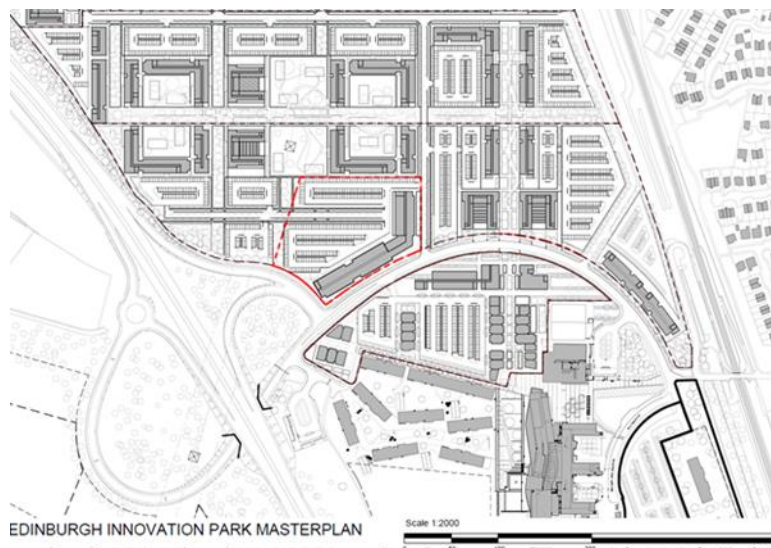
Additionally, EIP is a strong strategic fit with Scotland's Economic Strategy focused on 'fostering innovation within businesses, research & development, public services and workplace practices. EIP responds to the challenges and opportunities identified by Edinburgh's Economic Strategy to support and grow its innovation and tech sectors to secure the city region's future socioeconomic growth. EIP will play an integral part in delivering the vision for the City Deal⁷ and the ambition for Edinburgh to become Europe's digital capital. EIP also delivers key elements of East Lothian's Council's economic strategy '*to enhance East Lothian's business infrastructure*' and to '*promote the proximity of East Lothian to Edinburgh, along with its lower costs and skilled workforce to attract new jobs and businesses to the area.*

EIP will also provide opportunities to strengthen the innovation and commercial activities already established within QMU and will assist in the delivery of the innovation strategy of the University.

EIP will follow the successful science and technology park model focussing on providing space dedicated to innovative high value companies (particularly high growth potential SMEs). Following successful models developed elsewhere in the UK, agreed "entry criteria" will be embedded in the commercial structure to restrict tenancy to innovative, high growth potential companies that contribute to developing an attractive cluster over the longer term.

Envisaged activities and outputs include:

- Approval by ELC of a development brief that will commit the site to development as a home for innovative businesses, giving companies confidence in the availability of space to grow;
- The establishment of a Joint Venture company (ELC and QMU) to progress the development of up to an additional 40,000 sqm of floor space on a commercial basis over a 25 year period. This commercial structure will offer a single point of interface for potential tenants while reflecting the underlying strength and commitment of the two parties to developing a flexible and ambitious offer to the market. When fully occupied this could support between 800 and 3,000 jobs (depending on the type of space developed and associated employment density) and net GVA in excess of £77m (NPV) over 15 years thereby improving job density in East Lothian, an inclusive growth objective of the City Deal;
- Entry criteria for tenancy of EIP will be essential in maintaining high quality focus on innovation on a key economic development site and are to be reflected in the development agreement.



The plan above shows the proposed development adjacent to the current QMU campus and location of the QMU Innovation hub (outlined in red) within the wider Innovation Park



Location of QMU to Edinburgh. Source: Google Maps

1.2.3 Strategic Innovation Programme (“Innovation Programme”)

The partners recognise that realising the full potential of both the hub and the EIP will require the partners to deliver a range of complementary activities to secure the benefits identified. QMU has refreshed its Strategic Plan (2020-2025)¹ which includes a focus on seeking out partnership and collaboration; providing a market-responsive course portfolio; and delivering transformative research and innovation, with the overall aim of growing its commercial activities, building on its history as an externally focused institution.

To provide a holistic offer, the Joint Venture will work with partners to fund and deliver a programme of activities targeted at supporting food & drink related innovation and intended to maximise the economic and social impacts of the hub. Aligned with the wider City Deal proposals for innovation, activities and outputs will be delivered in 5 areas (“TRADE²”):

- **Talent** – QMU will refresh and expand its academic course offering to reflect strategic skills needs and skills gaps in food, drink related disciplines with courses of all types designed to meet sector needs and raise wages through increased productivity and skills. The innovation hub will align with the City Deal Integrated Regional Employability and Skills (IRES) programme and will support inclusive growth outcomes by building upon QMU’s strong track record of engagement with women and encouraging people into higher education who may not otherwise have considered such a path.

The courses offered will take advantage of the new facilities available in the hub to embed the skills needed for new product testing and development and will embrace an innovation driven and enterprising culture. In addition, the new commercial relationships formed through the hub represent a significant opportunity to promote employability and industry access to skills through industrial placement, part-time learning and apprenticeships. This

¹ QMU Strategic Plan 2020-2025 - <https://www.qmu.ac.uk/about-the-university/our-strategic-plan/>

² This is based upon the approach to benefit identification and measurement undertaken by the Data Driven Innovation Programme Hub Business Cases (2018-2020) for the City Region Deal. This approach has been adopted for the QMU Innovation Hub given the considerable alignment between these Programmes in terms of strategic focus and potential types of benefits.

growing supply of talent will be encouraged to develop student-led start-ups under the Entrepreneurships theme (below). Activities and outputs to be delivered over a 15-year programme include:

Talent Category	Target Outputs
Food & Drink Technology BSc (new students)	314
Food Science MSc (new students)	120
PhDs (new students)	50
CPD courses	165 (credit bearing) 1,878 (non credit bearing)

- **Research & Adoption** - QMU will work with partners across the sector including other FE and HE institutions and the private sector to leverage additional research and R&D spend into the sector and its translation into new and innovative product development. Target activities and outputs include:
 - Leverage £5.2m of Research Council funding over 15 years with a focus on alignment with the UK Industrial Strategy challenges relating to transforming food production and healthy ageing as well as wider consumer and public health priorities focussed on healthier and more sustainable foods and improved health outcomes; (see Appendix D – Case studies)
 - More than doubling the income leveraged from the private sector on R&D projects from current levels by the end of the first year of operations of the hub. This represents £9.0m of private sector research and development projects over 15 years including collaborative projects aligned across the food, drink and health science sector and led by the expansion and evolution of current SCFDI activities;
 - Promote and facilitate partnership working to combine individual capabilities and strengths into new integrated offers to market for multi-disciplinary research and testing services. Continue to liaise with partners with whom discussions have taken place including Scotland’s Rural College (SRUC) and the James Hutton Institute, to ensure collaborative alignment of academic research. A partnership with Edinburgh Napier University on complex chemical analysis and data science is also being developed, taking advantage of City Region wide strengths.

- **Data** - Data Driven Innovation (DDI) is a key workstream for the City Deal with the ambition to make Edinburgh the Data Capital of Europe. QMU and ELC will work with other City Deal partners to identify ways to embed data science skills in the teaching and research offers and to grow the City Region’s data assets. Target activities and outputs include:
 - Establish a research partnership with Edinburgh Napier University to combine data science and chemical analysis skills with SCFDI’s existing offer (reflected in new PhD numbers captured under talent above);

- Explore opportunities to embed access to data driven skills and insights in teaching, research and entrepreneurship support in partnership with City Region DDI partners
- Work with DDI programme to create new City Region data assets for food & drink related innovation (these being large scale, accessible, suitably anonymised data sets available to be used to deliver new research insights and, ultimately, new products). Examples of opportunities for collaboration include overlaying nutritional insights with genomics research by University of Edinburgh at Easter Bush to develop genetically resilient crops for drought afflicted countries to prevent famine and childhood malnutrition
- **Entrepreneurship** – Providing flexible lease accommodation, access to the bespoke research services and facilities of SCFDI and supported by delivery of co-ordinated tailored and focused enterprise support services to encourage the creation of new businesses (including staff and student led start-ups from talent and research activities), scaling up existing small scale enterprises and promoting exports in the food and drink sector addressing a key policy objective at all levels of government and for the City Deal. Building on the existing integrated provision and particular success with female entrepreneurship, outputs and activities include:
 - c.100 new start-ups surviving to maturity over 15 years attracting £5m of seed investment on conservative assumptions;
 - Continue to simplify and co-ordinate the business support landscape for HEI start-ups and SMEs of all types through the continued growth of the successful on-campus Business Gateway service delivered by ELC (the only Business Gateway located on a university campus). Target outputs from the support offered include c.100 new start-ups over 15 years. Opportunities to relocate the service to the hub building will be explored to enhance the visibility of the service;
 - To promote inclusive growth outcomes discussions are underway with Scottish Government and others to deliver a Women’s Business Centre at QMU, building on the university’s high proportion of female students & staff and female founded start-ups. Target metrics include addressing gender inequality across the region with men earning 14% more than women³ and making a contribution to addressing the UK’s £250bn female entrepreneurship gap⁴.
 - QMU and Business Gateway will work with City Region partners in the DDI Programme and sector partners including the Scottish Food and Drink Federation (SFDF) to explore the funding and creation of a cohort based accelerator programme for the most promising start-ups. More widely the target is to take advantage of Edinburgh’s wider innovation ecosystem and the formal and informal networking opportunities and learning it offers to grow businesses.

³<https://static1.squarespace.com/static/55c87967e4b05aa55020f656/t/5c263201898583ec74c01146/1546007049724/ESESCR+Deal+Document+6+August+2018+signed.pdf>

⁴ The Alison Rose Review of Female Entrepreneurship (2019) for HM Treasury -

<https://www.gov.uk/government/publications/the-alison-rose-review-of-female-entrepreneurship>

- Promotion through the Joint Venture of the build out of the EIP on a commercial basis offering entrepreneurs that mature in the hub, and others attracted to the offer, a place to grow in a thriving innovation-led community.

1.3 Why is it needed?

Although innovation hubs are a familiar part of the innovation ecosystem in the UK and elsewhere, the speculative development of specialist innovation facilities is largely avoided by commercial property developers as a niche market sector that attracts a high degree of risk. The risks and challenges are reflected in a significant number of grant funded and privately developed innovation centres in the UK that have failed to achieve commercial viability and have therefore been unable to attract follow-on investment for further phased development. The combined proposals are intended to respond to requirements in two key areas:

- The strategic challenges facing the food, drink & health science sector and current barriers to R&D; and
- Local, regional and national policies to drive inclusive economic growth and globally competitive products and services through innovation and skills-led economic growth.

1.3.1 Food & Drink Related Innovation Needs

Challenges of food nutrition and sustainability exist at a global level. At a national level there are increasing challenges with obesity and an aging population. As of 2017 63% of UK adults were classed as being overweight, with 26% classed as obese⁵. This obesity epidemic is projected to cost the NHS £9.7 billion per year by 2050, with wider costs to society estimated to reach £49.9 billion per year⁶. This, combined with the recent discovery that obesity increases the risk of death by COVID-19, has prompted the UK government to spend increasing resources on efforts to change the dietary habits of the UK and the landscape of healthy offerings available to consumers. The food, drink and health science sector is also facing regulatory changes which necessitate the development of advanced reformulation strategies by companies operating in the sector.

At the same time, the sector is characterised by many small SMEs who often lack the in-house resources, facilities and expertise to carry out the required R&D activities to meet these challenges and the confidence to grow. This means that the UK and Scotland's highly regarded food and drink sector is failing to capitalise fully on the potential available and failure to adapt to these trends could see its offer undermined.

The innovation hub and innovation programme will provide focus and leadership in the sector in skills development, research activity and business support. It will seek to reduce the barriers to R&D through access to specialist equipment and bespoke food preparation standard floorspace

⁵ [Statistics on Obesity, Physical Activity and Diet, England, 2020 Official statistics](#)

⁶ [Health matters: obesity and the food environment](#)

on a flexible and cost effective basis, a staffed R&D service with the know-how to support joint projects and in-work skills development opportunities to embed knowledge across the sector.

1.3.2 Local, Regional & National Policy Objectives

The construction of the innovation hub is aligned to the UK Government's Industrial Strategy (2017), which stresses the need to proactively support innovation in order to enhance the UK's technological capabilities and contribute to the growth of the UK as a modern knowledge economy⁷. This priority is also reflected in Scotland's Economic Strategy (2015)⁸ which focuses on fostering innovation through research and development and the Muscatelli report (2019)⁹ highlighting the critical role of Scotland's world leading HEI sector to embedding a culture of innovation across the economy.

1.4 How does it fit in the wider Edinburgh and South East Scotland City Region Deal?

'Skills' and 'Research, development & Innovation' are two key priorities for the City Region Deal with which the proposals align closely. The City Deal features the following five overarching inclusive growth objectives to which all component projects are expected to contribute:

- **Accelerating inclusive growth** - to unlock new talent pools for business, promoting fair work, and equipping disadvantaged citizens with the skills they need to succeed;
- **Removing the barriers to growth** - through interventions to increase housing and enhance transport connectivity across the Region;
- **Delivering community benefits through procurement** - by integrating partner approaches to supplier engagement and procurement in order to increase the value achieved from Deal investments;
- **Targeting employability and skills interventions** - by widening access and addressing skills shortages to boost the flow of individuals from disadvantaged groups into good career opportunities; and,
- **Delivering social benefit through innovation** - through challenge-based social benefit projects and programmes across the City Region.

The hub and innovation programme will help to address the City Deal priorities noted above by removing barriers to growth and promoting more inclusive outcomes through:

- Addressing City Deal skills priorities through new full-time, part-time and in-work skills pathways with a particular focus on under-served groups;
- Promoting innovation-led growth in the local/national food & drink sector with a focus on developing new products to address the key social challenge of nutritional impacts on health which disproportionately affect deprived groups;

⁷ [Industrial Strategy Building a Britain fit for the future](#)

⁸ [Scotland's Economic Strategy](#)

⁹ [Driving Innovation In Scotland: A National Mission 2019](#)

- Addressing shortages in strategic employment space and increasing job density in East Lothian to reduce the transport and housing pressures of current commuting patterns; and,
- Promoting Inclusive Growth outcomes for women through promoting female entrepreneurship.

1.5 How will it be funded and delivered?

The University relocation to Craighall in 2007 was significant, not just in terms of the educational provision, but also in relation to the interaction with the economic development land identified in the East Lothian Local Plan. Allocation of economic development land immediately adjacent to the University offered the potential for the University to create a future income stream and to work more closely and collaboratively with industry and business to create economic development.

Both the University and ELC promoted the shared objectives for the further land development. In 2012 the University produced a masterplan which detailed a vision for future physical growth on land around the University for uses that were synergistic with its strategic objectives. The masterplan was submitted in 2014 as part of the local development plan consultation process. It emphasised QMU's role in the wider land development and included proposals for the Edinburgh Innovation Park and a separate Commercial Hub to be located on land straddling Queen Margaret Drive.

In 2015 QMU appointed a specialist consultancy in science and technology park development to develop a vision and concept for the proposed EIP which became the basis of the current land development strategy. Phase 1 of the proposed EIP was identified as an Innovation Hub that would create a specialist facility for SMEs focussed on innovative activities and disruptive business models with a particular emphasis on the food and drink sector. This concept dovetailed with University commercial and research activity and national economic policy at that time.

In 2017, the same consultants supported the University's submission of a bid to the Edinburgh and South East Scotland City Regions Deal to fund the Phase 1 Innovation Hub. The bid was successful in attracting an award of £30m.

While certain activities will be delivered alongside business as usual, ELC and QMU are to form a joint venture company (JV) to develop and manage the Hub and the Park. The JV is to be created on an equal share basis. Shareholders will be QMU and ELC. The company will own the park and be responsible, in the first instance, for the launch of the Innovation Hub as a new business and will be responsible, subsequently, for operational and commercial matters. The management company will also be responsible for the wider EIP estate to ensure a coherent estate development and management strategy is adopted.

The JV structure is intended to act as a single point of interface (landlord) for tenants of the hub and future EIP, providing a more nimble day-to-day management and governance structure to respond to the rapidly evolving needs of the SME's and innovation businesses while retaining

appropriate control and influence for the partners. Over time, the JV vehicle may also provide a route to leverage in third party commercial investment to accelerate the growth of EIP and the economic benefits it can bring for the City Region.

The JV partners propose that design development is taken to RIBA Stage 4 by a design team with directly relevant experience of similar speculative, multi-occupied serviced laboratory and office buildings. The design and development of successful innovation hubs will be a key factor in appointing consultants. The very existence of an 'innovation hub' does not equate to a project that has been designed and operated in a way that results in success.

The recommended approach will enable the award of a fixed price contract (with bespoke amendments) with a key outcome being the transfer of all risk to the nominated contractor. Design certainty will enable contractors to bid for a defined specification and, consequently, they will have little requirement to include risk contingencies to cater for the unforeseen.

QMU will be responsible for development management and operational management of the Hub and for driving the Innovation Hub forwards as a new business on behalf of the JV partners.

The services of CAM-SCI, a specialist consultancy with experience of delivering similar innovation hubs and related innovation parks throughout the UK, has been retained to support the design and delivery phase. Opportunities to embed community benefit principles in the design and build contract, in line with the City Deal inclusive growth objectives, will be explored.

The total costs for delivering the innovation hub of £40m are intended to be met in full by the City Region Deal (£30m) and ELC (£10m). The funds from ELC comprise £4m already spent to acquire the land and a £6m capital contribution towards construction of the hub.

Detailed design will be progressed upon successful approval of the FBC but the costs of the scheme were prepared in November 2020 and are based upon an outline design concept for the Hub, which accords with the Royal Institution of British Architects plan of work Stage 0.

Cost Item	Value
City Deal Funding for Innovation Hub	£30m
ELC Capital Contribution to Innovation Hub	£6m
Total Innovation Hub Costs	£36m
ELC Site Acquisition Costs	£4m
Total Cost	£40m

The JV will be responsible for operating and managing the hub, and it is envisaged that QMU will deliver the required facilities management and maintenance services via existing arrangements under a Service Level Agreement (SLA) and will provide the management and marketing services to attract tenants, manage leases and deliver associated services. It is anticipated that a small number of staff, employed by QMU, will be allocated to the JV to carry out the day to day management and marketing activities of the hub. The JV will be responsible for overseeing the efficient running of the hub and ensuring that it develops in a manner which enables the objectives of the project to be achieved.

The wider package of proposed activities in relation to teaching and research activities will primarily be delivered by QMU through existing channels and through QMU's Strategic Plan objective to partner with other relevant institutions to enhance its offer. Comprehensive support for entrepreneurs will be delivered via the established partnership with ELC via the on-site Business Gateway and through collaboration at City Region Deal level with other Higher Education partners, particularly the Data Driven Innovation Programme, on cohort based approaches for supporting start-ups. Access to support in developing data skills and approaches will also be sought via collaboration with City Region Deal partners. A partnership with Edinburgh Napier University in relation to complex chemical data analysis for food and drink reformulation is under development allowing a comprehensive offer to commercial and research partners.

It is proposed that any operational loss that may arise during the early years of the hub while occupancy builds will be underwritten by QMU and ELC on a 50/50 basis through provision of a working capital fund. Subject to maintaining appropriate working capital in the JV, it is proposed that a first preferential share of any operational surplus from the hub (up to £1.4m indexed) will be returned to ELC as a partial return on its £6m capital contribution to the hub. Any remaining surplus will be retained within the JV as development capital to support the activities of the hub and Innovation Programme as well as advancement of the EIP. The amount of the surplus retained will be determined by the board of the JV.

The cash flow profile for the first 10 years of operations is summarised below indicating the hub is financially self-sustaining where the capital costs are largely met via the City Deal capital grant¹⁰. The 10 year net cash flow profile indicates a positive Net Present Value of c.£2.7m (at a 01 April 2020 base date and real discount rate of 3.5%) providing scope to provide a modest return to ELC on its capital contribution and investment to support the Innovation Programme in meeting its objectives:

¹⁰ Further detail of the underlying cost and revenue assumptions is contained in the Financial Case.

10 year net operating cash flows for the Innovation Hub (see Financial Case)

£'000	TOTALS	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Operating income											
Occupancy (%)		50%	65%	80%	95%	100%	100%	100%	100%	100%	100%
Rental income at stated occupancy	9,657	543	705	868	1,031	1,085	1,085	1,085	1,085	1,085	1,085
Void and Bad Debt Allowance (5%)	- 483	- 27	- 35	- 43	- 52	- 54	- 54	- 54	- 54	- 54	- 54
Meeting Room Charges	98	3	6	8	10	12	12	12	12	12	12
Total Income	9,272	518	676	832	989	1,043	1,043	1,043	1,043	1,043	1,043
Operating expenditure											
Operating costs	4,946	495	495	495	495	495	495	495	495	495	495
Working Capital Allowance (15%)	742	74	74	74	74	74	74	74	74	74	74
Total Expenditure	5,688	569	569	569	569	569	569	569	569	569	569
Net operating cash flow	3,585	- 50	107	264	420	474	474	474	474	474	474
Distribution of Surplus											
Opening Balance ELC Preferential Surplus (£1.4m as at 2021, indexed linked at 2%)		1,508	1,538	1,459	1,219	815	348	-	-	-	-
Preferential distribution of surplus	1,613	-	107	264	420	474	348	-	-	-	-
Closing Balance		1,508	1,431	1,196	799	341	-	-	-	-	-
Residual Surplus Available	2,022	-	-	-	-	-	126	474	474	474	474

As noted above it is intended that the JV will act as a delivery vehicle for the wider EIP. This has the advantage of reinforcing the strategic intention for development of the site for high value employment and innovation-centric uses. It also offers a single point of interface for tenants but with the combined strength of ELC and QMU as partners behind it. It is proposed that ELC will retain title to the land and secure returns through the granting of ground leases to potential tenants, via the joint venture, on a plot by plot basis as opportunities arise.

1.6 Who will use it and why?

The target market for innovation hub is SMEs operating in the food and drink related sectors looking to benefit from the on-site facilities and services of the SCFDI and the University more generally. EIP will also cater to food and drink related enterprises (including those expanding out of the hub) and will also serve other innovative SMEs requiring access to flexible lease facilities not otherwise available in the market. This focus on science, technology and innovation minded SMEs will be reflected in the entry criteria that will govern who is able to become a tenant of the hub (and wider EIP) to maintain a high quality offer focussed on supporting high value-added activity over its life.

The nature of the SME sector and the target market for the hub is that many of the businesses that will become tenants do not yet exist and, even if they did, would not be in a position to enter into substantial pre-let agreements. In taking the risk on filling the building sufficiently to cover its operational overheads, a wide ranging review of the market and key demand drivers has been undertaken. Overall the JV partners are confident that the hub represents an attractive offer to the market that is likely to achieve high occupancy for the following key reasons:

- Market opportunity in the food, drink related sectors is significant¹¹ with a high preponderance of SMEs (in particular) seeking flexible access to the facilities and floorspace proposed that are not otherwise available in the market addressing a notable gap in supply;
- An operational business plan for the Hub that will focus upon business support and “grow on” with a number of existing structures used together with other initiatives drawing on relevant experience from other similar Hub developments
- The City Region has a growing reputation for innovation and this expanding with further investment through the City Deal. There is an overall shortage of supply of high quality floorspace of a specification suitable for SMEs and innovation-led companies on appropriate commercial terms. Excellent strategic transport connections means the hub and wider EIP is well placed to support this demand;
- A review of the growth of other innovation hubs and science and technology parks was commissioned from leading Science and Technology Park consultancy CAMSCI that provided strong case study evidence that other similar, university and council led, facilities elsewhere in the UK¹² have reached high occupancy and outgrown their initial buildings in a short timescale and catered to wide ranging demand that was not otherwise observed. CAMSCI specifically noted the strong fundamentals of the Edinburgh innovation cluster and excellent connectivity of the site as attractive drivers of demand.

¹¹ See Strategic Case

¹² Including similar recent projects in Liverpool, Newcastle and Leeds and longstanding case studies in Southampton and Keele.

The Hub will accommodate staff and facilities of the Scottish Centre for Food Development and Innovation (SCFDI) as a successful innovation, research and development (R&D) partner to the food and drink sector as well as enabling much closer collaboration between industry and the university. A summary of the SCFDI Facilities and Services we believe are in demand from industry are as follows:

- **Sensory Suite** (15 booth), accredited to ISO standard DIN EN ISO8589, with Compusense cloud based software. Onsite and offsite testing as appropriate. **Fully serviced suite with onsite expertise.** **Process Suite** Key client focused equipment in bakery, thermal process (UHT and pasteurization equipment which can be potentially be used for soft launches). Ability to site client test equipment in the process suite for assessment (e.g. equipment supplier wishing to test client project in a non-factory environment). This suite will be registered with the local Environmental Health Department as a small-scale manufacturing facility to enable sale of product made onsite. **Fully serviced suite with onsite expertise** **Development Kitchen** – for development of food and drink projects with or without client onsite. **Fully serviced suite with onsite expertise.** **Presentation Kitchen** – ability for clients to use facilities for presentation to their customers/clients (especially useful for location, and where our clients do not have appropriate facilities). This may also be used for client training. **Fully serviced suite with onsite expertise.** **Analytical Suite.** Analysis equipment suitable for the food industry, as basic as a pH meter or water activity (aW) meter to more complex analytical equipment such as texturometry, rheometry and HPLC. Many of these items are not available in food companies and the analytical suite provides an opportunity to use these on an *ad hoc* or contract basis. Additional equipment has been investigated as part of the analytical suite, although these will be confirmed closer to the time (but may include large items such as mass spectrometry). **Fully serviced suite with onsite expertise**
- **Services** - The SCFDI works with clients (small and large) to take their project from concept to launch. The Hub will enable an expansion of its capabilities and a true “one stop shop” offering. In particular, the expansion in facilities will allow more diverse projects examples being Ultra High Treatment (UHT) processing, bakery projects using commercial bakery ovens, and laminators and provers. The process suite will be accessible on a pay and play usage basis with SCFDI staff supporting the users. White space in the process room will allow clients/suppliers to test equipment in a neutral area. The Process Suite will increase activity by circa 30% and this area will support training in how to utilize new equipment and processes, a service, which is not routinely offered in other F & D facilities. The SCFDI is a market driven Hub with expertise provided by both academics and food industry professionals that will thus a unique blend of services that addresses the needs of clients and these include:
 - Application of a Client-led or Blue Sky Concept Service to create the brief;
 - Assessing the Feasibility of any project ;
 - Benchmarking; Category Insight and Brand Analysis;
 - New Product Development /Reformulation;
 - Nutritional calculation;
 - Profiling, expertise;

- Sourcing of ingredients relevant to client project (especially in relation to anticipated volumes);
- Sourcing of co-packers/co-manufacturers;
- Microbiological expertise;
- Pilot scale trials – in our new processing suite;
- Scale up assistance/factory trials if relevant;
- Food labelling assistance (nutritional, ingredient declaration);
- Packaging expertise (via subcontract);
- Ready-to-launch information packs (full formulation, product costing, supplier information including MOQs and lead time, methodology, technical information, labelling information, nutritional information, allergen information);
- Client training in a number of food industry related subjects through tailoring of CPD in areas of client need,;
- Access to collaborative research in the food sector with QMU academics in food science, nutrition, dietetics, gastronomy, business.

1.7 What Outcomes will it deliver?

As illustrated, in Table 1 below, the net present value (NPV) of the City Deal investment in the hub of £27.8m will, over the 15 year time period assessed and in net present value terms, generate a net additional £67.4m GVA (NPV) and 80 FTE jobs as a result of the direct and indirect impacts associated with the activities set out under the “TRADE” headings¹³. Including the wider potential impact on bringing forward development of EIP, net additional GVA rises to £144.4m (NPV) and 760 FTE jobs. The consequent cost benefit ratios are 1:2.4 based on direct and indirect benefits rising to 1:5.2 including the wider benefits of the Innovation Park.

	Including Innovation Park	Excluding Innovation Park
Total GVA (£'m, NPV at 01 Sep 2020)	144.4	67.4
Total cost (£'m, NPV at 01 Sept 2020)	27.8	27.8
Cost benefit ratio	1:5.2	1:2.4
Direct & Indirect Employment (FTE, gross ¹⁴)	880.7	80.7
Direct & Indirect Employment (FTE, net)	758.5	78.5

In addition, the proposals will generate a range of impacts for businesses and against the City Deal inclusive growth objectives that are not directly reflected in the above - e.g. in respect of

¹³ We note that the economic impact assessment has been carried out using the same overall approach used for the City Deal Data Driven Innovation business cases including in respect of quantifying impacts and assessing net additionality.

¹⁴ We note that job figures for EIP are based on a very prudent job density of 1 job for 50sqm for “R&D space” per HCA Employment Densities Guide (3rd Edition 2013). Assuming a higher density figure of 12sqm per employee for commercial office space would equate to c.3000 gross jobs.

promoting female entrepreneurship, widening skills participation to disadvantaged groups, contributing to the creation of data assets for the City Region aligned to the DDI programme, the specific alignment of these proposals to addressing key public health challenges, and strategic added value through leadership and coordination within the food and drink sector. Case study evidence from existing activities of SCFDI set out at Appendix D further illustrate the potential outcomes that are expected to be delivered.

In line with the outputs reported in the City Deal benefits realisation plan, the £36m investment is expected to support construction employment equivalent to 198 annual Full Time Equivalents (FTEs)¹⁵ or c.20 FTEs when converted to new/maintained permanent jobs.

1.8 Conclusion

The proposals to develop the hub as the first building at EIP and delivery of the associated Innovation Programme represents a significant opportunity for QMU and ELC to deliver against the objectives of the City Deal and those more widely held by the UK and Scottish Governments.

The availability of funding from City Deal enables the project to progress in a way that would not otherwise be possible within the resources and financial risk bearing capacity of both sponsors and the residual financial and delivery risk is considered manageable. Overall the £30m investment to deliver the innovation hub will unlock wider potential for the EIP and in the 15 year appraisal period considered deliver :

- At least 758 net additional jobs (including EIP)
- £144m net additional GVA (in NPV terms)
- 314 additional undergraduates, 120 masters students and 50 PhDs equipped with the skills to lead innovation in food and drink related industries;
- Leverage £3.4m additional research council funding to the City Region and food and drink sector
- Attract £9m of commercial R&D investment
- Equip 2,043 learners with CPD led skills to promote in-work training and development
- 100 new start-ups to drive future growth with a key focus on driving up female entrepreneurship
- A meaningful contribution to the existing innovation ecosystem in the Edinburgh and South East Scotland City Region

Following approval of the FBC both parties commit to moving rapidly towards execution with £4m already invested by ELC in site acquisition. The principles of a JV delivery structure are established in Heads of Terms and the final detailed legal and commercial agreement will be progressed on approval of the FBC.

¹⁵ In line with the commitment in the Benefits Realisation Plan, Construction employment estimates are provided on the basis of Scottish Enterprise Economic Impact Guidance that the ratio of total construction costs to labour content is £181,000 per annual FTE and then, in order to allow equivalency to new and maintained FTE jobs, total construction employment will be divided by 10 (years).

PART B

Five Case Model

1 Strategic Case

This section provides an overview of the key global, UK, Scottish, regional and local strategies and trends that have informed and shaped the proposals. The policy context for the proposed intervention was considered in detail at the Outline Business Case stage, however, key policies and themes are restated below and these have been refreshed to reflect changes in the policy landscape since they were last reviewed.

In general, each section first summarises the key themes from key relevant policies (chosen as being instructive of the overall policy context) and secondly considers how the proposal aligns with and contributes to the relevant policy and context. It is not intended to be an exhaustive review of the policy environment at all levels and it is expected that as specific activities are delivered these will do so in line with more detailed policies in specific areas.

1.1 Global Policy Context, Trends and Alignment

There are two key globally significant trends that set the context for the activities proposed in the hub and the market in which it will operate:

- **Health Impacts of Nutrition:** What people eat and drink is driving negative health outcomes around the world including chronic obesity, type-2 diabetes, heart disease and certain cancers¹⁶. Obesity alone constitutes an important threat to national and global public health in terms of prevalence, incidence and economic burden. In 2014, more than 2.1 billion people, nearly 30% of the global population, were overweight or obese and 5% of the deaths worldwide were attributable to obesity. If the incidence continues at this rate, almost half of the world's adult population will be overweight or obese by 2030. This comes at a significant economic cost with an estimated global obesity-related spend of US \$2.0 trillion spent in 2014 alone¹⁷.

Set against this backdrop, regulators around the world are demanding that food and drink producers improve the nutritional performance of their product, from reducing sugar and fat content to increasing its nutritional value - e.g. vitamin and fatty acid content. Consumers are similarly demanding change with an increase in “free-from” diets to address increasing awareness of food allergies and intolerances and seeking to make healthier choices about what they choose to eat and drink. The market for healthy food and drink products is now estimated to be worth £300bn globally and poised to grow at

¹⁶ [Food Consumption and its impact on Cardiovascular Disease: Importance of Solutions focused on the globalized food system](#)

¹⁷ [Economic Burden of Obesity: A Systematic Literature Review](#)

6% p.a. during 2020-2024¹⁸. This will also need to be balanced with ongoing demands for convenient ways to prepare food aligned with modern “on the go” lifestyles.

- **Environmental sustainability of food production:** At the global level, the second key market trend relates to the change needed in the food and drink sector to respond to the carbon and land intensity of food production fuelled further by a growing global population and rising prosperity in the developing world driving an unsustainable growth in demand for “Western Style” diets including increased meat consumption.
- Meanwhile, there is increasing concern about degraded soils¹⁹ and the long term consequences of fertilizer driven food production on the environment and the nutritional content of food and drink. Tackling food waste, packaging, growing techniques, water and land usage will require innovation in the way food and drink is produced and understood by consumers. Many consumers are already paying increased attention to the wider impact of their food choices, as demonstrated by the rising number of consumers trying plant-based alternatives to meat products.²⁰

Alignment & Contribution of Proposals

The proposed innovation hub will provide food and drink businesses with access to the research and development facilities and associated expertise needed to reformulate and develop new products in response to these key global trends.

The hub will enable a significant scaling up of QMU’s already successful Scottish Centre for Food Development and Innovation (SCFDI), a research and development service which was established in 2014 and has been successful in attracting a range of businesses, from SMEs to supermarket retailers (see Appendices A&D). An expanded SCFDI will provide access to shared cost research and development infrastructure and skills to producers of all sizes, for many of whom the barriers to innovate, in terms of equipment, skills and knowledge are otherwise too high on an individual enterprise basis. In its refreshed February 2020 innovation strategy²¹ SCFDI has proposed to focus on 4 areas for healthy, functional food development to address global market trends:

- **Product development and reformulation for health** - via creation of new wholesome food and drink products and by reductions in sugar, fat and salt in existing products on the market;
- **Product development and reformulation for lifestyle** – via creation of new food and drink products that are relevant to ever changing consumer lifestyles through the replacement of allergens, replacement/reduction of animal based ingredients in vegetarian, vegan and mainstream products and also the creation of clean label wholesome formulations;

¹⁸ [Technavio - "Global Health and Wellness Market 2019-2023" via Bloomberg](#)

¹⁹ DEFRA (2020) The Path to Sustainable Farming: An Agricultural Transition Plan 2021 to 2024

²⁰ “Record 500,000 people pledge to eat only vegan food in January”, The Guardian, 5 January 2021

²¹ QMU Food and Drink Innovation Strategy Refresh; Feb 2020

- **Product development and reformulation for sustainability** – by sustainable blue sky development such as creation of palm fat alternatives, and product development such as optimisation of industry co-products and new viable sources of ingredients;
- **Product development and reformulation for new markets** - such as sport and exercise nutrition, healthy ageing and plant based nutrition.

Aside from these near market R&D activities, as part of its wider Strategic Plan, QMU also seeks to increase collaboration between its food and drink and health science disciplines, and with wider partners, to undertake more cross-disciplinary academic research in these areas leveraging a greater share of Research Council funding to tackle the challenges facing the sector and continue to grow the UK's, and Scotland's, reputation and standing for high quality products.

1.2 UK Policy Context, Trends and Alignment

There are a number of key UK Government policies that set the overall context for the activities proposed in the hub and upon which the devolved policy context builds in particular areas of devolved competency. Key policies and themes include:

- **UK Government Industrial Strategy** - The UK's flagship Industrial Strategy states that future socioeconomic success is largely dependent on developing the infrastructure and services to support the innovation economy²² and emphasises the need for proactivity in supporting innovation and capturing emerging technology markets that are global in nature: *'We need to be acutely aware and take advantage of the world-changing trends which will shape Britain in the decades ahead. These are developments in technology that are set to transform industries and societies around the world.'*²³
- The role of the UK's Higher Education Institutions (HEIs) is acknowledged as a competitive advantage that is not being fully exploited: *'We are not fulfilling Britain's potential if, despite having scientists and universities renowned the world over, we cannot turn their ideas into the products and services on which the industries of the future will be built.'*²⁴ In seeking to galvanise the national response to key global opportunities a number of challenges were specified of which two align closely to these proposals: Transforming Food Production and Healthy Ageing.
- **Obesity and Health Inequalities** - As of 2017, 26% of UK adults were classed as being overweight or obese²⁵. UK-wide, NHS costs attributable to overweight and obesity are projected to reach £9.7 billion by 2050, with wider costs to society estimated to reach

²² [Industrial Strategy: Building a Britain fit for the future](#)

²³ [Industrial Strategy: Building a Britain fit for the future](#) p25

²⁴ [Industrial Strategy: Building a Britain fit for the future](#)

²⁵ [Statistics on Obesity, Physical Activity and Diet, England, 2020 Official statistics](#)

£49.9 billion per year²⁶. Most recently, studies have shown that the risk of COVID-19 death is heightened in obese individuals²⁷. This has renewed UK government interest in promoting healthy eating at a national level. Policies to tackle obesity include; working with business and industry through the Government's reduction and reformulation programmes on sugar, calories and salt and encouraging shops to swap prominent areas displaying unhealthy food to healthier options.

- **DEFRA Food 2030 Strategy** - Building upon the above noted health trends, DEFRA states the following aim for the future of the UK food industry: “*Consumers to be informed, have the option to choose and afford healthy, sustainable food and this demand is met by profitable, competitive, highly skilled and resilient farming, fishing and food businesses, supported by first class research and development.*” In its 6 policy priorities DEFRA includes the following to which this proposal is relevant; Enabling and encouraging people to eat a healthy, sustainable diet; and, Increasing the impact of skills, knowledge, research and technology.²⁸
- **Role of UK SMEs** - Currently, SMEs comprise the majority of businesses in the UK accounting for: 99.9% of the business population (6.0 million businesses); around half of private sector turnover (£2.3 trillion); and 61% of total employment (16.8 million)²⁹. Fostering innovation in the SME sector, where the barriers to participation in R&D can be high, is therefore key to economic success and SMEs are highly prevalent in the UK food and drink sector³⁰. Key drivers for SMEs within the innovation sector are geared around the ability to respond to the rapid pace of change and to adapt to new market demands quickly. This requires SMEs to have a high degree of flexibility to respond to changing circumstances within short time-frames but, where they are successful, they can respond, disrupt markets and grow quickly.
- **UK Food and Drink Sector** - The food and drink industry is the UK's largest manufacturing sector, contributing £28.2bn to the economy annually and employing 400,000 people³¹. It is a key part of the nation's £110 billion 'farm to fork' food chain with a well-earned global reputation for provenance, quality and innovation.
- A 2020 survey for the UK Food and Drink federation highlighted a third of the workforce is due to retire by 2024, leaving the industry facing a shortage of about 140,000 recruits with this compounded by a reduction in access to imported labour as the UK leaves the European Union. Labour shortages, technology driven automation and demands for innovative new products are cited as requiring a major growth and upskilling of the

²⁶ [Health matters: obesity and the food environment](#)

²⁷ Public Health England press release, 25 July 2020

²⁸ [DEFRA Food 2030 Strategy](#)

²⁹ <https://www.fsb.org.uk/uk-small-business-statistics.html>

³⁰ <https://www.fdf.org.uk/statsataglance.aspx>

³¹ <https://www.fdf.org.uk/publicgeneral/DFD-Economic-contribution-Full-report.pdf>

workforce³². New product launches and increased demand for healthy food products were identified as two of the top three opportunities that UK Food and Drink companies identified for 2018³³. In the food and drink sector disruptive start-ups are becoming increasingly popular with venture capitalists as a result of consumers increasingly seeking out smaller, more trusted, challenger brands.

Alignment & Contribution of Proposals

The proposed hub and Innovation Programme aligns with and will respond to the above policy context by:

- **Sectoral Focus on Food, Drink and Health Sciences:** The hub and Innovation Programme focus on the food, drink & health science sectors building on QMU's existing strengths and established reputation as a partner for applied research in these complementary disciplines, enabling translational impacts of food and drink on health to be addressed. This aligns with the Transforming Food Production and Healthy Ageing pillars of the UK Industrial Strategy as well as DEFRA's food and drink strategy and the desire to improve the UK's health outcomes through diet and nutrition;
- **Talent & Skills:** A key component of the Innovation Programme is to address the skills needs of the sector and provide the next generation of talent equipped to improve productivity and drive innovation. A range of new skills pathways, including full and part time courses and in-work CPD training, is proposed to address the needs set out by the sector;
- **Research and Adoption:** The hub and Innovation Programme will make a wide range of facilities and accompanying know-how accessible to the food and drink sector to undertake R&D and in particular do so on a flexible and shared-cost basis suitable for the predominance of SMEs in the sector and their specific needs. The activities delivered from the hub will support QMU's aim to make an impact on societal concerns relating to diet and health by supporting industry-led reformulation projects and incorporating government led nutrition and health recommendations within projects. Partnership working is at the heart of QMU's Strategic Plan³⁴ for driving excellence in research and collaboration with partners such as Scotland's Rural College (SRUC) will enable activity covering the full supply chain
- **Enterprise:** SMEs are key to the UK economy and in particular the food and drink sector. A key component of the hub proposal is to make serviced floorspace of an appropriate specification available to SMEs on flexible lease terms alongside the leading work of SCFDI. This offer should support SMEs to respond quickly to global markets, building on the UK's trusted food and drink brand to create high value jobs and drive UK exports.

³² Food & Drink Council: Preparing for a changing workforce: A food and drink supply chain approach to skills

³³ <http://www.fdf.org.uk/business-confidence.aspx>

³⁴ <https://www.qmu.ac.uk/about-the-university/our-strategic-plan/>

1.3 Scottish Policy Context, Trends and Alignment

There are a number of key Scottish policies and trends that set the context for the activities proposed in the hub. Key policies and themes include:

- **National Performance Framework & Government Economic Strategy** - Scotland's National Performance Framework sets out the overall national outcomes against which policy interventions should deliver and of most relevance to these proposals are: promoting education and skills; thriving and innovative businesses with fair jobs; globally competitive and entrepreneurial economy; and, healthy and active people. The Government Economic Strategy sets the tone for policy intervention to support economic growth in Scotland, supported by wider Scottish Government policies and agencies. It sets out 4 key actions: investment in people infrastructure and assets; fostering a culture of innovation; promoting inclusive growth; and taking advantage of international opportunities³⁵.
- **Scottish Government Economic Action Plan (2019/20)** - The Scottish Government's Economic Action Plan 2019-20 highlights the importance of 'industrial transformation' through innovation: *'Innovation is about ideas that create jobs and wealth for the people of Scotland. We want Scotland to be a leader in the technological and social innovations of the future'*³⁶. It highlights the important role that a highly trained workforce plays in driving economic growth in modern "knowledge based" economies and in particular highlights the important role played by Scotland's higher education institutions and its world-leading research base in driving innovation across the economy.
- Streamlining business support and ensuring a competitive business environment was also cited as a key priority and the need for a "Future Skills Action Plan" (discussed below) was also identified, which has been taken forward by the Enterprise & Skills Strategic Board.
- **Higher Education and Innovation Policy (Muscatelli Report)** - Scotland has one of the highest ratios of cited research papers to GDP in the world and its higher education R&D as a percentage of GDP ranks top out of the twelve countries/regions in the UK, and ranks fifth in the OECD³⁷. The importance of innovation and the role of Scotland's Higher Education sector in driving it is further underlined in the Muscatelli Report³⁸ in which innovation is identified as intrinsic to economic success for small global economies. The report highlights the need for innovation to be a national mission and sets out actions that include increasing leverage of R&D into Scotland from the UK and beyond, better coordination between HEIs, Scottish Funding Council (SFC) and enterprise agencies to improve the focus and impact of research ("clarity of purpose"), and enhanced knowledge exchange between HEIs and the private sector to address shortfalls in business R&D.

³⁵ <https://www.gov.scot/publications/scotlands-economic-strategy/>

³⁶ Scottish Government Economic Action Plan 2020 <https://economicactionplan.mygov.scot/innovation/introduction/>

³⁷ Higher Education Statistics Authority, 2018

³⁸ [Driving Innovation In Scotland: A National Mission 2019](#)

- The recently published Higgins report, detailing Scotland's required strategic response needed for successful economic recovery in the wake of COVID-19, also highlights the need for Scottish Enterprise to align resources more closely at a regional level³⁹.
- **Addressing skills needs: Enterprise and Skills Board Strategic Plan and Skills Investment Plan (SIP) for Food and Drink** - The Enterprise and Strategic Skills Board Strategic Plan⁴⁰ sets the strategic direction for Scotland's enterprise and skills agencies to drive productivity improvements through a focus on four missions: business creation and growth, tackling future skills needs, growing exports, and workplace innovation. In respect of skills, the emphasis is placed on developing an agile and responsive skills system for employers with an opportunity for high performance workplaces to achieve productivity gains of up to 30%⁴¹.
- Skills Development Scotland (SDS) has set out a specific Skills Investment Plan for the food and drink sector⁴², which reflects similar trends and skills needs in Scotland as set out above at the UK level. In particular, the plan notes that “the long-term shift towards occupations requiring higher-level skills and qualifications is set to continue” and “around 27,000 net job openings expected in the industry taking account of the changing occupational demand for skills and to replace those who retire, change occupations or move away”. Recommended actions to which the hub and Innovation Programme proposals directly respond include:
 - Further develop entry routes into the sector for both young people and career changers;
 - Raise awareness of career opportunities and pathways within the sector;
 - Foster greater partnership working between industry and the public sector to promote opportunities within the sector;
 - Review the range of existing leadership and management training, support and advisory services available with a view to making it more flexible and accessible to companies in the sector;
 - Develop and promote opportunities for networking, mentoring and sharing of best practice within and between companies in the sector and in other sectors;
 - Support the development of skills for innovation in the food and drinks manufacturing sector;
 - Develop and promote a provision that is specifically targeted at meeting the skills needs of employers;
 - Facilitate access to information on the range of provisions available to companies to support growth.

³⁹ [Towards a Robust, Resilient Wellbeing Economy for Scotland: Report of the Advisory Group on Economic Recovery](#)

⁴⁰ [Enterprise and Skills Board Strategic Plan: Working Collaboratively for a Better Scotland](#)

⁴¹ [Enterprise and Skills Board Strategic Plan: Working Collaboratively for a Better Scotland](#) - p5

⁴² [Skills Development Scotland: Skills Investment Plan for the Food & Drink Sector](#)

- **Shaping Scotland's economy: inward investment plan** – The Shaping Scotland's Economy: Scotland's Inward Investment Plan sets out the ambition for Scotland as a leading destination for inward investment and the food & drink sector is identified as one of 9 opportunity areas. The opportunity areas reflect areas of comparative advantage, strong growth and investment potential and high potential economic impact. There is also explicit recognition of the important role which Scotland's academic institutions play when “working hand in hand with Scotland's businesses” to leverage Scotland's natural and human resources. *“The long term strength and sustainability of our economy will come through building on the talents of our people, the excellence and deep knowledge base of our academic institutions and the entrepreneurial spirit of our businesses to build world-leading capability”*. Reflecting this, one of the actions set out in the strategy is to *“support stronger ties between academia and industry in Scotland”*. The proposals for the hub to promote talent, research and collaboration with industry combined with the safeguarding of strategic economic development land at EIP are well placed to support delivery of the inward investment plan and its aims.

- **Scotland Food & Drink: Ambition 2030** - Scotland Food and Drink is a partnership between the public and private sectors focussed on driving success in the Scottish Food and Drink Sector. Ambition 2030 sets out its growth strategy for the sector and highlights the progress already made since the partnership's formation in 2007 with industry turnover up 44% to almost £15bn p.a. and exports now worth £5.6bn, up 56%, Scotland's best performing and fastest growing export sector with a global reputation for quality on which to build further.

- Ambition 2030's overarching goal is to double turnover in the sector to £30bn⁴³ by seizing and responding to key identified market trends including consumer convenience, healthier choices for better wellbeing, more ethically conscious consumption and the impact of technology. It considers sector growth projections to be high and the opportunities for employability unprecedented. Its identified pillars for seizing on this growth potential that exists include:
 - **People and Skills** - promoting positive career paths, being proactive in providing the skills for tomorrow and supporting in-work skills development;
 - **Supply Chain Connectivity** - working together from end-to-end to share knowledge, translate research into practical actions and drive value and productivity benefits across the supply chain;
 - **Embedding Innovation** - through investment in new products and processes, using data to improve supply chain and customer insight and collaboration with City Deals and the associated investment in innovation. Success will be measured by: new products and processes brought to market; business start-ups and survival rates; and the value of investment in R&D.

⁴³ [Ambition 2030: Industry strategy for Growth](#)

More generally, data indicate that expenditure on research and development in Scotland is generally below the broader UK level⁴⁴. As reasons for this under investment, Scottish Enterprise has cited a lack of in-house expertise to undertake research and development, difficulties in accessing finance and a general lack of information about research and development⁴⁵. Scottish Enterprise also identifies a lack of facilities and equipment as being a key constraint on the level of innovation taking place within the Food and Drink sector specifically, despite its potential for continued growth. The industry also reported technical support for new product development as one area which would benefit from investment⁴⁶.

- **Public Health & Good Food Nation** - Scotland faces the same challenges as the UK, with levels of obesity and poor health related to nutrition at the highest levels of any UK nation placing a significant burden on the NHS⁴⁷. In October 2020 Food Standards Scotland issued a report which noted that two thirds of adults in Scotland are either overweight or obese.⁴⁸ The Good Food Nation Bill formed part of the programme for government in the previous parliamentary term and was developed to encourage citizens to take a keen interest in their food, know what constitutes good food, value it and seek it out whenever possible to combat dietary related disease and promoted by the appointment of a National Chef. It is not yet clear if the Bill will proceed in the new parliamentary session but we expect many of its intentions will remain a focus of government policy.
- “Health” is increasingly important in consumer choices being the main reason for particular food choice in one of four meal occasions, accounting for £11.4bn to the UK food industry⁴⁹. Scottish Government has also made a major commitment to improving School Meals through the “Action plan to promote locally sourced and produced food and drink”.⁵⁰ In addition to supporting local businesses, the promotion of locally sourced and produced food and drink helps to reduce carbon emissions associated with the transportation of food and drink and therefore contributes to the Scottish Government’s ambitions to reduce greenhouse gas emissions.

Alignment & Contribution of Proposals

The proposed hub and Innovation Programme aligns with and will respond to the above policy context by:

⁴⁴ [Skills Investment Plan: For Scotland’s food and drink sector](#)

⁴⁵ [Business and R&D in Scotland: A Missing Link](#)

⁴⁶ [Skills Investment Plan: For Scotland’s food and drink sector](#)

⁴⁷ [A Healthier Future – Scotland’s Diet & Healthy Weight Delivery Plan](#)

⁴⁸ The Scottish Diet: It needs to change, Food Standards Scotland, October 2020

⁴⁹ http://www.scotlandfoodanddrink.org/media/15356/health_paper.pdf

⁵⁰ [Promoting local food and drink: action plan](#)

- **Talent & Skills:** QMU is working with the SFC, SQA and Food and Drink Federation Scotland (FDFS) to support the delivery of the SIP by the provision of a new Food Science-related degree course to address skills shortage, particularly in areas of food innovation, new product development and nutrition for industry⁵¹. QMU is also actively involved in the Scottish Government consultations on the Good Food Nation Bill and will use this initiative to promote new product development and reformulation as a career opportunity within the sector, as well as supporting Scottish SMEs in responding to new public procurement and supply opportunities arising from the Good Food Nation Bill and Scottish Government plan to change school meal suppliers to healthier, local alternatives.
- **Innovation, Research & Adoption:** QMU recognises the key role of HEIs in driving a culture of innovation in the Scottish economy as set out in the Muscatelli Report. A key focus of the Innovation Hub proposal is to encourage, provide leadership and facilitate traction in the high growth F&D sector where SME R&D spend has historically been low but sector growth projections are high. In strategic alliance with the growth ambitions of 'Ambition 2030', and developing QMU's SCFDI further, QMU is working with the indigenous SME base in Scotland's food and drink industry to offer a uniquely responsive innovation and collaboration space to reduce barriers to R&D.
- Given the university's strong collaboration with industry and research players in this sector, the Innovation Hub will act as a focus for developing the Food and Drink sector nationally and internationally, alongside facilitating the alignment of regional resources in line with the Higgins report⁵², representing targeted investment in a sector where Scotland has demonstrated a competitive advantage in export markets.
- **Enterprise:** Part of the mission of the hub and EIP is to make space available to others who wish to collaborate in an innovation focussed eco-system and to do so on flexible terms that meet their needs, a requirement which is likely to become ever more important as the sector recovers from the impacts of COVID-19. In doing so it aims to grow and create new enterprises to respond to the rapidly changing trends in the food and drink sector and Scotland's strong performance and reputation in export markets.
- **Public Health:** Building upon QMU's international research in Dietetics, Nutrition and Biological Sciences, SCFDI will be a key vehicle to support SMEs' access to opportunities arising from Scottish Government's review of school food regulations and will support industry to implement changes to reflect the revised scientific advice on nutrition. The proposed areas of research focus will contribute directly to the formulation of new products that better meet policy aspirations and will contribute to the body of

⁵¹ QMU Food and Drink Innovation Strategy Refresh; Feb 2020

⁵² [Towards a Robust, Resilient Wellbeing Economy for Scotland: Report of the Advisory Group on Economic Recovery](#)

evidence on this topic. QMU's chancellor, Prue Leith, is already an active campaigner to improve the eating habits of school children.

- **Public Health:** Through its research centres, QMU will seek to harness the potential of translational medicine in Scotland in supporting the diversification of the Food and Drink industry towards preventative, therapeutic and rehabilitative applications of Scotland's expertise in genomics of disease, biomarkers and bioinformatics. QMU will seek the additional integration of its research expertise in Rehabilitation Sciences to support the development, application and evaluation of functional food for gerontology and sport and exercise nutrition within target groups and associated markets.

1.4 City Region Policy, Trends and Alignment

There are a number of key local and regional policies that set the context for the activities proposed in the hub, in particular the strategic aims and objectives of the wider City Region Deal. Key policies and themes with which the proposal is seeking to align include:

- **Edinburgh and South East Scotland City Region Deal Key Priorities** - The Edinburgh and South East Scotland City Region Deal⁵³ is a £1.3 billion programme covering six local authorities, the City Region's universities and colleges and business and third sectors. On aggregate over fifteen years, the £1.3 billion funding will support a range of Deal activities across five Programme themes covering: Housing; Research, Development & Innovation; Skills; Culture; and Transport.
- **Edinburgh and South East Scotland City Region Deal (Skills)** - The City Region partners view skills development as being critical to embedding inclusive growth practices and outcomes in the regional labour market. The Integrated Regional Employability and Skills Programme (IRES) business case⁵⁴ has £25m allocated over 8 years to address its aims and will focus on improving skills through five key "improvement pillars": Active regional leadership and improvement capacity; Understanding need and opportunity; Building strong employer and citizen relationships; Targeted skills development; and Active opportunity matching. The aim is to create an integrated multi-agency regional employability and skills "escalator", with devolved funding arrangements, which helps people facing labour market exclusion into entry level employment, puts in place in work up-skilling incentives at scale, and supports a pipeline of indigenous and global talent, ensuring the industry can meet the growing demand for high level graduate skills.

⁵³ <http://esescityregiondeal.org.uk/>

⁵⁴ https://democracy.edinburgh.gov.uk/documents/s9930/V2_Full_Meeting_Papers___Edinburgh_and_South_East_of_Scotland_City_Region_Deal_Joint_Committee_____1.pdf

- **Edinburgh and South East Scotland City Region Deal (Inclusive Growth)** - As part of the agreed benefits realisation plan for the City Deal⁵⁵, five overarching inclusive growth objectives have been identified which City Deal projects have been collectively tasked to meet. They are:
 - **Accelerating inclusive growth** - to unlock new talent pools for business, promoting fair work, and equipping disadvantaged citizens with the skills they need to succeed;
 - **Removing the barriers to growth** - through interventions to increase housing and enhance transport connectivity across the Region;
 - **Delivering community benefits through procurement** - by integrating partner approaches to supplier engagement and procurement in order to increase the value achieved from Deal investments;
 - **Targeting employability and skills interventions** - by widening access and addressing skills shortages to boost the flow of individuals from disadvantaged groups into good career opportunities; and,
 - **Delivering social benefit through innovation** - through challenged-based social benefit projects and programmes across the City Region.

- **East Lothian Council** - One of ELC's Council Plan themes is 'Growing Our Economy'. This aims 'to increase sustainable and inclusive economic growth as the basis for a more prosperous East Lothian, and reduce inequalities within and across our communities'. The Plan recognises that the projected growth in population needs to be matched by corresponding growth in the local economy and local job opportunities, building on the region's key sectors of Food and Drink and tourism. The plan explicitly identifies the City Deal and the development of the EIP as a significant enabler of such growth.

- At the City Deal level, there is a recognition of uneven job density across the city region with East Lothian having the lowest job density of 0.55 and City of Edinburgh the highest at 1.02⁵⁶ which, as stated in the Deal Document, has led to: "strong cross-Region commuting patterns... contributing to areas of congestion and significant levels of pollution in some locations". Businesses in East Lothian, surveyed by ELC⁵⁷ identified a need for space to grow their business, citing their requirement for more modern facilities and better accessibility as reasons they are considering relocating their business in the next five years. Small office space, and a range of industrial space, have been identified as required facilities in the East Lothian area.

- **East Lothian Food & Drink Limited, Scotland's Food & Drink County** - Following years of successful collaboration between ELC and food and drink producers in East Lothian, the world's first Food and Drink Business Improvement District was established in 2016. A strong brand presence has been created under 'East Lothian, Scotland's Food and Drink

⁵⁵<https://democracy.edinburgh.gov.uk/documents/s25995/5.3%20Benefits%20Realisation%20Plan%20with%20appendices.pdf>

⁵⁶ Edinburgh and South East Scotland City Deal benefits Realisation Plan

⁵⁷ 2017 Business Base Study, East Lothian Council

County', with a vision of being a leading regional producer of food and drink products in the UK, and for East Lothian produce to be perceived as having a premium offering, sought after by consumers.

- **City of Edinburgh Economic Strategy** - The City of Edinburgh is experiencing very strong demand for floorspace from emerging companies looking to grow but a historic city centre with few brownfield sites of scale, booming housing markets putting pressure on land prices in prime locations, regional transport pressures and the specific commercial issues of building for the SME market are meaning too few suitable sites are coming forward. *Edinburgh requires delivery of a supply of workspaces to meet the needs of business at every stage of development, from start up, to growth and expansion that does not currently exist. Without a ready supply of appropriate work spaces and facilities Edinburgh's economy will be unable to prosper and expand to support both the growing demand from tech companies and the growing population.*⁵⁸

Alignment & Contribution of Proposals

The proposals for the innovation hub, innovation programme and wider EIP will respond to the local and regional priorities noted above by removing barriers to growth and promoting more inclusive outcomes through:

- **Addressing shortages in strategic employment space and increasing job density in East Lothian:** East Lothian Council has already invested £4m to acquire the site for EIP to support high value job creation in the area and address the issue of unequal job density across the City Region. The site is one of few in East Lothian to have excellent road and rail connections to the rest of the county and wider city region and this proposal will safeguard it for employment use. The 4,290 sqm of high quality floorspace for the SME market in the hub (and its impact on pump-priming the development of up to 30,000 sqm of lettable business space over the 20 to 25 year build out of the EIP) will play an important role in addressing the identified shortage of suitable business premises in East Lothian and address more widely the acute pressures facing the wider SME market in and around Edinburgh.
- **Promoting innovation-led growth in the local/national food & drink sector:** The focus on promoting innovation in food, drink and health sciences aligns strongly with the local focus on developing a high value-added food and drink sector and the wider City Deal priority for innovation-led growth that capitalises on the strength of local HEI partners. By providing a step change in accessibility to research skills and facilities, the proposals aim to increase business investment in formal innovation such as research and development and the benefits it brings (see Appendix D for previous case studies).

The emerging relationship with local businesses is represented in East Lothian Food and Drink Ltd (representing 40 SMEs) recently taking a lease in QMU's Business Innovation Zone which is already promoting dialogue and engagement with employers,

⁵⁸ Edinburgh Economic Strategy 2019

SME networking, and student and graduate mentoring. The hub is expected to offer an excellent facility to support product launches and is a tangible statement to coordinate and bring leadership to the strength and growth prospects of the regional and Scotland-wide food and drink sector.

- **Addressing City Deal skills priorities through new full time, part time and in-work skills pathways:** The talent and skills aspects of the proposals align strongly with the 5 key pillars in the IRES Programme. In revisiting its skills pathways and re-aligning provision alongside a wider pivot towards engaging with industrial and commercial customers on product development activities, QMU's proposals will create a range of relevant and practical new skills pathways including full and part time options and employer sponsored CPD to improve in-work progression. In particular, the focus on CPD courses is seen as a route to formalise qualification in the food and drink sector where currently this is lacking, reducing mobility and professional growth within the sector as skills are not formally endorsed or recognised.
- **Promoting Inclusive Growth outcomes with a particular focus on skills development female entrepreneurship:** QMU traces its origins to the establishment of 'The Edinburgh School of Cookery and Domestic Economy' in 1875 with twin aims of improving women's access to higher education and improving the diets of working class families. While it has grown and evolved significantly as an institution in the intervening decades, it continues to have an inclusive and practical ethos at its heart.

QMU's accessible reputation and range of practical oriented courses means it is well positioned to encourage people into Higher Education that may otherwise not consider it. The majority of its students come from a local or regional catchment (including several feeder FE colleges) and many live at home and commute-in to the campus. Additionally, over three quarters of QMU's students and staff are women.

QMU's reach is complementary to delivery against the five City Deal inclusive growth objectives that include a focus on talent, employability and social benefit through innovation across all groups. The proposed skills pathways are already mentioned above and the focus on innovation related to diet related health issues, which disproportionately affect more deprived communities, should deliver social benefit. Discussions are also ongoing with multiple parties (including Scottish Government Women in Business policy team and Women's Enterprise Scotland) to build on QMU's successes in female higher education and entrepreneurship to establish a women's business centre⁵⁹. This recognises the high degree of female enterprise in the food & drink sector on which the proposals centre and the requirement for bespoke support to help women grow small home businesses into larger enterprises. Finally, opportunities to embed community benefits in the procurement of the hub will be explored.

⁵⁹ Currently almost two thirds of the 40 start-ups in the QMU innovation zone have been created by females.

1.5 QMU Policy Context and Alignment

QMU's vision is to be “a university of ideas and influence”. This is central to its strategy which sets the context for its enthusiasm to take the project forward:

- **About QMU⁶⁰** - QMU traces its origins to the establishment of ‘The Edinburgh School of Cookery and Domestic Economy’ in 1875 with twin aims of improving women's access to higher education and improving the diets of working class families. It has since grown rapidly to offer a wide range of courses from its modern campus but has remained focused on making a real practical impact on everyday life and remains outward looking with a strong ethos of partnership and collaboration. QMU's purpose is to “*help to create a better society through education, research and innovation, and by providing a supportive and creative learning environment in which students and staff thrive*”. It is a university that is modern in outlook and facilities but with a maturity built on a long history of serving the community, both locally and globally, and enhancing its wellbeing. It strives to work in a transparent and inclusive manner and hold to its core values of: social justice, environmental sustainability, intellectual curiosity, valuing the individual, ambition and excellence.
- **QMU Strategic Plan 2020-25⁶¹** - Building on its inclusive and practical history and sustained growth, QMU's strategic goals for the future are:
 - **Seek out partnership and collaboration** - through taking a cross university approach to partnership working with government and industry to solve important societal challenges;
 - **Provide distinctive, accessible, high quality education** - through a reactive and market responsive course portfolio, promoting access to under-represented groups and focusing on staff and student well-being
 - **Deliver transformative research and innovation** - through building on strength in applied research to grow the proportion of internationally recognised research, grow research income and sustain a culture of innovation through development of the hub and EIP.
 - **Embed sustainability** - through continuing to incorporate sustainable practices in all its activities and in its teaching.
 - **Invest in the long term future of the university** - through maintaining financial stability and growing staffing and infrastructure.
- **Campus Masterplan** - A specific campus focused objective is that by 2025 QMU will have ‘Synergistic development on the land surrounding the campus to include additional facilities for students and the local community (shops, cafes, etc) and an Innovation Park

⁶⁰ <https://www.qmu.ac.uk/about-the-university/history/>

⁶¹ <https://www.qmu.ac.uk/media/9275/strategic-plan-2020.pdf>

focussing on start-up and early stage companies and SMEs in sectors related to the university's activities'.

Alignment & Contribution of Proposals

A significant element in QMU's decision to relocate to its current campus in 2007 was the future economic development opportunity that would *“establish QMU at the core of a new business and education-led mixed use hub serving the needs of students, staff, employers, employees, existing and future residents and visitors, focusing on research, learning, job creation and associated commercial uses, all contributing to the creation of a new place.”*

The proposals for developing the hub and wider EIP are a direct response to QMU's long held strategic vision to be at the heart of a thriving R&D campus and current strategies contemplate this development as a key component of forward strategic planning.

The recent refresh of QMU's 5 year strategic plan has sought to embed and build upon the transformational impact that development of the hub and wider EIP is expected to have. The hub and EIP will be a key delivery mechanism for each of the strategic goals and the proposed innovation programme, while aiming to increase the benefits of the hub is also directly aligned with, and a response to, the Strategic Plan.

1.6 Collaborative and Competitive Landscape

Seeking out partnership and collaboration is a key goal in QMU's Strategic Plan, and the need for increased collaboration has been specifically highlighted by the Higgins report⁶² which stated that collaborative working at a regional level is critical for Scotland's economic recovery in the wake of COVID-19. The hub will form a key part of an ecosystem of Innovation Hubs focused on Food and Drink that are being created along a corridor stretching up the east coast of Scotland.

QMU has been in contact with representatives of the Aberdeen, Inverness, Stirling, Ayrshire and Tay Cities city region deals (the last of which incorporates the James Hutton institute). While all of these city region deals include Food and Drink elements, none of the other proposals in this sector are of the breadth and depth of health science expertise that the university is able to bring to food and drink innovation, and none are as well developed as those of the Edinburgh Innovation Hub. The Food and Drink proposals of the other city region deals are therefore not considered to be competitors and will instead be complementary to the innovation hub, with all of them serving their respective local SME catchment area and bringing different strengths to Scotland's offer.

QMU continues to work in collaboration with Scotland's Rural College (SRUC) and James Hutton to ensure collaborative alignment of academic research with the Food and Drink industry strategy.

⁶² [Towards a Robust, Resilient Wellbeing Economy for Scotland: Report of the Advisory Group on Economic Recovery](#)

This will also support ongoing inter-institutional initiatives in support of graduate start up and employability in the Food and Drink sector.

QMU was also invited by Perth & Kinross Council to present at the East of Scotland Food and Drink Seminar to promote alignment with the Perth Food Park (part of the Tay Cities City Deal involving Abertay University). QMU is keen to develop links with Abertay University and UHI in the area of new product development and engineering capabilities around high pressure pasteurization (HPP).

A comparison of activity relative to the QMU innovation Hub and in particular the SCFDI is presented in the table below indicating an offer differentiated and complimentary via geography, access to academic, food technologist and research support, breadth of facilities and scale/type of businesses targeted: -

Center or Organisation	Comparison with QMU hub	Complementarity of service
Seed Pod	<p>Based in Aberdeen, supported by Aberdeen City Deal funding and due to open in 2022.</p> <p>Discussion and research suggests a degree of overlap with SCFDI services but narrower in scope and focused on small-scale incubator type facilities without direct academic support. The QMU Innovation Hub, offering is much wider in scope and will provide a more integrated approach to product development through our laboratories, sensory suite and software, alongside the capability to produce pilot-scale trials of food consumption grade products. The accessibility to wider innovation support within the Hub and QMU itself is a clear differentiation. QMU will continue to support applications for Innovation and Research funding awards, which Seedpod does not have access to.</p>	Degree of complementarity but serves a different geographic area with a lower scale of service etc.
Highlands and Islands Food and Drink Development Network (HIFDN)	<p>Propose a central facility (hub) based in Inverness supported by Highland City Region Deal.</p> <p>Offering still being developed with the central facility to be available in 18 months albeit at a significantly reduced scale than that presented by QMU Hub. Regardless of Hub Service, emphasis will be on a virtual network of support, reflecting the geographic area. No Food Scientists or Food Technologists employed by them within their network and they intend to sub-contract work requiring New Product Development support and possibly other types of Food Science/Technology support (a potential opportunity QMU could offer).</p>	<p>Degree of complementarity but serves a different geographic area with a lower scale of service and on an emphasis on distributed /virtual support.</p> <p>Potential for SCFDI to complement and support the HIFDN in delivering Food Science support to the Highland Region is evident and recognized by both organizations and agreement that a memorandum of understanding will be developed.</p>
University of Abertay	<p>Based in Dundee -Has existing sensory, process and analytic capabilities, enabling it to run a variety of projects supported by academic staff.</p> <p>In contrast to SCFDI, Their Client work is focused on larger projects, in particular Knowledge Transfer Partnership (KTPs).</p> <p>SCFDI sensory and consumer insight work is much more client focused and our facilities are in daily use and of larger scale than Abertay with a consumer database (650+ people registered) with the ability to filter by age, sex, lifestyle, shopping habits according to the bespoke demands of clients.</p> <p>Abertay have no core staff or Full time Food Technologists to conduct projects.</p>	<p>We currently work with Abertay (and SRUC) through the Thrive project – Food and Drink Start-up generator</p> <p>Offering differs from SCFDI, which focuses on sensory and product development work in a highly integrated manner.</p>

<p>Nottingham Food Innovation Centre</p>	<p>Based in Nottingham and a major institution in the English Food Innovation landscape. It currently has significant large company financial support (Nestle, Unilever, Mars etc.) and operates with a very large team of academics and staff. The capacity and capability of Nottingham is significant but they do not support the Scottish F & D sector.</p>	<p>Any complementarity here will emerge from examples of good working practice.</p> <p>Our principal point of difference is our location. In addition the SCFDI is also characterized by its approachability, responsiveness and proactivity to potential clients (oftentimes being much more flexible than larger institutions)</p>
<p>Alba Science Edinburgh https://www.alba-science.com/services/consumer-sensory-evaluation</p>	<p>Located in Edinburgh - Alba specializes in health research and they have recently added food evaluation into their portfolio.</p> <p>Initial detail suggests food is not a core part of service offering.</p>	<p>May be a degree of complementarity but unlikely yet have range of services or academic support that QMU innovation will deliver.</p>
<p>South West Dairy https://www.thescottishfarmer.co.uk/news/1864232-2-working-make-south-west-scotland-uks-leading-dairy-region/</p>	<p>Collaboration between SRUC, with University of Strathclyde and University of West of Scotland alongside industry partners Dumfries Council, First Milk, Arla, Lactalis and a college in Cumbria (Newton Rigg). Targeted at the dairy industry to create a more traceable and sustainable dairy process.</p> <p>Facility not yet identified</p>	<p>Focused largely upon Agriculture and Dairy orientated (process equipment for milk production to enable full traceability).</p> <p>The main difference with SCFDI is that this center is purely focused on dairy whereas the SCFDI offering will be cross-sectoral. Potential opportunities to provide broader technical services of SCFDI to support the initiative (e.g. in respect of assessing and evidencing health & nutritional claims).</p>
<p>Ayrshire</p>	<p>Food & drink is identified as part of the Ayrshire Growth deal</p> <p>Land donated by Diageo (23-acre former Johnny Walker whisky bottling site) to assist development but no definition yet.</p>	
<p>Tayside City</p>	<p>The Tayside City Deal includes a food and agriculture component involving the James Hutton Institute. Commitments include £62m for Invergowrie farming research centre, the James Hutton Institute and also £26.5m for Fife's Eden Campus</p> <p>Largely an agriculturally driven and food production project and as such this "pre-farm gate" activity does not replicate what the SCFDI does.</p>	<p>SCFDI has worked with the James Hutton Institute for several years largely due to our near to market experience and approach.</p> <p>We currently provide consumer and sensory insight assessment support for their potato crop projects.</p> <p>Both organizations intend that this interface will continue</p>

<p>NMIS Renfrewshire</p>	<p>National Manufacturing Institute Scotland (https://www.nmis.scot/) is not food focused (although food firms will be involved).</p> <p>This manufacturing excellence centre will build on innovation in manufacturing in a number of sectors and amongst other tasks will be to include a collaborative member set of companies who work together to find solutions. Collaboration groups work well where non competing firms are involved (SCFDI proposes to facilitate assessment and evaluation of new F & D manufacturing equipment in our new process suite (white room).</p>	<p>Potential complementarity in the future through pilot testing of new F & D manufacturing equipment</p>
<p>Stirling Aquaculture Centre</p>	<p>A new Analytical Building and Innovation Hub. Funded by the Stirling & Clackmannanshire City Region Deal.</p> <p>Predominant area of interest will be Aquaculture, Facility will incorporate new Aquaculture Aquaria as well as a facility to support Entrepreneur-ship and Business Start-up.</p> <p>Propose to set-up an Intergenerational Living Hub that may have a “very slight” focus on F & D but the form of this remains unspecified.</p>	<p>No obvious overlap with EIP FBC for EIP F & D innovation Hub</p>

2 Economic Case

The purpose of the economic case is to identify and appraise the options for the delivery of the programme and to recommend the option that is most likely to offer the best Value for Money (VfM). In order to identify the preferred option this section provides an overview of the:

- Case for change including market failures;
- Programme level impact pathway and associated benefits that have informed the development of this business case;
- Selection process involved in short-listing the QMU delivery options that are most likely to realise these Programme benefits;
- Assessment of the anticipated types and levels of economic costs and benefits that might be generated by each of these options;
- Consequent rationale for the selection of a preferred option; and,
- Resultant net economic benefits that will be generated.

In assessing the economic impacts of the proposed preferred option we note that the economic impact assessment has been carried out using the same overall approach used for the City Deal Data Driven Innovation business cases, including in respect of quantifying impacts and approach to assessing net additionality. This is intended to offer consistency within the City Deal and facilitate the review and approval process by following established methods.

Given the timing of the analysis being undertaken, the impact assessment follows the process set out in the 2018 Green Book and as such does not include detailed consideration of the new (and recently published) Green Book guidance (2020).

The rest of this economic case has been set out in three parts as follows:

- Part A - Case for Change
- Part B - Options Appraisal
- Part C - Preferred Option

2.1 Part A: The Case for Change

2.1.1 Current Situation, Symptoms & Needs

Based on the detailed policy and market assessment set out in the Strategic Case, the following provides a summary of the current situation, symptoms and needs that are required to be addressed through intervention to unlock the further economic and social opportunities identified:

- There is a global trend towards improving the health and nutrition of food and drink products and towards transforming the way food is produced to reduce its impact on the environment. This is leading to increasing regulatory and consumer pressure for the formulation of new products and the need for increasing collaboration between the food & drink and health science sectors;
- The food & drink sector in the UK and Scotland is dominated by SMEs and, in spite of significant opportunities for growth, investment in R&D to respond to emerging trends is insufficient. Specific barriers to SME participation in R&D and new company formations exist including access to relevant skills and facilities on a flexible basis and at a cost they can afford;
- There are forecast skills shortages and needs in the food & drink sector that are not currently being met and which require a range of new skills types and skills pathways that are not currently provided;
- The existing business support on offer to SMEs in the food and drink sector is often fragmented and there is a need for leadership and further coordination to raise the profile of careers and opportunities in the sector to build on current partnerships; and,
- Economic and social outcomes in the city region are unequal with pockets of low wage employment and inequalities amongst different social groups. Patterns of employment across the City Region are uneven with a need to increase job density in areas such as East Lothian (where it is low) to mitigate pressures on the transport network.

2.1.2 Market failure

The Green Book indicates that the rationale for government intervention: “*can be based on strategic objectives, improvements to existing policy, market failure or distributional objectives that the government wishes to make*”. The strategic and policy objectives for Government intervention in the QMU Innovation Hub have been presented in the preceding Strategic Case section. The consequent market failures and distributional benefits that will be addressed by this support have been provided below.

In light of the current constraints facing the food & drink and health sciences sector in East Lothian, and the City Region more widely, two areas of market failure have been identified:

- **Positive Externalities⁶³**: in relation to the wider, spill-over benefits from QMU TRADE outcomes (and related food & drink and health sciences sector research and

⁶³ “Externalities arise when an economic activity results in costs and benefits for others which are not reflected in market prices..... Positive externalities are also possible, for example education provision can bring additional benefits to the wider economy and society, in addition to those gained by the direct beneficiaries and the provider”

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_complete.pdf

infrastructure) resulting in uplifts in productivity for local businesses and the wider City Region (and Scottish and UK) economies which will not be captured in financial returns to the Universities. Additionally, the positive returns to the public exchequer from improved nutrition and health outcomes; and,

- **Imperfect Information**⁶⁴: given the nascent nature of the demographic challenges facing the food and drink sector (particularly in relation to areas such as obesity, aging population and sustainability) market opportunities and related uncertainties, information deficiencies and related private sector investment (risk averse) inertia that could, however, be broken by the innovation at scale objectives of QMU TRADE activities. This includes a commercial risk aversion of traditional landlords to lease high quality space to start-ups/SMEs with high potential but lacking an established track-record.

The ultimate outputs and related impacts of Government intervention will be that the Innovation Hub provides students, academics, workers and existing and new businesses with better Food and Drink focused skills, facilities and infrastructure while also attracting new investors, students and academics to the City Region through enhanced food & drink and health sciences focused training, research and development, incubation and commercialisation support and data driven innovation provision.

Through the above activities there will be improved information flows and external positive benefits and consequent economic growth through three broad sources, namely:

- Business efficiency gains in terms of improved performance, reduced costs and expanded revenues;
- Consequent uplifts in R&D activity from reinvestment of profit uplifts; and
- New market entrants leading to efficiency gains and new products and services.

Consequently, as detailed in the Economic Case section of this case, the extent of the productivity gains that the QMU Innovation Hub will generate is estimated to exceed over £140 million GVA in net present value terms (including direct, indirect and wider impacts).

In light of the above, the opportunity presents itself for QMU to build upon existing expertise and develop the Edinburgh Innovation Hub as a renowned centre for research and development within the Scottish Food and Drink sector. Through supporting innovation, skills and start up opportunities at a single location, the Edinburgh Innovation Hub can increase the profile of food and drink research in Scotland and has the potential to stimulate increased investment in the sector as a whole.

⁶⁴ "Information deficiencies: where there is a lack of information of sufficient quality to enable informed decisions to be made"

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220541/green_book_compl_ete.pdf

2.1.3 Distributional Benefits

QMU Innovation Hub activities are aligned to the Scottish Government's Inclusive Growth Strategy of ensuring that Scotland will be: " more ambitious, with government, businesses and wider society working together to lead on the key technological and social changes of the future" and ensuring economic growth is "inclusive, so that everyone benefits and has a fair chance to contribute".⁶⁵

In particular, all proposed QMU Innovation Hub activities will need to demonstrate how they will meet (at least one of) the identified overarching City Region Deal inclusive growth objectives. A summary of this alignment is set out in the Strategic Case (*see alignment with City Region, Policy and Trends*).

2.1.4 Constraints & Dependencies

Space constraints

QMU has altered space within its existing academic campus facilities to accommodate the SCFDI and related SME activity. While this has enabled the SCFDI to operate, it has not been an optimal solution as the activities of SCFDI are constrained by being located within a campus that is primarily teaching focused. Furthermore, while the facilities currently offered to support innovation activity are modern, they are dispersed and not bespoke in the manner in which the facilities in the innovation hub will be tailored to the needs of the occupiers.

QMU does not have any additional capacity which could effectively be used by the SCFDI. The university estate is focussed on core learning, teaching and research activity. It operates one of the smallest higher education estates in the UK. It already makes very efficient use of its available space, as demonstrated by the fact that its allocation of space per full time equivalent student is the lowest in the UK.

The proposed new facility will be designed for easy external access to facilitate installation of temporary specialist equipment to support specific research activities, a level of flexibility which is considered to be very attractive to potential partners. This level of flexibility is something which is not readily possible at the current facility's location embedded within the main building.

The lack of appropriate facilities within the existing campus is now constraining QMU's ability to support businesses that wish to benefit from the services offered by SCFDI. It has become clear that the activities currently delivered through SCFDI could be scaled up substantially if appropriate space were available to support it. The proposed investment in Edinburgh Innovation Hub seeks to address the fact that existing demand for SCFDI is now exceeding supply and significant further opportunities and partnerships arising from greater alignment with health sciences could be missed if they cannot be accommodated.

Financial constraints

⁶⁵ First Minister, 31st August 2017.

As set out within the Financial Case, the £36m construction cost of the innovation hub will be funded by the City Deal (£30m) and a capital contribution (£6m) from ELC. Based on the assessment of the financial returns of the hub once completed (see Financial Case) QMU and ELC would not be in a position to fully fund the capital costs of a new building, bear the associated risks or prioritise it alongside other investment demands.

These constraints have been compounded by the Covid-19 pandemic which has created additional financial pressure for educational institutions and local authorities. Its longer term impacts have also introduced further economic uncertainty which further constrains the ability of the partners to bear the significant additional financial risk that investing in the full cost of the hub would otherwise entail.

A1 Junction Improvements & Wider Development

The operation of the hub will be further enhanced by completion of the A1 junction enhancements to provide direct access in both directions, further improving access to the site. In addition this will improve connectivity to the wider residential development of 1500 homes, a new primary school and community facilities and enhance the overall setting (place), attractiveness and competitiveness of the hub and EIP offer. Procurement of the enhancements by ELC is underway and progress is captured and monitored in the risk register (Appendix C).

Objectives

Taking into account the factors comprising the case for change, the following five objectives for guiding intervention have been identified:

- To deliver positive economic and social impact on the economy and lives of people in the city region and across Scotland;
- To facilitate the growth of start-up, early stage and larger companies in the food & drink sector; and to guide early stage businesses on the road to commercial success;
- To align QMU and ELC objectives (both strategic and academic) in order to meet the skills shortage in the sector;
- To support access to the global market for healthy and functional food and innovation in new product development; and
- To consolidate the reputation of QMU and the wider East Lothian region as a centre of excellence for food and drink innovation.

These objectives have been linked to the TRADE based outputs and outcomes identified as part of the options appraisal process in terms of timing and measurability of impacts during programme delivery and beyond.

2.2 Part B: Options Appraisal

2.2.1 OBC Options Appraisal

At the OBC stage the following options were considered and appraised against a range of identified, weighted objectives and criteria with the outcome as follows:

Option	OBC Appraisal Outcome
<p>Do nothing/status quo - No new building, and the work of the SCFDI continues in its current scale and form.</p>	<p>Discounted - Ambitions of QMU and ELC to deliver transformative benefits for the region were inhibited and growth in activities severely constrained, significantly reducing potential for economic impacts.</p>
<p>Full build out - Full build out of the 10,000 sqm (GIA) facility, constructed as two buildings physically linked by a central operational core.</p>	<p>Preferred Option - New build facility would enable QMU and ELC to meet economic growth aspirations, meet rising demand for start-up space in the Food and Drink innovation sector and deliver transformative economic benefits.</p>
<p>Reduced build out - A reduced scale build out of the facilities. This could mean a smaller site, with functions based in one building.</p>	<p>Discounted - Enables a partial accommodation of demand and increase in innovation activity but cost benefit ratio felt likely to be constrained by the need to still justify fixed investment costs in terms of land acquisition, site preparatory works and core building facilities.</p>
<p>Innovation Network - A new “innovation network” model is adopted with existing facilities being maximised and funding directed more to equipment and staff / research costs through revenue funding, alongside network development across the region and further afield.</p>	<p>Do Minimum - Felt to deliver at least some economic and social impact beyond the do nothing option. However, failed to address the lack of facilities available to meet demand and considered unlikely to deliver transformation change for either ELC, QMU or the wider sector.</p>

2.2.2 Revisit of Options Appraisal at FBC

At the FBC stage, the options for delivery have been revisited to confirm the scope of the preferred option in light of further developments since the OBC and that it remains the preferred solution in light of other options considered to be available. The following criteria were used to select a Preferred Option:

- Alignment with HMT Green Book Box 9 Critical Success Factors (CSFs)⁶⁶;
- Alignment with Case for Change objectives;
- Financially & Commercially Viable; and
- Impact on maximising the strategic potential of the wider EIP.

⁶⁶ HM Treasury Green Book, Box 9 Critical Success Factors, p32

Comments against each of the options assessed are set out below:

Options at OBC	Update to Option for FBC
<p>Do minimum/nothing - Based upon the assumption that most of the potential opportunities and benefits identified from the “knowledge network” option at OBC stage could be embedded as the new “Do Nothing” in terms of maximising the impact and deployment of current facilities and resources in collaboration with wider partners. Some aspects of the Innovation Programme could be delivered but at much reduced scale due to lack of growth capacity in facilities and lower profile/organisational commitment compared to delivery of a dedicated innovation hub.</p>	<p>Discounted on the following basis:</p> <ul style="list-style-type: none"> ● Performs well against some CSFs in terms of deliverability but very poorly against strategic and business needs; ● Fails to cater for market demands, needs and opportunities in addressing the Case for Change; ● Poor alignment with QMU and ELC strategic plans and desire to lead transformational change for the local economic and food & drink sector; ● Unlikely to have any impact on wider EIP development offer over the longer term.
<p>Full build out - Following detailed design development, broadly the same option as considered at OBC but incorporating updated cost projection to bring the build cost to £36m. Additionally, incorporating the proposed wider Innovation Programme capitalising on the refreshed QMU Strategic Plan and opportunity represented by the hub to embark on ambitious change.</p>	<p>Preferred Option on the following basis:</p> <ul style="list-style-type: none"> ● Performs well against all Green Book CSFs and considered deliverable and good fit with strategic objectives; ● Caters for market demand and identified needs and opportunities for the short and medium term and addresses the case for change; ● A significant investment to act as a wider catalyst for strategic change within QMU and the food and drink sector and in releasing ELC economic development ambitions on a key site; ● Expected to have a significant impact in attracting and developing tenants to establish the future of the EIP.
<p>Reduced build out - A similar option to that considered at OBC where the building is reduced to a smaller size still considered to be economically justifiable from a construction perspective. Assumed reduced cost of £28m with impact on building specification and extent of “TRADE” activities delivered under the Innovation Programme.</p> <p>Further reducing the cost/scale of this option was not considered viable as the large components of “fixed” investment costs on and offsite (e.g. land acquisition, utilities, site</p>	<p>Second Place Option on the following basis:</p> <ul style="list-style-type: none"> ● Similar outcomes to the above in respect of alignment with CSFs and overall strategic ambitions/needs; ● Concerns in respect of operational financial viability of a smaller building with lower floorspace reducing income disproportionate to any decrease in costs (reduced economies of scale); ● Expectation that the facility could be outgrown within 3-5 years based on current occupancy assumptions; ● Reduced TRADE outputs and impact

prep) would mean squeezing the residual costs associated with the building to the point that the size and specification of the building would not be commercially attractive or viable on an operational basis (either in terms of the necessary rents per sqm, quality of the offer to address the specific market needs identified and ability to efficiently accommodate further growth)	on EIP build out.
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As a result of the above process, the full and partial build out were further considered on a cost benefit basis. This analysis was based on the results of a full appraisal of the full build out option and a sensitivity analysis of the proportion of benefits still considered deliverable under the reduced build out option. This confirmed the full build out option as the Preferred Option.

Option	Estimated BCR (direct, indirect, wider)	Comment
Full Build Out	1:5.2	Calculated per Part C below.
Reduced Build Out	1:2.4	<p>Sensitivity on the above but reflecting:</p> <ul style="list-style-type: none"> • Reduced costs of £28m; • TRADE benefits of between 60% and 75% of full build out option with most talent activities delivered but reduced commercial and entrepreneurial benefits due to reduced offer and more constrained floor space requirements which are more quickly outgrown; • More limited and delayed impact on EIP as fewer surplus resources available to invest and expansion of initial facility requiring to be delivered prior to further plots being developed. Lower indigenous SME population in hub to drive expansion and demonstrate commercial viability. c.50% reduction in benefits.

2.3 Part C: Detailed Assessment of Preferred Option

This section sets out in more detail the key features of the Preferred option. Further technical detail is set out in Appendix E.

2.3.1 Impact Pathway

An impact pathway was developed for the Programme - as set out overleaf - to determine the range of potential impacts that might be realised and the consequent smart objectives and “success factors” (in terms of inputs, activities and market interactions with potential beneficiaries) required to deliver these impacts.

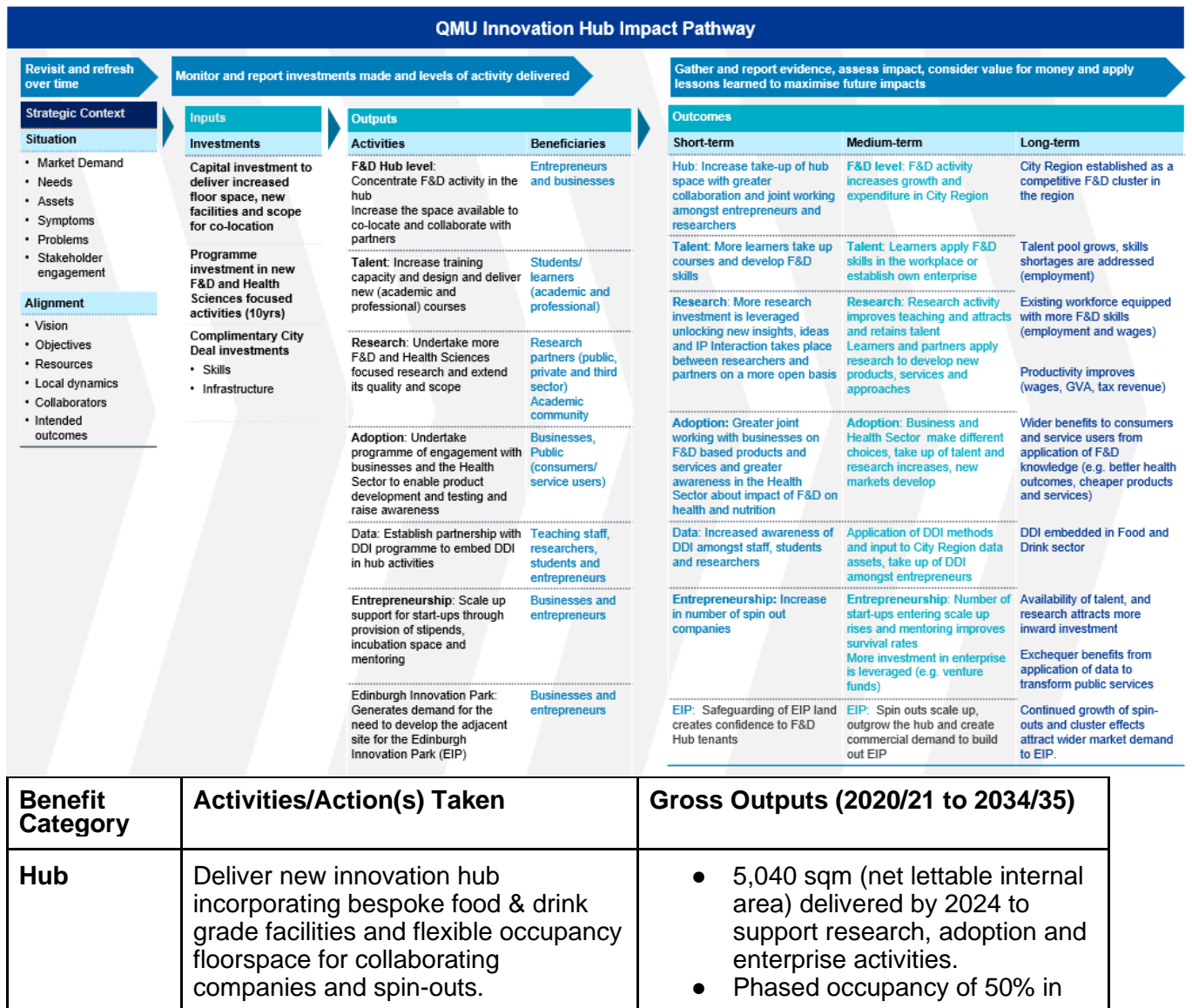
As illustrated, the objectives of the Innovation Hub will be met by the proposed QMU TRADE activities delivering a range of economic and social benefits, including:

- **Talent:** creating and retaining a sustainable pool of Food & Drink and health sciences related talent in the City Region, Scotland and the UK;
- **Research:** expanding and enhancing the Food & Drink and health sciences research activities;
- **Adoption:** increasing the use and adoption of Food & Drink and health sciences related activities and events by the public, private and third sectors in the City Region and beyond;
- **Data:** providing the analytical capacity and data accessibility to underpin Food & Drink and health sciences related activities; and,
- **Entrepreneurship:** enabling City Region based and other entrepreneurs to develop new Food & Drink and health sciences based businesses (through commercialising innovative research and accessing relevant talent and datasets).

QMU Innovation Hub Impact Pathway

2.3.2 Activities & Outputs

The following outputs were identified following discussion with QMU and these were measured as part of the economic impact assessment. These represent the uplift in outputs compared to the baseline (See Appendix E - Economic Impact Technical Appendix for details).



		2024 rising incrementally over 5 years to 100% by 2028.
Talent	Enhance and expand course provision for food and drink related technology & innovation to improve the quality and quantity of industry relevant skills	<ul style="list-style-type: none"> • 314 undergraduate BSc (over 15 years) • 120 Masters and 50 PhDs (over 15 years)
Research	Use the new hub facilities to scale up the quality and quantity of research activity undertaken in the City Region in collaboration with partners in the UK and abroad where relevant.	<ul style="list-style-type: none"> • £5.2m research council grant income over 15 years, representing an uplift of £3.4m from a baseline of £1.8m.
Adoption	Use the increased capacity and facilities provided by the hub to significantly increase direct development projects with commercial customers and create new CPD courses to create in-work skills development pathways for employers.	<ul style="list-style-type: none"> • Double annual commercial revenue from SCDFI activities to £500k by 2025/26 (representing c.35 projects based on current average value of a typical project) with a total commercial spend on R&D projects of £9m over 15 years • 2,043 CPD courses (accredited and non accredited) over 15 years.
Data	The Innovation Hub will seek to exploit the access to large datasets that the Data Driven Innovation Programme will unlock within the City Deal Region via the WCDI and related Hubs, particularly the Usher Institute and Easter Bush with their focus on health and food sciences respectively.	<ul style="list-style-type: none"> • Establish partnership with City Region Deal DDI Programme; • Establish joint commercial offer to industry with Edinburgh Napier University to combine their DDI expertise in complex chemical analysis with QMU food and drink product development expertise (reflected in PhD numbers).
Enterprise	The Innovation Hub will provide seed funding and incubation space and support to new start up food and health sciences businesses in the City Deal Region. Thereby providing a natural evolutionary corridor from R&D and Adoption to entrepreneurship.	<ul style="list-style-type: none"> • A prudent base assumption that half of the net lettable area (2,145 sqm) will be made available in the hub on a flexible lease basis to support new entrepreneurial start-ups (with use of the remaining space prudently assumed to support research and adoption activities by established businesses and measured under those headings). • 69 direct entrepreneurship jobs created p.a (once full occupancy has been achieved)

		<ul style="list-style-type: none"> 98 new enterprises surviving to maturity over 15 years £4.9m of total seed capital attracted
Edinburgh Innovation Park	Safeguard the development land at the Edinburgh Innovation park and actively seek commercial build out to support the onward growth of companies beginning in the hub and to accommodate inbound interest from those attracted to the emerging food & drink knowledge cluster.	<ul style="list-style-type: none"> Drive forward the commercial development of 40,000 sqm of floor space for innovative scale-up and commercial customers attracted to the emerging food & drink related knowledge cluster over time.

2.3.3 Net Impacts

Appendix E - Economic Impact Technical Appendix, sets out the detailed measures and methodologies that have been used to quantify and value the net additional impacts of the uplift in activities and outputs set out above. The approach and measures used are consistent with those applied in the FBCs for the City Deal Data Driven Innovation Programme. The resulting employment and GVA impacts are summarised below:

GVA Impacts (Net Present Value Terms, 01 Sep 2020 base date)

GVA impact NPV (base date 1 Sep 2020)	Gross impact (£'m)	Net impact (£'m)
Student Spend	7.0	6.4
Graduate (City Deal Region)	46.7	10.7
Graduate (Scotland)	41.2	15.9
CPD	1.3	1.2
Research & Adoption	2.8	3.6
Entrepreneurship	39.0	20.1
Total	149.7	67.4
Innovation Park	228.3	77.0
Total	378.0	144.4

Employment Impacts

	Gross impact (FTE)	Net impact (FTE)
Direct Employment	11.7	9.5

Indirect Employment (Entrepreneurship)	69	69
Indirect Employment (EIP)	800	680
Total Direct & Indirect	880.7	758.5
Construction jobs (annual FTE) ⁶⁷	198	N/A
Construction jobs (FTE)	20	N/A

2.3.4 Cost Benefit Ratios

The cost benefit ratios for the project have been set out in the table below. The ratios are presented both including and excluding the GVA associated with the Innovation Park. The analysis undertaken has used the City Deal funding of £30.0m and discounted its drawdown profile at a rate of 3.5% to determine the net present cost of £27.8m.

	Including Innovation Park	Excluding Innovation Park
Total cost (£'m)	27.8	27.8
Total GVA (£'m)	144.4	67.4
Cost benefit ratio	1:5.2	1:2.4

These cost benefit ratios are considered to compare very favourably to threshold ratios observed on other projects.

2.3.5 Qualitative Evidence

In addition, and reflecting some of the findings of the Equalities Impact Assessment noted at 2.3.6 below, the proposals will generate a range of impacts for businesses and against the City Deal inclusive growth objectives that are not directly reflected in the above - e.g.:

- In respect of promoting female entrepreneurship through high levels of female participation throughout QMUs activities and specific initiative to establish a Women's Business Centre;
- Widening skills participation to disadvantaged groups through offering a wider range of courses (including in work CPD training) to broaden participation and QMUs existing inclusive reach into groups that may not otherwise access skills provision;

⁶⁷ In line with the commitment in the City Region Deal Benefits Realisation Plan, construction employment estimates are provided on the basis of Scottish Enterprise Economic Impact Guidance that the ratio of total construction costs to labour content is £181,000 per annual FTE and then, in order to allow equivalency to new and maintained FTE jobs, total construction employment will be divided by 10 (years).

- The specific alignment of these proposals to addressing key public health challenges through innovation in nutrition and health which disproportionately affect disadvantaged groups; and,
- Contributing to the creation of data assets for the City Region aligned to the DDI programme to build a resilient future employment base and innovation-led economy and skills base;
- Strategic added value to support innovative business growth through leadership and coordination of business support activities within the food and drink sector to increase the uptake of government support programmes in a sector that currently underperforms and has high representation in target groups.

Case study evidence from existing activities of SCFDI set out at Appendix D further illustrate the potential outcomes that are expected to be delivered to individual businesses and the markets they address.

In line with the outputs reported in the City Deal benefits realisation plan, the £36m investment is expected to support construction employment equivalent to 198 annual Full Time Equivalents (FTEs)⁶⁸ or c.20 FTEs when converted to new/maintained permanent jobs. Opportunities to deliver wider benefits through procurement of the hub and future phases of EIP will be explored (e.g. community benefits requirements).

2.3.6 Equalities Impact Assessment

An equalities impact assessment has been prepared and is set out at Appendix F - Equalities Impact Assessment. The assessment identifies no specific negative impacts of the policy and the potential for a number of positive impacts.

2.3.7 Overall Summary

The net impacts and resulting benefit-cost ratios (BCRs) attributable to the direct and indirect benefits of the activities proposed indicate a positive return on the public sector's investment with **net** BCRs believed to be equivalent to those for similar interventions assessed on a comparable basis. The inclusion of potential wider benefits from accelerated build out of the EIP and a range of qualitative benefits aligned to the City Deal inclusive growth objectives underline the positive case for public investment.

⁶⁸ In line with the commitment in the Benefits Realisation Plan, Construction employment estimates are provided on the basis of Scottish Enterprise Economic Impact Guidance that the ratio of total construction costs to labour content is £181,000 per annual FTE and then, in order to allow equivalency to new and maintained FTE jobs, total construction employment will be divided by 10 (years).

3 Commercial Case

3.1 Introduction

The Commercial Case seeks to test whether the Preferred Option is commercially viable and to set out the envisaged contracting arrangements to deliver it, and consideration of project risks.

3.2 Is it Commercially Viable? Establishing Demand

Innovation Parks have different development models. One of the most successful models is the creation of a range of innovation facilities that enable companies to graduate from 'hubs' to grow-on accommodation before taking larger facilities. By developing dynamic clusters of this nature, innovation parks are able to attract inward-investor development by larger enterprises seeking to co-locate with talent in a proven location for innovation and technology.

The target markets for the innovation hub on which the revenue in the Financial Case is predicated and delivery of proposed commercial activities in the Innovation Programme are underpinned are:

- Primarily, SMEs operating in the food, drink and health science sectors looking to benefit from the on-site facilities and services of the SCFDI; and
- Secondly, Innovative SMEs in other innovative and related sectors requiring access to flexible lease facilities not otherwise available in the local, regional or, in some cases, national market.

The nature of the SME sector and the target market for the hub is that many of the companies that will become tenants do not yet exist and, even if they did, would not be in a position to enter into substantial pre-let agreements. In taking the risk on filling the building sufficiently to cover its operational overheads, a wide ranging review of the market and key demand drivers has been undertaken. Overall the JV partners are confident that the hub represents an attractive offer to the market that is likely to achieve high occupancy for the following key reasons:

- Market opportunity in the food, drink and health science sectors is strong, and bespoke facilities for R&D are lacking regionally and nationally;
- There is a shortage of appropriately located and specified business space for SMEs in East Lothian and in Edinburgh generally;
- There is an established track record and case study evidence of other recent and very similar university and council-led innovation hubs throughout the UK achieving high levels of occupancy with a similar offer and in less buoyant and constrained markets; and,
- As set out in the financial case, the hub is financially viable at a rental assumption considered to be competitive in the local and regional market compared to benchmarks.

3.2.1 Market Opportunity and Needs in the Food, Drink & Health Science Sector

As set out in the Strategic Case, the strategy for Scotland's Food & Drinks sector: Ambition 2030, aims for Scotland's Food and Drink sector to be its most valuable sector by 2030, with a doubling in turnover of £30bn reflecting significant global growth potential for new products' strong health, well-being and provenance characteristics. However, there are still multiple barriers to achieving this goal, with Scottish Enterprise identifying a lack of facilities and equipment as a key constraint on the level of innovation taking place within the Food and Drink sector to address this potential for growth. Meanwhile, the sector is characterised by a high proportion of SMEs who struggle to find the space and facilities to support their growth on suitable terms in commercial markets.

3.2.2 Local and Regional Shortage of Business Space

City of Edinburgh Council and East Lothian Council have identified a significant shortage of appropriate infrastructure, facilities and services to support the growing innovation sector within the Edinburgh and East Lothian region. Businesses in East Lothian, surveyed by ELC⁶⁹ identified a need for space to grow their business, citing their requirement for more modern facilities and better accessibility as reasons they are considering relocating their business in the next five years. Small office space, and a range of industrial space, have been identified as required facilities in the East Lothian area.

Furthermore, the City of Edinburgh is experiencing very strong demand for floorspace from emerging companies looking to grow, but an historic city centre with few brownfield sites of scale, booming housing markets putting pressure on land prices in prime locations, regional transport pressures and the specific commercial issues of building for the SME market are meaning too few suitable sites are coming forward.

“Development of new, flexible workspace is a critical issue for Edinburgh. This is particularly the case for emerging growth companies in new sectors whose needs do not fit easily into traditional property models. Edinburgh requires delivery of a supply of workspaces to meet the needs of business at every stage of development, from start up, to growth and expansion that does not currently exist. Without a ready supply of appropriate work spaces and facilities Edinburgh's economy will be unable to prosper and expand to support both the growing demand from tech companies and the growing population.”⁷⁰

3.2.3 Case Study Evidence from other Innovation hubs and Science Parks

A review of the growth of other Innovation hubs and science and technology parks was commissioned from leading Science and Technology Park consultancy CAMSCI. This provided strong case study evidence that other similar, university and council led, facilities elsewhere in

⁶⁹ 2017 Business Base Study, East Lothian Council

⁷⁰ Edinburgh Economic Strategy 2019

the UK⁷¹ have reached high occupancy and outgrown their initial buildings in a short timescale, catering to wide ranging demand that was not otherwise observed.

Cited examples include very recent projects in Liverpool, Newcastle, and Leeds that have been successful in achieving high occupancy and, in some cases, are already building additional buildings through commercial investment. More long-lived case studies include the build out of successful science and technology parks, from an initial innovation hub type building, aligned to universities in Southampton and Keele⁷² over a similar 25 year timescale to that envisaged for EIP.

From its own involvement in the development and review of innovation hubs and science and technology parks, CAMSCI identified that innovation-led companies see access to appropriate facilities and services as a key factor in location choice, especially if these are scarce, as in the food and drink sector. Some companies were willing to move considerable distances in order to secure the specialist facilities and services they required for business operations. Where companies have a choice of available facilities, other key decision influencers include:

- Strength and composition of the existing cluster: companies gain credibility and a range of added value benefits from locating with like-minded market leaders, networks and ecosystems supporting their cluster, an ecosystem the Innovation Hub would be able to provide;
- Lease and rental structure, with flexibility in the cost and duration of leases being a key factor; and
- Ability for supported growth in situ or on site.

CAMSCI specifically noted the strong fundamentals of an onsite research university, gaps in food and drink sector provision, buoyant Edinburgh innovation activity and excellent connectivity of the site as attractive drivers of demand for the hub and EIP. It also recommended that, in order to develop a credible offer from the outset and in line with other successful projects, a series of “entry criteria” that restrict tenancy of the hub and wider EIP are agreed to establish a clear value proposition and maintain brand integrity over the long term. Occupying individuals or entities would need to comply with at least one of the criteria, with these being reinforced in any lease or sub leases granted. Subject to final agreement, the JV intends to follow this best practice to underpin its unique offer by adopting the following proposed entry criteria:

- Innovation-led companies and entities with R&D activity; prioritising Food & Drink;
- Science or innovative companies and entities requiring specialist facilities, services and infrastructure;

⁷¹ Including similar recent projects in Liverpool, Newcastle and Leeds and longstanding case studies in Southampton and Keele.

⁷² <https://www.keele.ac.uk/business/scienceandinnovationpark/>

- Company or entity benefitting from co-location with like-minded innovation led cohort;
- Company or entity requiring flexible operations strategy to enable growth at point of need;
- Company or entity requiring location within an innovation-focused business model with access to innovation ecosystem;
- Research Institute or Contract Research Organisation;
- University departments with an innovation focus; or
- Other activities that the JV partners consider appropriate to the delivery of the Vision.

The Entry Criteria have been drawn so as to maximise the commercial success of the hub and are not drawn so tightly that they restrict entry to an unreasonable level nor are they drawn so widely that they become inconsequential to presenting a unique offer and value proposition to the market. The entry criteria reflect the requirements of similar innovation, science and technology parks across the UK and internationally. Too tightly drawn criteria will restrict demand and too loosely drawn criteria will undermine the vision and concept for the Innovation Hub. Based on experience, the current criteria seek to achieve the optimal and mitigate risk to the project. While there is no strict exit strategy for companies, since this may be a disincentive to some occupiers who require a degree of certainty for their own business planning, especially if they are funding capital fitting out works, the leases that are to be granted will exclude security of tenure. The exclusion of security of tenure is common practice in the granting of leases in innovation hubs and it means that tenant companies will not be able to remain in occupation of premises any longer than their lease and the landlord permits; they will have no automatic right to renew their lease at the end of its contractual term. The requirement is to balance the operation of the Innovation Hub as a commercial facility with the need to enable young companies to grow.

3.3 Contracting Arrangements

3.3.1 Establishing a Joint Venture Company

Since approval of the OBC, ELC and QMU have continued to develop their long term partnership approach to the development of the hub in a manner that demonstrates the commitment of both parties and their respective investments, roles and responsibilities and creates a platform from which to take forward the development of EIP over the longer term.

Subject to final legal and tax due diligence, following successful approval of the FBC it is the intention of the parties to establish a formal joint venture company (working title “Edinburgh Innovation Park Limited”) to take forward the development, management and operation of the hub and any future EIP. The principal reasons for adopting this approach are:

- It offers a single point of interface (landlord) for tenants of the hub and future EIP while providing confidence that both QMU and ELC stand behind and are committed to the obligations and service being offered to tenants;

- An arms-length vehicle enables more nimble day-to-day management and governance structures to be put in place to respond to the rapidly evolving needs of the SME and innovation sector while retaining appropriate strategic control and influence for the partners;
- Over time, the JV vehicle may offer a desirable route to leverage in third party commercial investment on a structured basis;
- It provides appropriate financial and commercial incentives for both parties to invest in the success of the hub and EIP via their respective academic and land assets;
- It offers flexibility in recruitment of appropriate management and leadership resource to grow the offer and its standing in its key target markets over time; and
- A review of case study evidence suggests this is the most common formula for similar successful projects elsewhere in the UK and further afield with established advantages.

3.3.2 Overview of JV Roles and Responsibilities

The table below summarises the overall roles, rights and responsibilities of both parties in respect of the activities and requirements of the JV:

Party	Roles, Rights & Responsibilities
East Lothian Council	<ol style="list-style-type: none"> 1. Grant receiving body for the City Deal and rights to sign off on specification and budget for the hub; 2. Investment of a £6m capital contribution to fully fund construction of the hub; 3. Owner in perpetuity of the land; 4. Grantor of a ground lease to the JV for construction of the innovation hub; 5. Grantor on a plot by plot basis of ground leases for the development of future plots at EIP as opportunities arise and primary recipient of any ground lease premium established over time; 6. Joint provider (with QMU) of working capital to the JV during the operational phase to establish a working capital fund;
Queen Margaret University	<ul style="list-style-type: none"> • Responsible for the detailed design and specification of the hub; • Manage the procurement of the design and build contract for the hub and its supervision on behalf of the JV; • Primary responsibility for the day-to-day management, marketing and operation of the hub/JV including: <ul style="list-style-type: none"> ○ Provision of facilities management services under Service Level Agreement; ○ Secondment of key operational staff to the JV; and, ○ Operator of the SCFDI facilities.

	<ul style="list-style-type: none"> • Joint provider (with ELC) of working capital to the JV during the operational phase to establish a working capital fund;
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A heads of terms has been agreed between the parties reflecting the above principles and subject to approval of the FBC and final legal and tax due diligence, detailed legal agreements will be progressed.

3.3.3 Contracting for the Works

In line with the above noted roles and responsibilities, QMU will lead on taking the design and specification of the hub to a detailed level (RIBA Stage 4) to enable robust two stage procurement of a contractor to construct the scheme on a fixed price basis under a market standard design and build contract. This approach to establishing a detailed design specification and fixed price design and build procurement is intended to substantially mitigate the risk of any cost overruns arising. As set out in the financial case, benchmarking of the £36m budget for the hub has taken place against other similarly specified innovation hubs and the project is considered deliverable within this envelope.

The intention, subject to detailed assessment of the conditions of grant, would be for the Joint Venture to create a development company to which the construction of the innovation hub will be subcontracted to ring fence the associated construction period liabilities, again reflecting wider common practice.

To support the design, specification and procurement process, the services of CAM-SCI, a specialist consultancy with experience of delivering similar innovation hubs and related innovation parks throughout the UK, has been retained to support alongside QMU and ELC’s internal estates teams. Opportunities to embed community benefit principles in the design and build contract, in line with the City Deal inclusive growth objectives, will also be explored.

3.3.4 Operational Arrangements

As noted above in the roles and responsibilities section, QMU will take the lead in the operations of the hub during the operational phase reflecting its key role in the operational attractiveness of the offer and its wider stake in its success aligned to its Strategic Plan. Operational resources and services will be delivered through the following routes:

- Service Level Agreements for provision of specific services to the JV (e.g. facilities management);
- Employment of staff for the JV to support its operations in respect of marketing, client management, tenant support etc; and
- Business as usual resources and structures in respect of many of the Innovation Programme activities.

ELC will continue to support the operations of the hub through its stake in the JV and its role as operator of the on-campus Business Gateway business support hub. While QMU is expected to

take the overall lead, ELC will look to support via staff secondments and shared services support where appropriate.

Over time the JV model offers the opportunity and flexibility to evolve to bring in third party development expertise/investment should this be required or desirable.

3.4 Risk analysis

An analysis of the main risks, and existing and proposed mitigating actions, is set out in the Risk Register at Appendix C. This Risk Register provides details of the project risks and the steps that have been or will be undertaken by the project owners. Overall, the partners are comfortable that the key risks are manageable and the overall risk and return profile is acceptable.

4 Financial Case

4.1 Introduction

The purpose of the Financial Case is to demonstrate the affordability of the project in terms of upfront capital expenditure and ongoing running costs and to show that an appropriate funding mechanism is in place to support successful delivery of the project.

4.2 Capital Costs

4.2.1 OBC

The figures included within the OBC cost plan were originally prepared in 2015, as part of an overall outline costing exercise of the University Development Strategy for all of its proposed on and off Campus developments. The Hub building presented within that development strategy was conceptual with no defined design content. The costs generated were based on all-encompassing construction rates for innovation type premises of a similar scale to that envisaged with allowances then made for main services infrastructure, design fees, client contingency and inflation. The latter reflective of the notional timescale of the Hub construction. The costs, whilst reviewed prior to submission of the OBC continued based on generic rates and allowances.

4.2.2 FBC

The cost plan figures included within the FBC were prepared in November 2020 and are based upon an outline design concept for the Hub, which accords with the Royal Institution of British Architects plan of work Stage 0. The briefing, specification and design work was led by CAMSCI who were appointed by the University to assist development of the vision, concept and business plan for EIP and the Innovation Hub. CAMSCI have been fundamental in informing the updated concept for the hub and supporting Currie & Brown, Cost Consultants on preparation of the cost plan.

The concept design brief, Images of the proposed Hub, its proposed extension and its location within the wider Innovation Park and MH1 land development are (appendix G)

4.2.3 Cost Comparison

Analysis of the FBC cost plan compared with the OBC cost plan is presented in table X below. As noted above the FBC Cost plan is based on a concept design and specification. The approach and build up to the costs of the FBC differs from the presentation within the OBC. E.g., allowances for fees, contingency, and construction preliminaries within the FBC are now separately identified and commensurate with e design stage and in terms of inflation, taking into account the projected construction date. The cost consultant's report (appendix G5) provides full detail of assumptions and exclusions.

The Cost plan identifies that the Hub building, while remaining at 7,200m2 in area will be delivered for circa £5m less than the costs projected within the OBC.

Capital Cost Comparison

Table

		OBC			FBC
		2015			2020
Costs					
Land acquisition		4,000,000			(see below)
Bus stop / turning point		448,000			450,000
Innovation hub and infrastructure (7,200 sqm GIA)		25,034,000			18,445,700
Construction preliminaries		(included)		16%	3,024,000
Specialist equipment		1,300,000			(see below)
Bus route		815,000			(n/a)
	Construction & Land	31,597,000	Construction		21,919,700
Inflation		4,582,000			(see below)
		36,179,000			21,919,700
Contingency - design + construction risk	20% of infrastructure *	1,025,000		13.50 %	2,960,000
		37,204,000			24,879,700
Inflation		(included)	to site start	5%	1,244,000
					26,123,700
Design and statutory fees	15% of infrastructure *	923,000		12%	3,135,000
		38,127,000			29,258,700
Client equipment					750,000
					30,008,700
VAT (20%)		6,826,000			6,001,740
Total Project Cost		44,953,000			36,010,440
Land acquisition		(included)			4,000,000
Overall Project cost		<u>44,953,000</u>			<u>40,010,440</u>

* contingency and design fees already included in OBC buildings cost figures

4.2.4 Funding Plan

The funding plan for the project is identified in the table below

Capital costs contributions from ELC comprise £6m for hub construction and £4m for Land purchase, the latter enabling construction of the Hub and the wider EIP.

QMU has insufficient reserves or borrowing capacity to contribute any capital to the development. However, QMU's involvement is fundamental to the success of the case and to reducing risk associated with Hub. The University is providing extensive asset value in terms of development management and operation.

The Commercial aspects of the JV agreement between the parties is reflective of ELC Capital contributions with ELC receiving a contribution to its investment from net returns. Both QMU and ELC are contributing working capital to the operation of the Hub and have committed to return net surpluses to further development of the hub and the park.

Funding Plan for the Edinburgh Innovation hub

Funding source	Funding amount (£'m)	Comments
<i>Edinburgh Innovation Hub</i>		
East Lothian Council	6.00	ELC will make a £6m capital contribution towards delivery of the hub and has sufficient reserves to make such a contribution.
City Deal	30.00	City Deal grant funding.
Total	36.00	
<i>Associated Costs (Land)</i>		
East Lothian Council	4.00	The land has already been acquired by ELC.

4.2.5 Capital Expenditure Profile

The forecast capital expenditure and funding profile in respect of the Edinburgh Innovation Hub is set out in the table below. The funding profile assumes that ELC and City Deal funding is drawn down on a proportionate basis but this is subject to final discussion with the City Deal PMO and government.

Profile of capex and funding

£m	2021/22	2022/23	2023/24	2024/25	Total
Capex	3001	11644	11644	9711	36.00
	Funding				
ELC	501	1934	1934	1631	6.00
City Deal	2500	9710	9710	8080	30.00
Total	3001	11644	11644	9711	36.00

4.3 Operational income and expenditure

4.3.1 Operational Model

The first phase of development at Edinburgh Innovation Park, called the Innovation Hub is to be a serviced multi-occupied laboratory and office building that operates as a commercial facility. The scale of the development has been established at 7,200 sq. m (Gross Internal Area) with a target of 5,040 sq. m (Net Lettable Area) over which income can be generated. This comprises an efficiency ratio of 70%, which is appropriate for a building intended to provide for the needs of SMEs in a range of innovative sectors.

It is of fundamental importance that the Innovation Hub operates as a new commercially driven business and to achieve a goal it is necessary to ensure, when in operation, the Innovation Hub is managed and operated in a manner that maximizes all revenue generating opportunities and minimizes operating costs without compromising the totality of the Value Proposition.

CAM-SCI a leading consultancy in specialist development and service delivery for the commercial innovation sector. They have provided support and guidance on the optimum size of the facility, its operating model and applicable rental and service charges, as well as occupancy uptake from comparable developments. **See Appendix G**

Key Assumptions within the operating model

- The Hub will have an operational business plan that will propose how business support is to be facilitated. A number of existing structures will be used together with other initiatives drawing on relevant experience from other similar Hub developments
- All lettable space is leased by all occupying entities at market rent (including any space to SCFDI)
- The Innovation Hub will operate a RICS Compliant Service Charge
- Occupiers will pay a service charge
- Occupiers will pay for power consumed within their demise, power, heating and cooling
- Occupiers will organise, and pay for the cleaning of their demise
- Occupiers will have access to meeting rooms for a fee
- The Innovation Hub will be open permanently for use by occupiers. Use will not be restricted to business hours
- The Innovation Hub will procure services in the most cost effective way possible, most likely through the University's existing systems
- The Innovation Hub will have a managed ICT system for use by occupiers as part of the service charge
- The Innovation Hub will be insured, including insurance for three years loss of rent, with the insurance premium being chargeable to tenant companies pro rata
- All VAT is recoverable (subject to confirmation from tax advisors)
- Rental growth by at least the CPI is factored in in due course from the beginning of year 6; meaning an effective rent review from the end of year 5
- Expenditure has been analysed based on the Gross Internal Area of the Hub (7,200 sq m)
- Income has been analysed based on the Net Lettable Floor Area of the Hub (5,040 sq m)
- Staffing to support users comprises: -
 - Innovation Hub Manager – Commercial Operations and Business Development
 - Operations Manager – Property management and oversight of outsourced FM services
 - Reception and Administration

4.3.2 Operational Expenditure

Benchmarking analysis on operational expenditure at comparable buildings has been undertaken by QMU with support from CAM-SCI in order to derive appropriate operational expenditure assumptions.

Innovation hub Core Operational Expenditure

Cost type	Cost per sqm (£)
Energy	4.36
Cleaning	3.13
Security	10.33

Site management	5.06
Mechanical & Electrical services	13.56
Fabric repairs and maintenance	4.70
ICT	5.75
Buildings and loss of rent insurance	2.69
Management costs	19.61
Total (pre financing)	68.69

Based on a cost of £68.69 per sqm (in current 2020 prices), total core operational expenditure is anticipated to be £544,043k per annum for the 7,200 sqm facility.

In addition to the above, a 15% 'working capital contingency' has been applied at this stage to reflect the agreement between the JV partners to provide a working capital buffer within the JV to be used to support the wider marketing and innovation activities of the hub in delivering against the City Deal and FBC objectives and to manage operational cashflow requirements. This also reflects a notional value attributable to staff time seconded or otherwise allocated to the operation of the JV. A total base case operational budget for the hub of **£625k p.a.** has therefore been assumed in the base case financial assessment.

The Innovation Hub will be a key support for and driver of the wider Innovation Activity within the University predominantly around increase in research and teaching. It is envisaged that any costs associated with supporting the growth of these developments will be met from the associated revenue streams including course fees, research grant and commercial income. The University will apply its standard full economic costing model to ensure this is the case.

The enterprise activities will continue to be managed and funded via the on campus Business Gateway service and this will continue to leverage the wider funding streams already available to support business start-ups.

4.3.3 Operational Income

The principal element of revenue for the innovation hub is the rental value of the commercial space. CAM-SCI have a large amount of specialist sector knowledge and they have undertaken a comprehensive analysis, of the sector and comparable developments which have informed rental income assumptions applied in respect of the cash flow forecast for the innovation hub.

Key assumptions

Occupancy assumptions

Gross area	7,200 sqm	
Non-lettable space	30%	Reception, corridors and other common areas.
Lettable space	5,040 sqm	
Less allocation of space for university use	750 sqm	Assumed 100% occupancy from year 1
SME commercial space available for rent	4,290 sqm	Year 1 - 50% occupancy Year 2 - 65% occupancy Year 3 - 80% occupancy Year 4 onwards - 100% occupancy
Rental assumptions		
Rental value	£215/sqm	Combined Rental & service Charge. Based on rental income for comparable developments across the UK
Estimated Maximum Rental Income (gross, p.a.)		
Estimated max rental income (p.a.)	£1,040k	Total value of available lettable area at assumed rental value and assuming full occupation
Operational voids and bad debts		
Allowance for voids and bad debts	5%	Allowance for vacant space awaiting re-let or refit and irrecoverable bad debts.

4.3.4 Net operating cash flows

Based upon the above cost and revenue assumptions, the table below summarises the overall net cashflow build up over the first 10 years with a steady state position reached after 5 years in 2028. As the occupancy levels of the commercial space increases, income rises and this results in improving net operating cash flows with underlying costs remaining fixed. In the first year the hub is expected to make a modest loss with scope for modest returns to the JV thereafter.

10 year net operating cash flows for the Innovation Hub

£'000	TOTALS	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
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Operating income											
Occupancy (%)		50%	65%	80%	95%	100%	100%	100%	100%	100%	100%
Rental income at stated occupancy	9,657	543	705	868	1,031	1,085	1,085	1,085	1,085	1,085	1,085
Void and Bad Debt Allowance (5%)	-483	-27	-35	-43	-52	-54	-54	-54	-54	-54	-54
Meeting Room Charges	98	3	6	8	10	12	12	12	12	12	12
Total Income	9,272	518	676	832	989	1,043	1,043	1,043	1,043	1,043	1,043
Operating expenditure											
Operating costs	4,946	495	495	495	495	495	495	495	495	495	495
Working Capital Allowance (15%)	742	74	74	74	74	74	74	74	74	74	74
Total Expenditure	5,688	569	569	569	569	569	569	569	569	569	569
Net operating cash flow	3,585	-50	107	264	420	474	474	474	474	474	474
Distribution of Surplus											
Opening Balance ELC Prerential Surplus (£1.4m as at 2021, indexed linked at 2%)		1,508	1,538	1,459	1,219	815	348	-	-	-	-
Preferential distribution of surplus	1,613	-	107	264	420	474	348	-	-	-	-
Closing Balance		1,508	1,431	1,196	799	341	-	-	-	-	-
Residual Surplus Available	2,022	-	-	-	-	-	126	474	474	474	474

At a real terms discount rate of 3.5% (in line with Green Book guidance) and a base date of 1 April 2020, the Net Present Value (NPV) of the net operating cashflow set out in the table above is approximately £2.7m. While positive, it is very modest and would not see full recovery by ELC of its £6m capital contribution. Given the extent of financial return estimated and the associated risks, the financial assessment underlines the need for the substantial contribution to the hub's capital costs via the City Deal, and the hub would not be considered viable without this.

4.3.5 Financial sensitivities

It was deemed appropriate to undertake a number of sensitivities in respect of several income and cost assumptions of the Financial Case. The table below provides a summary of the sensitivities that have been undertaken. The table illustrates in particular that a rent of £116/sqm (compared to a base case rent of £215/sqm) would be required to achieve a breakeven steady state annual operating cashflow, albeit with £1.8m of the ELC preferential surplus unpaid at the end of year 10. A higher rent of £162/sqm would be required to achieve a repayment of the ELC preferential surplus by the end of year 10.

	<i>Rent (£/sqm)</i>	<i>O&M Cost (£/sqm)</i>	<i>Steady State Annual Net Operating Cashflow (yr 5 onwards, £'000)</i>	<i>ELC Surplus Repaid within 10 years?</i>	<i>Residual Surplus Available for Reinvestment (£'000 over 10 years)</i>
Base case	215	69	474	YES	2,022
Rent +20%	258	69	680	YES	3,722
Rent -20%	172	69	268	YES	254
O&M costs +20%	215	82	360	YES	971
Rent -20%, Cost +20%	172	82	154	NO (£700k unpaid)	0
Rent Breakeven: Steady State Annual Operating Cashflow Zero	116	69	0	NO (£1.8m unpaid)	0
Rent Breakeven: 10yr Net Operating Cashflow of Zero	131	69	71	NO (£1.26m unpaid)	0
Rent Breakeven: ELC Preferential surplus repaid by end of year 10 (i.e. no residual surplus)	162	69	220	YES	0

4.4 Summary

The Financial Case has demonstrated that the upfront capital cost of the Innovation Hub will be met by the City Deal funding and the upfront capital contribution from ELC, both of which can be considered to be viable funding mechanisms which can provide funding at the required timescales while the innovation hub is under construction. The partners are open to discussing the profiling of the City Deal contribution with the City Deal PMO and respective governments.

This Financial Case also shows that the Innovation Hub will be financially sustainable over the longer term and could return a modest financial surplus to the JV partners to reflect ELC's capital contribution in the hub, to provide working capital to advance the wider EIP proposals and Innovation Programme and offer a financial return to QMU for its stake in the operation of the hub and delivery of the wider Innovation Programme.

The JV intends that net surplus, following the agreed base return on investment to ELC (or £1.4m indexed) and subject to a business plan between the parties, be available for reinvestment in the JV Innovation programme in the form of further investment in the Hub facility, extension of the

Hub facility (which is part of the design concept) or development on the wider Edinburgh Innovation Park.

Overall, the JV partners are confident in the financial risk profile of the project and that the hub and innovation programme activities proposed can be delivered.

5 Management Case

5.1 Introduction

The Management Case demonstrates that the project owners have put in place appropriate management and governance structures which will oversee the successful delivery of the project. The Management Case also shows that the project's benefits will be monitored in order to ensure the realisation of these benefits.

5.2 Key Principles Adopted

In considering the appropriate management and governance arrangements to be put in place, the approach followed has to be proportionate and draw upon existing arrangements where these are considered to be fit for purpose in order to avoid unnecessary cost. The governance structure and accompanying processes put in place have therefore been developed to provide for:

- Being accountable to government(s) for the value for money of their investment made (and being able to evidence this to them);
- The right type, level and robustness of reporting information making its way to the higher level governance to enable appropriate decision taking;
- The ability for wider partners to hold the programme to account for the spectrum of benefits it promised to deliver (innovation, skills, enterprise etc.) and to influence delivery where objectives are not being met;
- The university and the local authority being able to exercise an appropriate level of control over investment of their own (substantial) resources in the programme;
- Keeping the programme aligned with the requirements of the private sector to maximise economic impacts;
- Accountability for day-to-day delivery but with reasonable levels of flexibility to react to opportunities;
- The sharing of best practice to avoid silo mentalities and maximise clustering benefits; and,
- Access to resources capable of taking/affecting action on the recommendations of the governance groups to prevent “talking shops” with no resource/ability to act or influence in practice.

5.3 Scope of Development

- The Costs of the development proposed at OBC were £45m with sources of funding identified as :-
 - UKG and SG - £30m Subject to the approval of the Full Business Case)
 - QMU/ELC Joint Venture - £11m
 - ELC Funding for land purchase - £4m
- The Costs of the development now proposed are £40m. Section 4.1 provides a detailed explanation behind the changes in cost and confirms that that the Hub building, remains at 7,200m² in area, but will be delivered for £5m less than the costs projected within the OBC.
- QMU has insufficient reserves or borrowing capacity to contribute any capital to the development, a position which has been exacerbated by the impact of the Covid-19 pandemic. Therefore, the Capital contributions now proposed from the JV for the construction of the Hub have been reduced to £6m and are being provided solely by ELC.
- Despite the inability to provide a capital contribution, ELC and QMU, recognise that QMU's involvement in the project is fundamental to the success of the project, in terms of provision of development management and operational management thereby reducing risk associated with the Innovation Hub,
- QMU/ELC will progress the EIP as a Joint Venture Development. The JV addresses all necessary governance, development, financing and operational aspects of the EIP (Hub and Park).
- The Commercial aspects of the JV agreement reflect ELC capital funding of the hub, with ELC receiving a contribution reimbursement to recognise its investment from the hub net surpluses. QMU and ELC are contributing working capital to the operation of the Hub and have committed to return net surpluses, beyond ELC reimbursement, to further developing the agreed JV business plan.

5.4 Joint Venture Arrangement

The Joint Venture arrangement for the EIP (Hub and Park) reflects the above. Advice on the appropriate JV structure has been sought from CAMSCI specialist practitioner consultants in the development and operation of innovation, science and technology parks for the public and private sectors. Reference was made to relevant case studies of previous UK Science and Innovation parks directly comparable to the EIP Hub and Park -) See annex X

ELC and QMU agreed eight key high-level principles to direct the JV agreement, as follows: -

1. The cost of the innovation hub development will be £36 million, excluding the cost of the land;

2. The funding of the construction of the Hub facility to be provided from £30M from Government(s) and £6 million from ELC;
3. QMU will manage the design and build of the innovation hub;
4. Construction risk will be shared between the parties;
5. QMU will operate the innovation hub once complete, will take occupancy risk and will determine use and occupation based on the Entry Criteria;
6. When the innovation hub starts to return a surplus, ELC will receive a return to reflect its capital investment in the facility;
7. Similar principles will be applied to the future development of the wider innovation park, recognising that a third party developer may be involved;
8. All of the above will be incorporated into a legal agreement.

5.4.1 Joint Venture Management Company

- ELC and QMU propose that a Joint Venture (JV) management company limited by shares be created on an equal share basis. The shareholders will be QMU and ELC.
- The JV Company will be the owner of the Innovation Hub.
- The land on which Innovation Hub is to be erected will be provided by ELC at a peppercorn rent.
- ELC's risk exposure in the Innovation Hub will be formalised by way of a grant of a standard security on the Hub until such time that any City Deal related obligations have been discharged.
- QMU will be responsible for the development management, management and operation of the Hub and for driving the Innovation Hub forward as a new business on behalf of the JV partners.
- The JV partners will agree the procedures and requirements for operational management including but not limited to the operational business plan and budget.

A diagram showing the structure of the JV is at **Appendix x**

5.4.2 Joint Venture Company Governance

A JV governance structure will comprise:

- A chair provided by each of the JV partners on a rotating basis
- Each partner to provide two company directors
- Board meetings to take place quarterly
- Key decision making points to be agreed by both individual parties.
- One of the parties will need to take responsibility for the preparation of annual accounts and other Companies House obligations. Because of QMU's operational management of the Innovation Hub, QMU will fulfil this function.
- The accounting of all financial matters will be on an 'open book' basis.

- There will be a need to complete a Joint Venture Shareholders Agreement between ELC and QMU. This will provide the necessary detail concerning the functioning of the Joint Venture. The detail will include a range of matters including a schedule listing the matters reserved for shareholder approval.

5.4.3 Leasing Strategy

The following leasing strategy will be adopted:

- ELC owns the EIP land in perpetuity.
- In any leasing structure ELC is designated as the Head - Landlord.
- ELC will obtain a valuation of each tranche of land prior to disposal of the land by way of a ground lease to the JV Company. The valuation will inform the baseline rental payable by the JV company to ELC

Within this Leasing Strategy the JV company will either:

- Develop sites directly, or
- Grant a ground lease to a third party for either:
 - Development and occupation by 'owner occupiers' This could be achieved by either an inward investor or a company growing out of the Innovation Hub wishing to self-fund the development of a facility at their own cost
 - Development by a third-party investor/developer and subsequent occupation by compliant entities e.g. Prudential Portfolio Managers, Legal & General, Aviva etc.

In addition,

- Leases at the Hub will be granted by the JV company
- EIP Sub leases will be granted by the JV company to third parties
- All development and occupation must comply with Entry Criteria for the EIP

The Leasing Strategy will ensure that, with a single JV mid - landlord, it will be possible for the entire EIP lease portfolio to be managed proactively and to ensure maximum control over the estate, including the establishment and provision of estate wide services; recovered through an Estate Service Charge.

5.4.4 Entry Criteria

The requirement for the Entry Criteria is a critical component of successful commercial innovation park development and operations. Some innovation parks have not enforced their Entry Criteria in pursuit of short-term revenue gains. In these circumstances the Value Proposition and brand integrity of the park has been damaged with long term negative consequences.

In defining the Entry Criteria, it is important these are not drawn so tightly that they restrict entry to an unreasonable level nor are they drawn so widely that they become inconsequential.

The proposed entry criteria for EIP are:

- Innovation-led companies and entities with R&D activity; including Food & Drink
- Science or innovative companies and entities requiring specialist facilities, services and infrastructure
- Companies or entities benefitting from co-location with like-minded innovation led cohort
- Companies or entities requiring flexible operations strategy to enable growth at point of need
- Companies or entities requiring location within an innovation-focused business model with access to innovation ecosystem
- Research Institutes or Contract Research Organisations
- University departments with an innovation focus
- Other activities that the JV partners consider appropriate to the delivery of the Vision

Occupying entities would need to comply with at least one of the criteria.

The Entry Criteria would only apply to any compliant entities or individuals intending to occupy premises at the EIP. The Entry Criteria will not apply to third party investors/developers, but their occupational tenants would need to comply e.g. Legal and General would not comply with the Entry Criteria but any company or other entity to which they granted an occupational lease would have to adhere to the Entry Criteria.

5.4.5 Innovation hub design, development and operations

- QMU will be responsible for the development management, management and operation of the Hub and for driving the Innovation Hub forward as a new business on behalf of the JV partners.

5.4.6 Innovation hub – operating surplus

- When the Innovation Hub generates a net operating surplus, there will be a need to distribute the surplus between the JV partners. This distribution will be asymmetrical to reflect ELC's contribution of up to £6 million to the capital costs of the Innovation Hub.
- The following is proposed, based on a presumption that if ELC does not contribute £6 million the calculations below will be adjusted pro rata.

- Based on a contribution of [£200,000] by both ELC and QMU, to establish working capital for the Hub, it was provisionally agreed⁷³ that after the payment of £1.4 million [index linked] to ELC then all subsequent surpluses would be shared equally by the partners. The principle has also been proposed that during the operation of the Hub some surplus funds would be retained within the JV Company, to maintain working capital, with the amount to be decided by the Board of the JV.
- All QMU resources allocated to the operation of the Innovation Hub are to be charged at cost.

5.4.7 Innovation park – ground lease premium

- The JV will dispose of Sub Leases for a rental premium.
- ELC will require a valuation of each tranche of land to establish each ground lease as they come forward. This would inform the ground lease premium between ELC and the JV Company.

5.4.8 Follow on development

To create a vibrant Innovation Park capable of delivering the vision for ELC and QMU, follow on development will be necessary and will generally take the form where:

- ELC grant ground leases to the JV Company as demand arises. The JV Company grants a sub-lease to the third party investors/developers for those sites as they come forward.

Other development scenarios may arise and the JV partners with the condition being that the Entry Criteria for EIP would not be compromised would consider these.

5.5 Hub Development & Construction Management

5.5.1 Joint Venture Development Company

ELC and QMU have agreed that all the development activity at the EIP (other than third party development) will be undertaken by a separate development company, Edinburgh Innovation Park Development [Ltd]⁷⁴, to mitigate commercial risk to the JV Partners in Edinburgh Innovation Park Ltd. It is proposed that the equal joint shareholders would be ELC and QMU and that the development company would delegate responsibility to QMU to deliver the Hub in terms design and construction.

⁷³ Working Capital aspect discussed on 6 Nov during a Teams meeting attended by ELC, QMU and CAM-SCI

⁷⁴ The company has not yet been incorporated

5.5.2 Project execution plan

The development company will ensure appropriate Project Governance and Project management arrangements are in place to successfully deliver design and construction of the Hub. This will be achieved through creation of a project execution plan (PEP). This will describe the procedures and systems, which will be used to manage and control the delivery of the project activities for the innovation Hub. The PEP will provide an easily understood project management organisation framework that recognises the project requirements, the project and organisational constraints and further supports the delivery of a successful programme of works

The PEP will include definition of roles and responsibilities, with the JV development company acting as the Governing Board for the Hub development.

Specialist external advisers including those from Food & Drink, Healthcare and other relevant sectors will be seconded to support the work of the Governing Board.

5.5.3 Procurement strategy

A procurement strategy will be developed which mitigates risk to the JV partners. At this stage it is proposed that design development of the hub is taken to RIBA Stage 4 by a design team with directly relevant experience of similar multi-occupied serviced laboratory and office buildings. Experience in the design and development of successful innovation hubs will be a key factor in appointing consultants.

The recommended approach will enable the award of a fixed price Design & Build contract) with a key outcome being the transfer of all construction cost risk to the nominated contractor. Design certainty will enable contractors to bid for a defined specification and, consequently, they will have little requirement to include risk contingencies to cater for the unforeseen.

5.6 City Deal Governance Arrangements

The governance arrangements set out in the Deal Document⁷⁵ empower local authorities to:

- Operate strategically with their partners to fully realise the economic potential of the city region;

⁷⁵ [Edinburgh and South East Scotland City Region 'Deal Document' Accelerating Growth](#)

- Respond to issues critical to the economic health and wellbeing of the city region;
- Unlock economic assets; and
- Decide on the alignment of resources in projects and programmes with the greatest economic potential for the city region.

The City Deal Joint Committee has overall responsibility for the allocation of the City Deal resources and the FBC will be provided for their approval in order to approve the funding allocation sought to deliver the hub. As Sponsoring Authority for this project, ELC will act as the grant receiving body, accountable to the City Deal Joint Committee for the approved expenditure.

To maintain the focus and alignment of the City Deal on its agreed priorities and to promote opportunities for cross sector collaboration, the Joint Committee is advised by the City Deal Executive Board which is supported by a number of thematic boards and advisory groups that include the IRES board (skills), Innovation Advisory Group and HE/FE Group. The Project will both report to, and seek guidance from, these respective groups over the life of the city deal in order to maintain delivery focus on the overall objectives to which the proposals are expected to contribute and to take advantage of emerging opportunities through more closely aligned collaborative and partnership working. This is also reflected in direct membership and participation in each of these groups by both ELC and QMU.

Opportunities to supplement the public, private, third sector and sectoral governance already provided at City Deal level with specific sectoral leadership and representation from the food & drink sector and other City Deals (building upon current representation in the Steering Group) will be explored further following successful approval of the FBC.

5.7 Monitoring and Evaluation Framework

The City Deal Joint Committee has recently (September 2020) approved an overall Benefits Realisation Plan against which all partners and projects in the city deal are expected to align their reporting⁷⁶. The Benefits Realisation Plan sets out the overarching approach to reviewing and evaluating benefits by addressing two central issues to allow the Deal to demonstrate that benefits are being realised:

- How the City Region Deal is performing against delivery plans as set out in approved programme and project business cases and the overall Deal Document objectives; and,
- What economic, social and other impacts may be generated as a result within the Region, Scotland and elsewhere in the UK?

The proposals in this document will primarily report under the 'Research, Development and Innovation' theme of the City Deal although the proposals will also contribute towards progress under the skills theme. The preparation of this FBC has already been prepared in recognition of the future reporting requirements of the Benefits Realisation Plan by:

⁷⁶ [Edinburgh and South East Scotland City Deal: Benefits Realisation Plan](#)

- Giving consideration to how the proposals align to the 5 inclusive growth objectives set out in Benefits Realisation Plan as part of the Strategic Case (see City Deal Policy Alignment section);
- Developing a Theory of Change/Logic Model as part of the economic case; and
- Aligning the outputs proposed (and assessed as part of the Economic Case) under the same “TRADE” headings already established as a precedent for reporting purposes by the DDI Programme.

Accordingly, while the FBC was not complete nor outputs confirmed at the time of the Benefits Realisation Plan being finalised, ELC and QMU were able to commit to reporting in line with the Innovation Programme Proforma of the approved Benefits Realisation Plan⁷⁷ which includes:

- Smart output one: Construction period Employment;
- Smart output two: Programme expenditure;
- Smart output three: Outcomes under the TRADE headings; and
- Smart output four: Direct jobs created at EIP.

The partners will engage further with the City Deal PMO to confirm alignment of reporting and appropriate metrics and approaches to measurement as delivery plans are finalised.

⁷⁷ See page 36 of the Benefits Realisation Plan

PART C

Supporting Appendices



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Appendix A - Scottish Centre for Food Development and Innovation

The Scottish Centre for Food Development and Innovation (SCFDI) was set up in 2014 following an investment in facility upgrades of £500k by QMU. SCFDI is an academic research and knowledge exchange hub based at QMU, staffed by research academics with expertise in food science and technology and a technical and commercial support team. The centre focuses on collaborating with private enterprises to deliver highly commercial research and knowledge exchange in areas including new product development (NPD), the reformulation of companies' existing food recipes, and sensory and consumer insight testing, and training as well as the shelf life extension of their food and drink products. The centre is equipped with a specific SCFDI laboratory, development kitchen, white room and sensory suite. The centre also has access to the university's general teaching facilities.

The QMU approach to SME engagement is valued by companies for being both commercially focused and partnership orientated. Companies appreciate the SCFDI's flexibility of space and availability of equipment. They also value the opportunity to work alongside and utilise the expertise of the academic and technical staff at QMU. QMU continues to use part of its Innovation Fund to invest in equipment that enhances its innovation and new product offer to companies.

QMU has engaged with over 250 companies across Scotland over the last four years, assisting with new product development, reformulation of existing products, nutritional analysis, and sensory analysis/taste panel work. These companies are mostly SMEs referred to QMU from a range of sources including: Business Gateway; Scottish Enterprise; Scotland Food and Drink; Edinburgh and other Chambers of Commerce; and Interface. Other sources include QMU's own marketing and networking activities, and companies referring other companies.

Case studies which demonstrate the value of the work of the Centre to SMEs which are active in the food & drink industry are attached. A case study which highlights the synergistic influence of the SCFDI and the QMU campus-based Business gateway in supporting a new "health-focused" start-up company in the Food and Drink Sector is (Fodilicious).

Appendix B - Facilities and equipment of Queen Margaret Innovation Hub

The innovation hub will comprise a brand new, purpose built building which will help to ensure the realisation of the project's objectives. The facilities in the building will be bespoke and have been determined following wide consultation, in particular with businesses operating in the food, drink and health science sector. The proposed facilities are described below in more detail.

Specialist equipment

- Specialist food and drink equipment will be available to the hub's occupiers in both the development kitchens and the Food Processing suite. This equipment will include a deck oven, a drinks filler, and UHT kit. There will also be access to labelling and packaging services, and commercial food analysis services.
- In order to allow occupiers to undertake on site research, the hub will feature a large sensory facility with specialised aroma booths and acoustic testing facilities. This will be particularly attractive to SMEs which do not have capabilities to test products.

Showcase facilities

- Showcase facilities will provide a setting for new product launches. They will also facilitate the demonstration of new technologies to food companies and academics.

ICT

- The innovation hub will be built with high performance ICT infrastructure. ICT is critical to innovative companies of all sectors and in order to attract companies to the hub it will be essential to provide access to high performing ICT and any associated support.

Flexible unit sizes

- The hub will allow companies to rent units of a range of sizes in order to best suit their needs.

Serviced facilities

- Units will be rented on a 'turn-key' basis and will be serviced. QMU will be responsible for overseeing the servicing arrangements which will enable the hub's occupiers to focus on their innovative activities.

Common space

1. Meeting rooms and break-out areas will be available for use by occupiers. These will assist with collaboration and provide space for meeting potential investors or customers.

Accessible facilities

- The accessibility of the hub will assist with distribution and receipt of supplies required for product development. Individual units will feature roller doors to allow for simple ingress and egress. A shared forklift will assist with the movement of heavy goods.

Appendix C - Risk Register

See end of document.

Appendix D - SCFDI Case Studies

Black and Gold Rapeseed Oil

Black & Gold produces a cold-pressed rapeseed oil at Stevenson Mains Farm, East Lothian. Black & Gold wanted to be clear about the properties of their product so that they could be accurate in any nutritional claims made on the labelling and in their marketing material. The company wanted to establish the brand at the forefront of nutritional, premium, artisan foods while expanding beyond farm shops, delis and butchers, to the web, clinical practitioners, health stores and health centres. With this end in mind researchers at Queen Margaret University were asked to establish the facts about the omega-3 nutritional content of the oil.



Rapeseed oil is renowned for its healthy fatty acid composition, as it has a very low omega-6 to omega-3 ratio, which helps to maintain cardiovascular health. Black & Gold rapeseed oil is cold-pressed and doesn't undergo significant processing. This is not only believed to optimise the flavour of the oil but may also preserve a range of antioxidant compounds that would otherwise be lost in processing. The research assessed the antioxidant profile and fatty acid content of the Black & Gold rapeseed oil and compared it with an equivalent grade olive oil on the market. In addition, the effect of domestic cooking on these nutrient profiles was investigated.

The research confirmed that the overall balance between omega-6 and omega-3 fatty acids conforms to the World Health Organisation international guidelines for heart health. Furthermore, analysis of the product showed that Black & Gold rapeseed oil does contain naturally occurring antioxidants in the form of polyphenols which remained active after domestic cooking such as shallow frying. Our research has established that Black & Gold may be considered superior to oils such as sunflower and extra virgin olive oil commonly used for cooking. This superiority can be attributed to this oil's favourable omega-6 to omega-3 ratio, antioxidant content and retention of nutritional benefits throughout normal cooking and heating processes.

Louise Elder, Director of Black & Gold, commented that: "Meeting with the specialists at Queen Margaret University gave immediate access to invaluable experience and research in the food industry not only in Scotland but the rest of the world. Engaging with academics who could increase the product potential is extremely rewarding for very small, inexperienced and young businesses. Black & Gold have found the collaboration with Queen Margaret University to be highly profitable in terms of understanding the efficacy of our product and we now feel we can communicate its benefits accurately to our customers." The company now supplies to over 30 outlets including: Harvey Nichols; Napier the Herbalists; Coulstoun Cookery School; and a range of top class restaurants and fine food suppliers.

The university is now working with The Scottish Rapeseed Oil Group (SRO), set up by Interface Food & Drink in partnership with Scotland Food & Drink and SAOS. The group, which includes seven rapeseed growers and producers, is working together to promote Scottish cold-pressed rapeseed oil to consumers and buyers. Commenting on behalf of SRO, Amanda Brown, Industry Development Director for Scotland Food & Drink, said: "QMU's research suggests that Scottish cold-pressed rapeseed oil has a distinctive fatty acid profile in comparison to cold-pressed rapeseed oils from elsewhere in the UK and Europe, which may in turn allow for targeted marketing to differentiate it."

Gusto

Established in 2011, Gusto is a small artisan company based in Leith who produce a range of dressings, marinades, infused oils, balsamics and vinegars. Using Scottish rapeseed oil, the company has achieved a notable level of success with their existing products which are marketed at high profile events and distributed via high end delicatessens, food markets and retail outlets.



The company wanted to diversify their current product line to introduce a new range with a strong unique selling point which would enable them to stand out from their competitors. The aim of this project was to develop a new dressing/oil/condiment product incorporating marine algae oil to complement the existing range of oils and vinegars. Such a product would offer consumers a vegetarian alternative to oily fish with increased versatility in the diet. It is anticipated that this novel product could improve intakes of long chain omega-3 fatty acids (DHA and EPA) in those who are not consuming adequate fish and help to achieve dietary requirements.

The research involved the development of nutritional profiles for new Gusto products incorporating marine algae oil (DHASCO™) as a source of DHA by varying the amount of the oil in relation to cost impact on the final product and possible label claims. Thereafter, sample batches of selected recipes were developed to assess shelf life and fatty acid profiles. Finally, a consumer focus group assessed the acceptance of the products, the perception of adding marine algae oil, and the understanding of the health benefits.

The project has clearly shown it is possible to produce oils and dressings enriched with marine algae which are acceptable to consumers. Ultimately this novel concept has the potential to offer consumers an alternative source of DHA in their diet which responds to the increasing need to reduce cardiovascular disease in the population. It is anticipated that this exploratory work will offer the company the opportunity to develop an entirely new range of products enhanced by the use of functional ingredients thus providing them with a strong unique selling point. The project has paved the way for the application of marine algae into other foods providing a valuable alternative to oily fish in supplying DHA in the diet.

Rachel Cousins, Gusto Artisan Foods, commented that: “This project gives a very strong USP therefore enabling market differentiation. Our collaboration with Queen Margaret University was focused on the task in hand and delivered the desired results which will aid our company in moving forward”

The Chocolate Tree

The company is an organic certified, “bean-to-bar” chocolatier specialising in artisan chocolate, organic chocolate bars, hand-crafted chocolates, continental baking and Italian style ice cream. This family-run business started in 2005 with a mobile shop supplying festivals, farmers markets and delicatessens. Since then they have expanded and now operate from a factory in Haddington, East Lothian and have an upmarket retail/café in Bruntsfield, Edinburgh. The company only uses the finest natural ingredients and they enjoy experimenting with new ideas. They are proud to be one of the first UK chocolatiers to make chocolate from beans supplied directly from the producer. The company is the winner of the 2013 East Lothian Food & Drink Award for the most innovative product.



The Chocolate Tree has developed new “bean-to-bar” chocolate products made from cacao beans sourced directly from cacao growers in Madagascar, Peru and Ecuador. The aim of the project was to provide the company with accurate antioxidant and mineral information to enable them to gain a fuller understanding of these nutritional characteristics in order to promote the health and nutritional aspects of their “bean-to-bar” chocolate.

Chocolate is frequently seen as an unhealthy indulgence. However, good quality chocolate with a high cacao percentage, when enjoyed in moderation as part of a balanced diet, has been shown to have a number of physical and mental health benefits. This project investigated the health properties of chocolate produced directly from roasted and unroasted beans from Madagascar, roasted beans from Ecuador, and unroasted beans from Peru. In particular the polyphenol content and the antioxidant capacity in these different products were investigated. This allowed the company to gain insight into the effects of the country of origin and roasting process on these properties. In addition the presence of a number of healthy minerals was also determined.

Queen Margaret University was able to provide scientific evaluation of the antioxidant profile and mineral content of The Chocolate Tree organic certified “bean-to-bar” range and provided professional guidance regarding the health and nutritional aspects of their products. This will assist the company in developing accurate information for labelling purposes and advertising material via their website, social media and leaflets. In the long term it will facilitate a large marketing campaign through which the company aim to: bring transparency to the chocolate industry; showcase how companies can work on an ethical basis supporting organic farmers in

Peru, Madagascar and Ecuador by sourcing cacao directly from the growers for the manufacture of “bean-to-bar” chocolate.

The client commented that: “This was a fantastic project which provided us with information which helped us better understand the health benefits of chocolate and go on to promote our products into new markets.” Alastair Gower, Owner and Partner.

Fodilicious (www.fodilicious.com)

Lauren Leisk graduated from Queen Margaret University (QMU) in 2016 with a BA Hons (1st Class) Business Management. At the age of 20, Lauren discovered that she had irritable bowel syndrome (IBS). She struggled to find readily available food products that were suitable for her diet, and discovered a gap in the market to fill.



In September 2017, Lauren set up Fodilicious, an innovative and UK exclusive food manufacturing business providing convenient, healthy meal options following the low FODMAP diet, (IBS-friendly) helping IBS sufferers to live a better quality lifestyle. Their products are also gluten-free and dairy-free too, effectively positioning Fodilicious in the fast growing ‘free from’ food market. The company has grown very quickly and is now selling through their website directly to consumers and to several food service and hospitality clients who are keen to take their products.

Support from Queen Margaret University

- **Scottish Centre for Food Development and Innovation** - Lauren is currently engaged with the team from QMU’s Scottish Centre for Food Development and Innovation (SCFDI) who are working with her on a project to develop a new range low FODMAP snacks. The project, which is currently ongoing, is funded through the Scottish Funding Council Innovation grant scheme.
- **Business Innovation Zone** - Lauren joined QMU’s Business Innovation Zone in 2017 where she has access to desk space and business support from the on campus Business Gateway service. In addition, she has received support with funding opportunities workshops and entrepreneurial competitions. Supported by the University she has entered:
 - Scottish Institute for Enterprise – Fresh Ideas competition 2018 – winner
 - Santander Universities Entrepreneurship Competition 2018 – through to Semi finals
- Scot Edge Competition – winner of Young Edge 2018
- Royal Society of Edinburgh, Unlocking Ambition competition – Finalist
- Merchant Company of Edinburgh – supported with a grant and mentor.

- Scotland Food and Drink Awards – finalist in Young Talent Category
- Sir Tom Hunter – winner of 100 Disrupters competition

“The team at QMU are absolutely fantastic, highly experienced and a pleasure to work with.”
Lauren Leisk

<https://www.qmu.ac.uk/services-for-business-and-industry/biz-fodilicious/>

<https://www.qmu.ac.uk/study-here/student-stories/lauren-leisk/>



Summary Of Project

Cobbs Bakery, based in Drumnachrochit in the Scottish Highlands, are a traditional style bakery and hotel group, sought to create a more healthful range of their successful bakery range. Cobbs service the foodservice and retail sectors, and were challenged by their retail clients to reduce sugar content. Cobbs were also keen to expand into markets which may have been excluded for nutritional reasons.

Sugar performs a number of different functions in baked products, not just sweetness, and providing a “one size fits all” approach is not appropriate.

Cobbs sought to create a range of six products which mimicked their top selling products, each of different styles :

- ◆ Victoria sponge cake with vanilla butter icing
- ◆ Chocolate sponge cake with chocolate butter icing
- ◆ Iced Carrot Cake
- ◆ Flapjack
- ◆ Gluten Free Brownie
- ◆ Millionaires Shortbread Tray Bake

Cobbs were keen not to lose their “home made” reputation, so any ingredient used to replace sugar should be clean label, legal and available for delivery in the desired quantities in the Scottish Highlands.

The project was part funded by a Scottish Funding Council Innovation Voucher, with cash and in kind contribution from Cobbs.



Challenges

- ◆ Retail clients sought a reduction of minimum 20% reduction in sugar in their product range.
- ◆ In order to make claims on pack of reduced sugar, a minimum of 30% reduction in sugar was required (this challenge became the benchmark reduction required)
- ◆ Sugar reduction was required in the many parts of the finished product (ie not just the cake batter, but also the additional icing and fillings in the cake examples, but also for example the chocolate topping of the millionaire shortbread)
- ◆ Sugar’s many functions in the finished product (shelf life, texture, bulk, moistness, cake integrity and icing format) had to be considered.



- ◆ Media campaigns looking at “sugar free” cakes sought to promote the use of other ingredients such as agave, honey, etc – these options were not appropriate as they did not reduce the actual sugar content of the product (and were deemed as misleading in the term “sugar free” given their high sugar contents). In addition, intense sweeteners commonly opted for in home baked sugar reduced items (such as Canderel and Stevia) were not permitted in use in the EU for manufactured products of this type and hence were excluded from the project

Scottish Centre for Food Development & Innovation Solution

The SCFDI took a strategic approach to this project, outlining what was possible not only in the six project products, but how solutions could be extended into other products within the wider Cobbs range.

Nutritional Calculation : Creating a nutritional information file for each of the products highlighting the impact of sugar in the formulation, and providing a base from which to look at sugar reduction. This file, based on MS Excel, was provided as part of the project and enabled Cobbs to extrapolate this to all products in their range.

Ingredient Search : A search for ingredients which would be functional yet meet the legal and clean label criteria was undertaken and samples sourced for use in product development. In addition, supplier information on specifications, nutritional profile, costing, minimum order quantities and lead time was incorporated.

Test Baking : Test baking of all products was undertaken onsite at QMU to assess optimal recipes, with regular reviews with Cobbs to ensure client approval. Trials based on kitchen batch recipes from the SCFDI were carried out at Cobbs site (to assess scale up, especially oven, challenges from kitchen batch to manufacturing bakery)

Consumer Insight : Two sets of consumer taste panelling were carried out as part of this project to assess consumer acceptance of the revised recipes against the standard full sugar products.

Final Report : A detailed final report outlining all methodologies and rationale for ingredients was created by the SCFDI, together with the results of all consumer insight testing.

Results

- ◆ A minimum of 30% sugar reduction was achieved in all six products, with successful consumer acceptance (or client approval) in each case.
- ◆ A labelling claim of "reduced sugar" was therefore permitted should this be required.
- ◆ An additional consumer taste test of these products was featured in the BBC Radio Scotland Kitchen Café programme where the panel was asked to discriminate between a standard carrot cake and one developed with 35% reduced sugar (where no difference in flavour and texture was reported)
- ◆ The products were launched via Cobbs distributor, Fife Creamery.
- ◆ Further adjustments are being investigated by Cobbs for their standard range based on the learnings from this project, in particular to investigate NHS and education markets which have stricter nutritional requirements.

About The SCFDI

The SCFDI is a wholly integrated centre within Queen Margaret University Edinburgh. The team incorporates expertise from both industry and academia and has four full time industry focused food scientists/product developers, plus additional input from the wider academic team. Services offered include new product development, reformulation, scale up advice, consumer insight using purpose built sensory suite and a consumer panel in excess of 650 members mostly from the local community. Projects are considered both from a consultancy and publicly funded basis.

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Case Study : Tongue In Peat

New Product Development

Summary Of Project

Tongue In Peat was a concept created by Hannah Fisher, cofounder of the Start Up Drinks Lab in Inverclyde whereby peat smoked Scottish tomatoes could be incorporated to create a truly unique new style tomato juice for sale in on-trade premises.

Whilst some initial work had been carried out some years ago on a blue sky concept by a third party consultancy, a revised approach was required to create a suitable manufacturable product.

The project offered by the SCFDI was a one day "NPD day", based at QMU, to create the optimal product together with Hannah, bringing together the technical expertise of the SCFDI and the brand decision maker to expedite the whole process.

The project was provided on a consultancy basis .



Challenges

- ❖ A concept product had been created initially but unfortunately this was unfeasible for scale manufacture, and much too expensive.
- ❖ Process – the product would have to be manufactured at Start Up Drinks Lab, with existing equipment and process restrictions, and hence any formulation and process should comply.
- ❖ Cost was a major consideration as the product needed to be accessible to the on-trade as a premium but affordable mixer.
- ❖ Taste – the smokiness of the smoked tomatoes was being lost in the heat process and this was the USP of the product so needed to be boosted.

Scottish Centre for Food Development & Innovation Solution

The team at SCFDI were able to provide a one day NPD day which covered every aspect of the drinks development process.

In advance of the NPD day, all ingredients, pricing, specifications and trial packaging were sourced from appropriate suppliers. All the equipment required for kitchen batch preparation and analysis was available at the SCFDI for this project.

Two members of the team structured the day to ensure that the maximum impact was provided in the allocated time.

- ◆ Review of all Ingredients Proposed : The SCFDI brought in a number of ingredients for assessment and trial during the development time, and the rationale for each (including any benefits and disadvantages were discussed).
- ◆ Product Development : Kitchen batch preparation, with the client, until a desired formulation was achieved. This included full heat treatment (pasteurisation) of all relevant samples.
- ◆ Assessment : Specialist equipment such as refractometer, pH testing and equipment to assess specific gravity of all ingredients were incorporated into the assessment process.
- ◆ Preparation of Launch Information File : A one stop excel file was created following the NPD day which included all essential information for launch manufacture, including:-
 - **Full formulation** details (both in weight and mass options to allow for specific gravity and conversions from kg to litres). A conversion tab was created to make adjustments to batch sizes simple in manufacture.
 - **Full costing of ingredients** based on volumes required, including yield loss calculator
 - **Supplier information**, including contact info and pricing, leadtimes, specification
 - **Technical analysis** results
 - **Manufacturing methodology and process** (including critical points)
 - **Nutritional calculation** for labelling purposes (Group 2 nutritionals per 100g (calories, kjoules, total fat, saturated fat, carbohydrates, sugars, protein, fibre and sodium as salt.
 - **Labelling ingredients declaration** (including any allergens)

Results

- ◆ The project was successful and led to the launch of the Tongue in Peat brand in 2019 into ontrade outlets.
- ◆ The information file produced is used as a benchmark for all projects carried out by Start Up Drinks Lab.

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Case Study : Scottish Salmon

Training Workshop on Sensory Techniques and Consumer Testing in Smoked Salmon

Summary Of Project

The Scottish Salmon Company are headquartered in Edinburgh with fisheries across Scotland. They supply fresh and smoked salmon to the foodservice and retail sectors.

As part of a review of procedures, they wished to ensure that the team based in Edinburgh and each of the fisheries were able to assess and review the products they farm and manufacture in a harmonized way. In order for this to be achieved, a bespoke training workshop specifically targetted at smoked salmon was created by the SCFDI for delivery in the sensory suite.

The project was funded via consultancy. .

Challenges

- ◆ The twelve participants came from across the business, senior and junior, and with differing knowledge levels. A tone and pace suitable for the group as a whole was required.
- ◆ Removing pre-conceived ideas regarding both Smoked Salmon Company and its competitor products was essential.
- ◆ Current assessment procedures were subjective and very much open to interpretation, hence the need for a confirmed process across the business.
- ◆ Adding objective methodologies to the assessment process, without the need for specialist equipment was required.
- ◆ The workshop would involve a large amount of tasting highly flavoured foods, and palate fatigue would need to be avoided.



Scottish Centre for Food Development & Innovation Solution

The SCFDI created a training workshop over two consecutive days which met the needs of the business.

Day one was a general introduction and concentrated on understanding the senses and their impact on how this affects our perception of taste, and covered the following topics:

- ◆ Introduction to the senses, including the benefits of taste testing, factors affecting the palate and protocols to consider
- ◆ Practical session one – identifying the 7 basic tastes of salt, sour, bitter, sweet, acid, metallic and astringent.
- ◆ Practical session two – the impact of salt on the palate and its function in finished products
- ◆ Practical session three – the impact of sweet on the palate, and why not all sweetening agents are equal
- ◆ Session on understanding the differences between consumer testing and sensory testing and reasons, with the benefits and disadvantages of each
- ◆ Organoleptics and how to taste
- ◆ Matching your data needs to the test type required.

Day two concentrated on understanding the basics of sensory testing with particular reference to smoked salmon and incorporated :

- ◆ Practical sessions where competitor and own samples were tasted in a controlled setting, blind coded and using sensory analysis techniques.
- ◆ A session on how to create more detailed descriptions on the products highlighted differences in flavour, texture, aroma, mouthfeel, using quantitative descriptive analysis techniques.
- ◆ A session on their current assessment template, including a review of format at the end of the two day workshop to incorporate learnings from the sessions.

Results

- ◆ Feedback from all twelve participants was positive. They found the sessions useful, from a personal and professional viewpoint.
- ◆ Protocols were put in place to replace current procedures to ensure more meaningful assessments.
- ◆ A more calibrated ability to review products on the different sites was achieved, resulting in more meaningful assessment and audible process.
- ◆ The participants were able to assess both their own products and competitor products in a more objective way, better understand the differences and how to describe those differences.
- ◆ Participants were able to disseminate the training information to the remaining staff at the sites who were unable to attend the workshop.

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Case Study : Malcolm Allan

Consumer Testing In The Quest To Find The Ultimate Haggis

Summary Of Project

Malcolm Allan are a Scottish based butchery business, with a well known and establish brand in Scottish retail outlets

As part of their product development process, a benchmarking review of competitor and products in development was undertaken by the SCFDI.

The SCFDI were able to design the research, and carry out testing using participants from the Centre's own 650 strong consumer panel which is mainly populated from consumers from the local community. The wide range of consumers, from all walks of life and ages, are able to provide useful consumer insight when considering product launches or redevelopments.

The sensory suite enables the products to be assessed in a controlled environment, using established consumer testing techniques, and utilising 60 participants sourced from the consumer panel.

A final detailed report on the results of the research was provided to Malcolm Allan. The Ultimate Haggis was launched in Asda for Burns Night 2020.

The project was funded via consultancy. .

Challenges

- ◆ Achieving the ideal balance of optimum number of participant numbers versus project cost was essential. The choice of 60 participants and a very detailed questionnaire was approved.
- ◆ Using a controlled environment it was possible to achieve impartial and unbiased results – this can be challenging to achieve in client in-house panels where own product can be identified easily.
- ◆ The assessment of haggis, being a highly flavoured product, can be troublesome as palate fatigue can occur. Palate cleansing techniques and protocols were in place to ensure that this did not occur.



Scottish Centre for Food Development & Innovation Solution

The SCFDI created a bespoke assessment on a new recipe haggis from Malcolm Allan and its three main competitors.

Competitor products were purchased by the SCFDI, and Malcolm Allan products provided by the client. All samples were prepared in the Centre's sensory preparation kitchen for the assessment.

A detailed bespoke questionnaire was created in two sections, and incorporated:-

- ◆ Organoleptic questions covering perceptions of the products tasted
- ◆ Lifestyle questions covering store choice, important factors when considering haggis purchase, likelihood to purchase, regularity of purchase and pack size preference.

The purpose built sensory suite within the SCFDI was able to host the sessions and results from the 60 participants reported anonymously using Compusense™ sensory software in place at the Centre.

The sessions were carried out in controlled conditions.

Results

- ◆ The results from the study were useful to Malcolm Allan during their product development process and enabled the client to complete their product development process in a focussed way.
- ◆ The product launched in 2020, ready for the busy Burns Night celebrations.

About The SCFDI

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Appendix E - Economic Impact Technical Appendix

Appendix F - Equalities Impact Assessment

Appendix G – Financial Case

- G1 EIP Hub - Masterplan**
- G2 EIP Park – Masterplan**
- G3 EIP Hub – 3d**
- G4 EIP Hub – Development Programme**
- G5 EIP Hub – Cost Plan**
- G6 EIP Hub Concept Design Brief**
- G7 Case Study (5 nr)**
- G8 Hub rentals**
- G9 Hub uptake**
- G10 Hub Size**

Appendix H Management case

- H1 Leasing Structure

Appendix I - Commercial Case

- I1 CASE STUDIES OF COUNCIL/ UNIVERSITY JV COMPANIES IN THE INNOVATION ECONOMY

EIP/Innovation Hub – Project Risk

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating	
			L	I	L x I		L	I	L x I	
IH 1	<p>Innovation Hub/EIP</p> <p>Lack of market demand for innovation space/EIP commercial units resulting in the innovation space being underused, particularly as a result of Covid-19.</p> <p>Financial impact by loss of potential revenue stream for JV by the short term and long term by unoccupied units.</p> <p>Reputational damage to ELC/QMU if completed project has no uptake/cannot deliver on the terms of the full business case.</p>	<p>The JV partners will provide a working capital contribution of £200,000.</p> <p>Early engagement and instruction of the relevant retail/market studies will be needed to identify the market demand, particularly around impact of COVID19.</p> <p>Continued engagement with relevant bodies to promote innovation space and continued reliance on national and local market intelligence particularly around impact of COVID19.</p> <p>Already existing business start-up and business growth arrangements already in place between QMU and ELC.</p>				<p>Continue to review national and local market intelligence on the impact of COVID19.</p> <p>Review short, medium and long term impact of COVID19 on existing business start-ups both nationally and locally and business growth both nationally and locally.</p>				Project Manager
IH 2	<p>Innovation Hub/EIP – Business Case</p> <p>Inability to draw down some or all of the £30 million targeted in the City Deal to bring forward the Innovation Hub and therefore unable to fund the construction of the Innovation Hub which is the catalyst for the development of the 52 acre wider EIP.</p> <p>Delay to the timetable for submission/approval of FBC.</p> <p>Financial impact is a revenue stream identified for ELC by the construction / completion and occupation of the Innovation Hub and commercial units at the EIP. Reputational damage by not bringing forward a crucial element of a strategic site that has been allocated City Deal money from UKG.</p>	<p>Draft Full Business case submitted to SG/UKG on 4th December 2020 and iterative feedback currently ongoing with a target date of June 2021 for approval.</p> <p>PWC continue their appointment as the appointed consultant to advise on the business case and there is continued and ongoing feedback sessions on the Full Business Case with UKG/Scottish Government, City Deal PMO office and QMU.</p> <p>Regular reporting to ELC and Members. University FEC and Court briefings undertaken to ensure the proper interface with ELC/QMU governance.</p> <p>Current timetable for approval of FBC deferred to June 21.</p> <p>Direct impact of delay to the submission and approval of FBC is the date for completion and operation of Innovation Hub to Sept 22 and Feb 25 respectively SG/UKG advised of this and approved same.</p>				<p>SG/UKG continue to feedback on resources of FBC review personnel in context of Brexit to meet the target date for approval of the FBC in June 2021</p>				Project Manager
IH 3	<p>Innovation Hub/EIP – Construction Costs</p> <p>Increase in cost of project at (1) design stage, (2) contractor tendering stage, (3) during building process.</p> <p>Financial impact on ELC if unforeseen increased project costs require to be met. It will require a revisiting of funding arrangements with ELC/QMU and to report accordingly to the City Deal to assess that funding streams are adequate to enable completion of the project. Potential</p>	<p>QMU will lead on the procurement of the design, specification and construction of the Hub in order to achieve the maximum synergy with the vision and operations of QMU. The intention is to engage a design team with directly relevant experience of similar projects and award a fixed price JCT Design & Build contract.</p> <p>A key outcome of the above appointment is to transfer all of the risk to the nominated contractor. Design certainty will enable contractors to bid for a defined specification</p>				<p>Ongoing close financial monitoring of construction costs including monthly financial reporting/discussions with ELC finance officers and the PMO finance officers.</p> <p>Proposed governance structures will demand ongoing financial scrutiny.</p>				Project Manager

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating	
			L	I	L x I		L	I	L x I	
	reputational damage by disruption to attaining key project milestones.	<p>and, consequently, they will have little requirement to include risk contingencies to cater for the unforeseen.</p> <p>Currie & Brown appointed as cost consultants to ensure a rigorous assessment</p> <p>There is a refresh of the cost plan associated with the project being undertaken to assess the current costings in line with the budget albeit the cost implications of COVID19 have been identified as a cost risk and as such remain to be fully assessed.</p> <p>Regular oversight meetings between Persimmon Homes, QMU and ELC officers to ensure that all financial monitoring, strategic matters and costs are discussed including any short, medium and long term impact of COVID19.</p> <p>Regular reporting to ELC and Members. QMU FEC and Court to ensure the proper interface with ELC/QMU governance.</p>								
IH 4	<p>Innovation Hub/EIP - Infrastructure Costs</p> <p>Cost for building and infrastructure is higher than forecast at planning stage.</p> <p>Financial impact to ELC/QMU if unforeseen increased project costs require to be met. It will require a revisiting of funding arrangements with ELC/QMU and to report accordingly to the City Deal to assess that funding streams are adequate to enable completion of the project. Potential reputational damage by disruption to attaining key project milestones.</p>	<p>There is a refresh of the cost plan associated with the project being undertaken to assess the current costings in line with the budget albeit the cost implications of COVID19 have been identified as a cost risk and as such remain to be fully assessed</p> <p>Regular oversight meetings between Persimmon Homes, QMU and ELC officers to ensure that all strategic matters and ongoing development of the housing element of MH1 are discussed including any short, medium and long term impact of Covid-19.</p> <p>Partial utilities review carried out to identify any future utility issues.</p> <p>Operating costs will become more definitive as the FBC progresses.</p> <p>Early and continued benchmarking against similar developments UK/locally.</p> <p>Regular reporting to ELC and Members/QMU FEC and Court to ensure the proper interface with ELC/QMU governance.</p>				<p>Ongoing close financial monitoring of infrastructure costs including monthly financial reporting/discussions with ELC finance officers and the PMO finance officers.</p> <p>Proposed governance structures will demand ongoing financial scrutiny.</p>			Project Manager	
IH 5	<p>Innovation Hub/EIP - Operating Costs</p> <p>Operating costs of the Innovation Hub/EIP are higher than forecast resulting in financial loss.</p> <p>Financial impact to ELC/QMU by impacting on revenue streams if operational costs cannot be met</p>	<p>Operating costs will become more definitive as the FBC progresses. The current proposal is for QMU to be responsible for the, management and operation and occupancy risks associated with the Hub and for driving the Hub forward as a new business on behalf of the JV partners.</p>							Project Manager	

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating	
			L	I	L x I		L	I	L x I	
	<p>Reputational damage if rents require to be increased and/or unoccupied units.</p> <p>Reputational damage of the Council/East Lothian as a business location and impact on jobs in the area and the income of the Council.</p>	<p>Early and continued benchmarking against similar developments UK/locally.</p> <p>Ongoing close financial monitoring of operating costs by JV partners.</p>								
IH 6	<p>Innovation Hub/EIP – Business Plan/Occupancy Levels</p> <p>Failure to deliver the operational business plan resulting in unoccupied business space</p> <p>Financial impact to ELC/QMU by impacting on revenue streams if operational costs cannot be met</p> <p>Reputational damage if rents require to be increased and/or unoccupied units.</p> <p>Reputational damage of the Council/East Lothian/QMU as a business location and impact on jobs in the area and the income of the Council.</p>	<p>The current proposal is for QMU to be responsible for the, management and operation and occupancy risks associated with the Hub and for driving the Hub forward as a new business on behalf of the JV partners. subject to a working capital contribution of £200,000 from ELC/QMU</p> <p>The JV will have to ensure that there is the appointment of a strong management team and a robust review of any operational business plan once final design is established.</p> <p>Proposed governance structure will ensure that the JV company can be responsible for checking and balancing the operations of the Innovation Hub/ EIP.</p> <p>Ongoing monitoring with JV partners.</p> <p>Regular reporting to ELC and Members/QMU FEC and Court to ensure the proper interface with ELC/QMU governance.</p> <p>Early promotion of the business plan and effective marketing strategy to identify potential tenants.</p>				<p>There is a relatively advanced leasing strategy that has been agreed that ensures that entry criteria is applied to all lease documentation to enable the ongoing commercial success of the Hub and the EIP.</p>			Project Manager	
IH 7	<p>Innovation Hub/EIP –planning matters</p> <p>Onerous planning conditions imposed.</p> <p>Delay to delivery of the project if planning conditions cannot be met. Reputational damage of project delayed as a result and this needs to be reported both internally and externally.</p>	<p>Early consultation by design team with ELC planning department and neighbouring developers.</p> <p>Strategic site oversight group, incorporating ELC planning, co-ordinating planning matters.</p>							Project Manager	
IH 8	<p>Innovation Hub/EIP - Governance</p> <p>Inadequate Governance results in failure to deliver.</p> <p>Reputational damage if governance inadequate and insufficient monitoring and reporting both internally and externally results in failure to deliver. This could also damage the reputation of the Council/East Lothian/QMU as a business location and impact on jobs in the area and the income of the Council.</p>	<p>Outcomes paper (approved by ELC (Dec 2020)/QMU) has set out a framework for the governance to deliver and operate the Innovation Hub/EIP. The outcomes paper will form the basis of detailed Heads of Terms.</p> <p>ELC Elected Members briefed on the above on 8th December 2020 and Council approval of outline governance structure on 15th December 2020.</p> <p>Draft Full Business Case sets out proposed governance structure so SG/UKG are alert to same.</p>				<p>As the project evolves the governance structures will be developed alongside within the context of the approved outcomes paper and the Heads of Terms (to be agreed).</p>			Project Manager	

Risk ID	Risk Description (Threat/Opportunity to achievement of business objective)	Risk Control Measures (currently in place)	Assessment of Current Risk			Planned Risk Control Measures	Assessment of Residual Risk [With proposed control measures]			Risk Owner
			Likelihood	Impact	Risk Rating		Likelihood	Impact	Residual Risk Rating	
			L	I	L x I		L	I	L x I	
	<p>Impact financially if steps to rectify governance to allow deliverability of project require to be taken.</p> <p>Potential inability to recover costs on project.</p>	<p>Ensure that existing and future legal arrangements support governance structure and enable the delivery partners in the respective obligations.</p> <p>Regular reporting to ELC and Members /QMU FEC and Court to ensure the proper interface with ELC/QMU governance.</p>								
IH 9	<p>Innovation Hub/EIP – Ongoing engagement with stakeholders</p> <p>Lack of appropriate engagement, management, solutions or outcomes could reflect badly on the Council.</p> <p>Reputational damage to Council/QMU , key stakeholders, delivery partners, City Deal if failure to engage properly and appropriately brings undesired outcomes. Could impact financially if reputational damage is sufficient that the project cannot be delivered/no uptake.</p>	<p>Monthly and ongoing reporting to PMO submitting financial reports, progress reports and regular meetings to ensure risks are avoided or minimised to the highest degree.</p> <p>When appropriate reporting directly to contacts at SG/UKG on the programme. Where relevant, by engaging with the relevant Communications team at the appropriate milestone.</p> <p>Regular oversight meetings between Persimmon Homes, QMU and ELC officers to raise any strategic issues affecting all 3 stakeholders.</p> <p>Regular reporting to ELC and Members/QMU FEC and Court to ensure the proper interface with ELC/QMU governance.</p> <p>Continue with regular briefings and reports to all stakeholders.</p> <p>ELC represents project at monitoring and evaluation committee to devise and promote a monitoring and evaluation framework for SG/UKG.</p>							Project Manager	

Appendix E

Technical Appendix for Economic Impact Assessment of the Preferred Option

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1 Introduction

This section sets out in more detail the economic impact assessment undertaken in line with guidance set out in the HM Treasury Green Book to assess the potential gross and net impacts in respect of the preferred option to develop the QMU Innovation Hub. This annex covers the following key steps:

- **Preparation of an Impact Pathway** - mapping out an impact pathway (or logic model) that gives consideration to the potential beneficiaries of the activities delivered and the associated short, medium long term outcomes that are anticipated to arise;
- **Defining Measurable Impacts** - giving consideration to the types of direct and indirect benefits arising and how they can be measured;
- **Identifying Activities/Outputs** - Identification of the activities that will be delivered and associated beneficiaries for the preferred option on a bottom-up basis;
- **Estimating Net Impacts** - giving consideration to how much of the estimated gross benefit arising can be attributed to the intervention proposed taking into account what may happen anyway (counterfactual) and displacement, leakage and multiplier effects; and,
- **Assessment of Value for Money** - in terms of the ratio of net present costs to the public sector to the net present value of estimated net impacts.

2 Impact Pathway (Establishing types of impact)

2.1 Impact Pathway

An impact pathway was developed - as set out in Figure 1 below - to assess the range of potential impacts that would need to be realised to address the needs and opportunities set out in the Strategic Case and the consequent inputs, activities and market interactions with potential beneficiaries required to deliver these impacts.

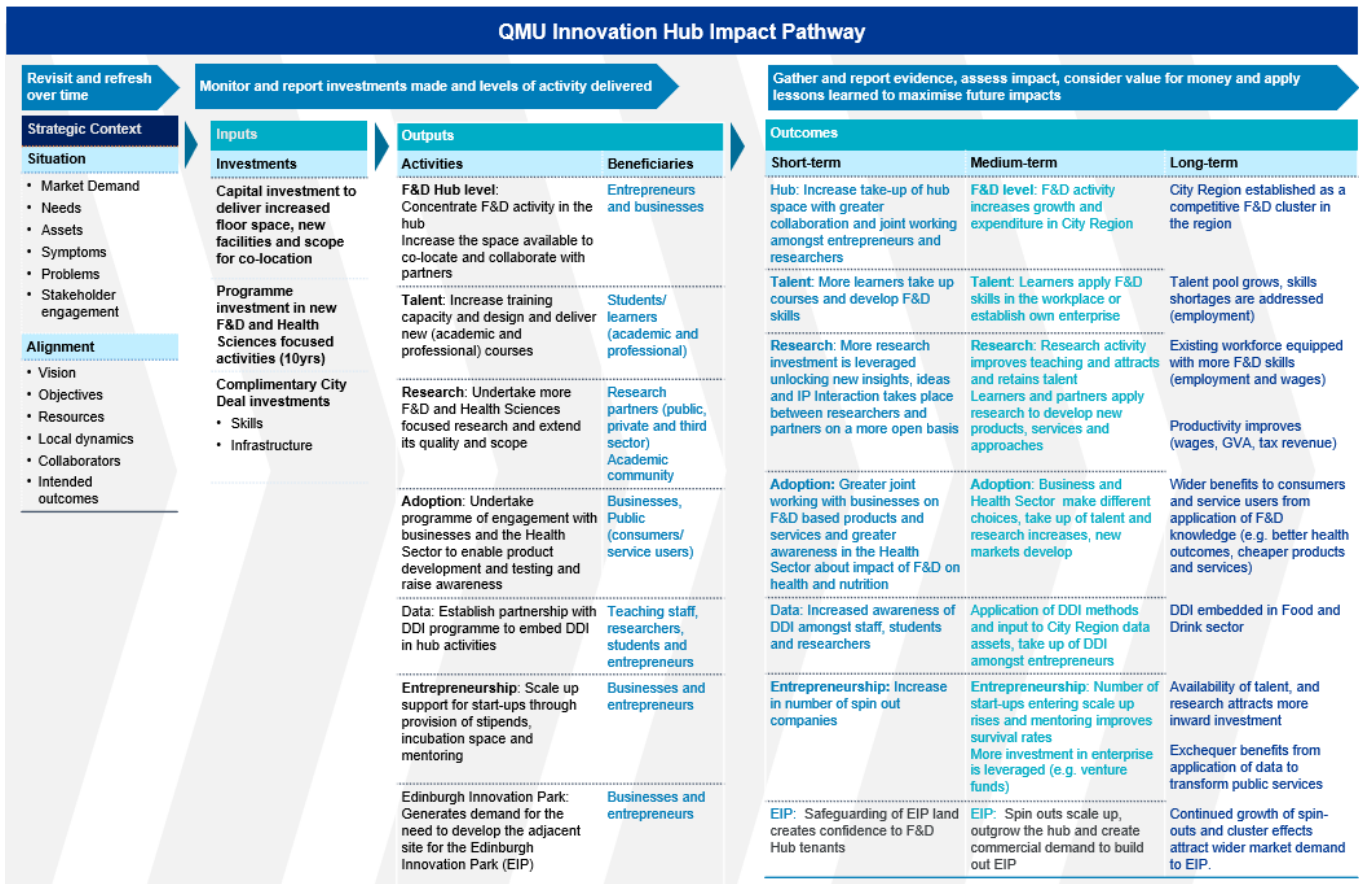
The impact pathway built upon the detailed work carried out by City Region Deal partners in developing the business cases for the Data Driven Innovation (DDI) Programme. Building on their findings, the impact pathway for the innovation hub considers how the objective of the Innovation hub to deliver positive impacts in food & drink related sectors could be met through holistic intervention via delivering the proposed “TRADE” activities from the innovation hub:

- **Talent:** creating and retaining a sustainable pool of food & drink technology talent in the City Region, Scotland and the UK to address the changing needs of industry, drive up value-added by the sector and promote fulfilling long-term career opportunities;
- **Research:** expanding and enhancing the UK’s food and drink related research assets, insights and knowledge base and its global reputation as an innovation led economy;

- **Adoption:** increasing the uptake/use of food and drink related research and development and product innovation activities by businesses, entrepreneurs and the public to realise benefits for the City Region and beyond;
- **Data:** providing the analytical skills, capacity and data accessibility to underpin food and drink related innovation activity that is richer, quicker and more responsive to market needs; and,
- **Entrepreneurship:** enabling and attracting City Region based and other entrepreneurs to develop and grow new food and drink related businesses that benefit from the commercialisation of innovative research and access to talent, data, enterprise support and suitably flexible premises in which to grow.

Additionally it is anticipated that the City Deal Funding will help unlock the potential to develop the adjacent site to host the Edinburgh Innovation Park. For completeness, the impact of this indirect output and subsequent outcomes have also been included in the impact pathway below and subsequent analysis.

Figure 1: QMU Innovation Hub Impact Pathway



2.2 Direct & Indirect Impacts

Building upon the logic model set out in the impact pathway, the table below summarises the measures that have been identified - across each talent, research, adoption, enterprise and Edinburgh Innovation Park (EIP) theme¹ – to quantify the anticipated impacts of the QMU Innovation Hub. In summary, it is anticipated that the Innovation Hub will generate a range of direct and indirect economic impacts as a result of delivering the TRADE+EIP activities, as follows:

Table 1: Direct and indirect impacts

Theme	Direct Impacts	Indirect Impacts
Talent	GVA generated from: <ul style="list-style-type: none"> • employment of additional academic & administrative staff to deliver the new food & drink related teaching courses proposed; and, • student spending impacts on the City region while undertaking courses. 	GVA generated as a result of: <ul style="list-style-type: none"> • the provision of food and drink related undergraduate and postgraduate degrees and pathway courses resulting in long term productivity improvements once these students enter the UK workforce.
Research	GVA generated as a result of: <ul style="list-style-type: none"> • the creation of additional Food and Drink and health sciences related research staff posts. 	GVA generated by: <ul style="list-style-type: none"> • the return on investment from successful awards of public and private research & development funding.
Adoption	GVA from: <ul style="list-style-type: none"> • academics working on commercial projects and associated support staff posts. 	GVA from: <ul style="list-style-type: none"> • returns on investment from spend attracted to commercial development projects including scaling up existing SCFDI activities, and, • productivity impacts from return on investment on employees undertaking Food and Drink related CPD training.
Entrepreneurship	Through the creation of GVA from: <ul style="list-style-type: none"> • entrepreneurship support staff posts. 	GVA from: <ul style="list-style-type: none"> • the successful creation of new Food and Drink related spin out and start-up

¹ No direct impacts are attributed to the Data theme given the enabling role that this tool plays in supporting the Innovation Hub to deliver activities and the consequent benefits that are derived across the other four TRAE themes.

		businesses and employment that attract private investment funds.
EIP	N/A - development of the F&D Hub helps unlock the need for the EIP site to be brought forward for development.	GVA from: <ul style="list-style-type: none"> 40,000 sqm of employment space on build out of EIP over 25 years

3 Approach to Establishing Net Impacts

HMT Treasury Green book requires that in undertaking an Economic Impact Assessment consideration is given to estimating and attributing **net** impacts. This requires undertaking additionality analysis that takes into account the key steps set out in Fig. 2 below including consideration of: deadweight (what would happen anyway in the counterfactual scenario); displacement, substitution and leakage effects (to what extent does the intervention proposed replace existing economic activity or deliver benefits outside the area of appraisal); and, multiplier effects.

Figure 2: Key Stages in undertaking Gross to Net Analysis



Accordingly, the economic impact analysis has followed a three stage process:

- **Identification of outputs and outcomes** – workshops were held with QMU sector leads to discuss and capture the range of “TRADE” activities and expected outputs envisaged under a “do nothing” (counterfactual) and “reference case” (with intervention) scenario;
- **Measurement and quantification of gross outputs and outcomes** – a detailed breakdown of anticipated outputs, costs and income over the appraisal period was

developed to estimate the overall uplift in jobs created, GVA, and wider benefits (where possible) as a result of City Deal Innovation Hub funding; and,

- **Analysis of net impacts** – comprising additionality analysis (as per the steps outlined at Figure 2 above) of the gross Innovation Hub outputs and outcomes to identify levels of net impact based primarily on estimates of the levels of leakage, displacement and multiplier impacts from current and historic data.

In scoping the economic impact assessment, the following key assumptions have been made in measuring the economic impact of the Innovation Hub across all TRADE+EIP elements:

1. **Timescale:** the analysis is based on the economic impact that is likely to be generated over the 15 year City Deal Funding period; and,
2. **Geographic area:** the analysis has been split by City Deal Region and Scotland levels for Talent impacts. However the other areas of impact (i.e. for Research, Adoption and Entrepreneurship etc) have not been split by geographic area at this time. This reflects constraints in relation to identifying appropriate and robust GVA per head levels at different geographic levels and sectors that could be applied to the benefits profile identified. However given the relatively low levels of leakage (per the Net Impacts section below) associated with the benefits identified it is estimated that the majority of impacts will occur at (and therefore remain within) the City Deal Region and Scotland levels.

4 Identifying Activities & Outputs

It is best practice to give detailed consideration to the specific type and number of activities that will be delivered as a result of taking forward the preferred option such that the impact of these can be measured on a “bottom-up” basis following the logic chain in the impact pathway.

Accordingly, workshops were held with QMU and ELC to identify the type and quantum of activities to be undertaken over an initial period of 15 years if the £40m investment to deliver the QMU Innovation Hub were taken forward.

As part of this exercise consideration was given to capturing:

- **Do Nothing (Counterfactual)** - the levels of activity expected to occur anyway, without the intervention proposed to deliver the hub, in order to establish a baseline;
- **Reference Case (with Intervention)** - the levels of activity expected to occur if the intervention to deliver the innovation hub were taken forward; and
- **Uplift** - isolating the overall uplift in activity through comparison of the reference case to the counterfactual.

The resulting actions and **uplift** in activities and outputs as a result of the innovation hub investment were derived based on the activities and outputs presented in the Table below.

Table 2: Innovation Hub key activities and outputs

Topic	Action(s) Taken	Measured Target Outputs (Uplift)
Hub	Deliver new innovation hub incorporating bespoke food & drink grade facilities and flexible occupancy floorspace for collaborating companies and spin-outs.	<ul style="list-style-type: none"> ● 5,040 sqm (net lettable internal area) delivered by 2024 to support research, adoption and enterprise activities. ● Phased occupancy of 50% in 2024 rising incrementally over 5 years to 100% by 2028.
Talent	Enhance and expand course provision for food and drink related technology & innovation to improve the quality and quantity of industry relevant skills	<ul style="list-style-type: none"> ● 314 undergraduate BSc (over 15 years) ● 120 Masters and 50 PhDs (over 15 years)
Research	Use the new hub facilities to scale up the quality and quantity of research activity undertaken in the City Region in collaboration with partners in the UK and abroad where relevant.	<ul style="list-style-type: none"> ● £5.2m research council grant income over 15 years, representing an uplift of £3.4m from a baseline of £1.8m.
Adoption	Use the increased capacity and facilities provided by the hub to significantly increase direct development projects with commercial customers and create new CPD courses to create in-work skills development pathways for employers.	<ul style="list-style-type: none"> ● Double annual commercial revenue from SCDFI activities to £500k by 2025/26 (representing c.35 projects based on current average value of a typical project) with a total commercial spend on R&D projects of £9m over 15 years ● 2,043 CPD courses (accredited and non accredited) over 15 years.
Data	Establish partnership with City Deal DDI Programme to embed DDI awareness in talent, research, adoption and enterprise activities delivered from the hub.	<ul style="list-style-type: none"> ● Establish partnership with City Region Deal DDI Programme; ● Establish joint commercial offer to industry with Edinburgh Napier University to combine their DDI expertise in complex chemical analysis with QMU food and drink product development expertise (reflected in PhD numbers).
Entrepreneurship	Actively support the creation of	<ul style="list-style-type: none"> ● A prudent base assumption

	spin-out companies from student, academic and commercially-led research activities and the scaling up of existing enterprises. Work with public and private partners to enhance and simplify access to the entrepreneurial support ecosystem.	<p>that half of the net lettable area (2,145 sqm) will be made available in the hub on a flexible lease basis to support new entrepreneurial start-ups (with use of the remaining space prudently assumed to support research and adoption activities by established businesses and measured under those headings).</p> <ul style="list-style-type: none"> • 69 direct entrepreneurship jobs created p.a (once full occupancy has been achieved) • 98 new enterprises surviving to maturity over 15 years • £4.9m of total seed capital attracted
Edinburgh Innovation Park	Safeguard the development land at the Edinburgh Innovation park and actively seek commercial build out to support the onward growth of companies beginning in the hub and to accommodate inbound interest from those attracted to the emerging food & drink knowledge cluster.	<ul style="list-style-type: none"> • Drive forward the commercial development of 40,000 sqm of floor space for innovative scale-up and commercial customers attracted to the emerging food & drink related and innovation-led knowledge cluster over time

Table 3 below summarises the total outputs over the 15 year appraisal period for the “do nothing” (Counterfactual) and “reference case” (with intervention) scenarios. These were used to isolate the consequent Innovation Hub **uplift** in employment and TRADE+EIP outputs that has been taken forward into the impact assessment for the Innovation Hub Programme (i.e. the profile of outputs net of the counterfactual scenario). The profile of gross outputs for the uplift scenario over the 15 year period is set out at Appendix 1.

Table 3: Innovation Hub Gross Employment and TRADE+EIP Outputs

Category	Do Nothing (Counterfactual)	Reference Case (Intervention)	Innovation Hub Uplift
Direct Employment (FTEs)			
Talent	5	11	6

Research and Adoption	0	5	5
Entrepreneurship	0	7	7
Total	5	23	18
Talent			
No. of UG students	1,128	1,442	314
No. of PG students	543	663	120
No. of PhDs	25	75	50
Research and Adoption			
Public Sector Research Funding	£1.80m	£5.22m	£3.42m
Funding from Industry & Commerce (incl. SCFDI)	£4.53m	£8.97m	£4.44m
Total Research Funding	£6.33m	£14.19m	£7.86m
No. of credit bearing CPDs	0	165	165
No. of non-credit bearing CPDs	2,100	3,978	1,878
Entrepreneurship			
No. of businesses entering Innovation Hub	0	98	98
Sq m of lettable space created	0	5,040	5,040
Sq m of SME space available for rent for Entrepreneurship	0	2,145	2,145

No. of jobs created	0	69	69
EIP			
Sq m of space created	0	40,000	40,000
No. of jobs created	0	680	680

5 Impact Assessment Assumptions & Calculations

This section sets out the key economic metrics and additionality assumptions that have been applied to measure the net impacts of the profile of outputs identified for the uplift scenario summarised at Table 2 above. It considers each category of impact (direct, indirect and wider) in turn.

5.1 Direct Impacts

5.1.1 Employment Outcome Analysis

This section outlines the steps taken in quantifying the GVA generated from the estimated additional employment that will be generated as a result of the Innovation Hub Uplift scenario. The key assumptions drawn in relation to measuring employment impact are:

Table 4: Direct employment outcome analysis: key assumptions

Assumption	Description and Sources
GVA Metrics	<ul style="list-style-type: none"> • Academic staff - the economic impact for academic staff has been calculated for a 15 year period based on the average GVA per job for the Education and ICT sectors in the CDR (£47,880) and Scotland (£55,233) (i.e. to represent the average GVA per job from academic staff posts); The profile of GVA has been discounted to net present value terms at 3.5% to a base date of 1 Sep 2020. • Research, Adoption and Entrepreneurship Staff - the economic impact for implied research, adoption and entrepreneurship employment has been calculated for a 15 year period based on the average GVA per job/per head of the ICT and Professional and Technical sectors in CDR

	(£74,091) and Scotland (£67,636). The profile of GVA has been discounted to net present value terms at 3.5% to a base date of 1 Sep 2020.
Additionality Factors	<ul style="list-style-type: none"> • Counterfactual – A nil counterfactual scenario is assumed (at all geographic levels) as without the Innovation Hub Programme investment these additional academic, research, entrepreneurship and adoption staff posts would not be created; • Leakage – Leakage values have been assumed to be low as, based on current staff composition as advised by QMU, the majority of the QMU faculty are assumed to reside locally at 90% at the CDR level, falling to 10% at the rest of Scotland level; • Displacement – Displacement levels for academic staff are based on the HCA Additionality Guide (2014) and vary by geographic level from between 10% (for the City Deal Region reflecting the likelihood of fewer competing academic and research institutions) to up to 25% (for the Rest of Scotland based on the greater likelihood of competing institutions whose activities might be displaced); and, • Multiplier – Type I GVA multipliers have been applied for SIC code 72 (R&D) 2017 of 1.4 for employment benefits for the City Deal and Scotland levels based on the latest Scottish Government data for the Scottish economy.

Application of the above assumptions to the gross outputs identified results in the following estimated net employment impacts for the Programme.

Table 5: Innovation Hub Net Direct Employment Impacts, Discounted (2021/22 to 2034/35)

Benefit Category	Net Employment Uplift	Assumed GVA per Head p.a.	Gross GVA over 15 years (£'m, net present value terms at 01 Sep 2020)	Net GVA (£'m, net present value terms at 01 Sep 2020)
Talent	6	£47,880 (CDR) £55,233 (Scotland)	4.6	3.7

Research & Adoption	5	£74,091 (CDR) £67,636 (Scotland)	4.1	3.3
Enterprise	7		3.0	2.5
Total	18		11.7	9.5

5.1.2 Student Spend Outcome Analysis

The indirect impacts from the Innovation Hub talent theme includes student spending impacts generated from on campus undergraduates and postgraduates based upon the following assumptions:

Table 6: Student spend outcome analysis: key assumptions

Assumption	Description and Sources
GVA metrics	<ul style="list-style-type: none"> • Average student spend is assumed at £6,990 per annum. In the absence of specific data for QMU, this figure is a proxy for the purposes of this appraisal derived from the economic impact of student spend during their time at University from data presented in Biggar Economics: "Economic Impact of the University of Edinburgh (2013-14)". • The economic impact of student spending for campus based graduates and post graduates has been calculated for a 15 year period and discounted at 3.5% to a base date of 1 September 2020.
Additionality factors	<ul style="list-style-type: none"> • Counterfactual – A nil counterfactual scenario is assumed (at all geographic levels) as without the Innovation Hub investment these additional graduate and post graduates would not be in receipt of teaching at the University; • Leakage – Leakage levels are assumed to be in line with the student spend profile provided within the: "Biggar Economics- Economic Impact of the University of Edinburgh (2013-14)" report which indicates the majority of the University's graduate spend takes place within the City Region at 93%, falling to 7% and 0% for the rest of Scotland and UK levels respectively; • Displacement – based on the HCA Additionality Guide – with an assumption of low levels of displacement of between 10% (for the City Deal Region) to up to 25% (for the Rest of Scotland) with 0% assumed for Rest of UK based on the local nature of on campus undergraduate students location and therefore spend profiles. Similar levels have been applied for

	<p>postgraduate students reflecting the location of the QMU campus and Innovation Hub in East Lothian; and,</p> <ul style="list-style-type: none"> • Multiplier – The GVA Type I multiplier has been applied for SIC code 85 (Education) of 1.1 for GVA benefits generated from student spending effects for the City Deal and Scotland levels, based on the latest available Scottish Government data for the Scottish economy (2017).
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Based on the above approach and additionality ratios it is estimated that an additional net GVA of **£6.4m** will be generated over 15 years as a result of the student spending impacts associated with the provision of additional teaching activities at QMU.

Table 7: Innovation Hub Net Direct Student Spend Impacts, Discounted (2021/22 to 2034/35)

Benefit Category	Total number of students	Assumed GVA per student p.a.	Gross GVA over 15 years (£'m, net present value terms at 01 Sep 2020)	Net GVA (£'m, net present value terms at 01 Sep 2020)
Student Spend	1,353	£6,990	7.0	6.4

5.2 Indirect Impacts

5.2.1 Talent Outcome Analysis

This section presents the approach that has been undertaken to quantify the **indirect** Innovation Hub based teaching impacts based on the net additional earnings GVA impact from the training of Food and Drink and health sciences undergraduates and postgraduates at QMU. It is important to note that this analysis does not include the impact of CPDs which have been captured under Adoption given CPD courses are predominantly undertaken by individuals in employment.

Table 8: Talent outcome analysis: key assumptions

Assumption	Description and Sources

GVA metrics

- In regard to talent outcomes consideration has been given – in line with BEIS Guidance regarding “wage uplifts”² – to the likely increases in the net present value of the lifetime income and GVA of those students securing Innovation Hub related employment in the City Region and Scotland.
- **Counterfactual GVA:** the “benchmark” or baseline comparator comprises the average GVA per employee across all SIC codes for each area (City Region and Scotland) to represent the GVA that could be generated by graduates not in receipt of Innovation Hub related teaching. This has been calculated on a lifetime basis during the City Deal Programme (i.e.15 year employment profile) and discounted at 3.5%. Table 5 below sets out the outcomes of these counterfactual GVA assumptions.

Area	Average GVA (2020)	Discounted lifetime average GVA (2020)
City Region	£45,338	£522,752
Scotland	£53,186	£612,565

From: Annual Business Survey (ABS) data by Local Authority (1): 2008-2017 (uplifted to 2020 prices) and PwC analysis of ABS GVA data discounted by 3.5% over 15 years.

- **Reference Case GVA:** it is assumed that on graduation each QMU graduate will secure a new FTE position in the Food and Drink sector which is a higher value added sector of the economy and reflecting their specific area of study. The table below presents a breakdown of the expected GVA per graduate for the Food and Drink sector and shows the overall discounted net uplift upon deduction of the counterfactual lifetime earnings set out above.

Area	GVA for the Food and Drink sector	Discounted lifetime average GVA (2020)	“Premium” of discounted lifetime average Food & Drink GVA above counterfactual (2020)
City Region	£76,048	£875,876	£353,124

² BIS (2013) The Impact of University Degrees on Lifecycle of Earnings: Some Further Analysis and BIS (2011) The Returns to Higher Education Qualifications.

	<table border="1"> <tr> <td>Scotland</td> <td>£88,201</td> <td>£1,015,847</td> <td>£403,282</td> </tr> </table> <p>From: ABS data by Local Authority 2008-2017 (uplifted to 2020 prices).</p>	Scotland	£88,201	£1,015,847	£403,282
Scotland	£88,201	£1,015,847	£403,282		
Additionality factors	<ul style="list-style-type: none"> • Counterfactual – A nil counterfactual scenario is assumed (at all geographic levels) as without the Innovation Hub investment these additional graduate and post graduates would not be in receipt of teaching at the University; • Leakage – this has been based on data from QMU student destination figures for 2018/19, indicating that approximately 25% of their undergraduate student body stays in the City Deal Region post-graduation rising to 50% at the Scotland level; • Displacement – is assumed to be around 50% for undergraduates reflecting the funded status of Scottish students at the City Deal and Scotland levels. However given the unique and innovative nature of the proposed postgraduate QMU training courses, displacement is assumed to be low, (at 10%) at the City Deal Region level rising to 25% at the Scotland level given the prospect of greater number of competing courses; and, • Multiplier – Type I multipliers have been applied for the SIC code 72 (R&D) of 1.4 for GVA and Employment impacts for the City Deal and Scotland levels based on latest Scottish Government data for the Scottish economy (2017). 				

As a result of the above GVA metrics and additionality factors, and as demonstrated in Table 9 below, net uplifts in GVA (over the lifetime of the Programme) from QMU trained undergraduate and postgraduate talent at the Innovation Hub is estimated to be **£10.7m** at the City Region level and £15.9m for Scotland.

Table 9: QMU Talent related Net Indirect GVA, Discounted (2020/21-2034/35)

Category	City Region GVA (£'m)	Scotland GVA (£'m)	Total GVA (£'m)
Talent Graduates	10.7	15.9	26.6

5.2.2 Research and Adoption Outcome Analysis

This section presents the approach that has been undertaken to quantify Innovation Hub based research and adoption impacts. For the purposes of the economic case the Innovation Hub Research and Adoption outcomes have been based upon all direct public, private and third sector research funding attracted to QMU as a result of the Innovation Hub activities.

Table 10 below presents the split of research funding by source e.g. public and private funds and adoption funding. This data has also been used to calculate the potential return on investment that could be generated in GVA terms over the Programme period from the Innovation Hub anticipated research and adoption funding profile.

Table 10: Innovation Hub Research and Adoption Funding Uplift Split by Funder (2020/21 - 2034/35)

Research and Adoption	
Public Sector Research Funding	Funding from Industry & Commerce
£3.42m	£4.44m

In regard to **research and adoption outcomes** analysis has been based on existing evidence in relation to the likely GVA uplifts resulting from this research and related adoption levels supported. The key assumptions drawn from this evidence are:

Table 11: Research and adoption outcome analysis: key assumptions

Assumption	Description and Sources
GVA	<ul style="list-style-type: none"> • Rates of return: research from the University of Edinburgh³, Russell Group Universities⁴ and wider sources⁵ have indicated the average rate of return from R&D investment to be between 20% to 30%. In order to be prudent a 20% rate of return p.a. until the end of the public funding process for the Innovation Hub Programme for public and private research funding (including adoption funding) has been assumed; and, • Time lags: this research also indicated the need to take time lags into consideration when measuring the impact of R&D funding indicating a 4 year time lag for public and private sector R&D i.e. funding in year 1 will start generating impact in Year 5 for the remaining 10 years of the

³ From: A Science and Innovation Audit Report for University of Edinburgh, 2016.

⁴ From: London Economics – The Economic Impact of Russell Group Universities, 2017

⁵ Including (amongst other reports): Frontier Economics – Rates of Return to investment in Science and innovation, 2014 and Haskel et al - The Economic significance of the UK Science Base 2014.

	<p>Programme. However given the near to market nature of Food and Drink related R&D carried out at QMU, a more realistic time lag of 2 years has been applied to the analysis for the Innovation Hub.</p>
<p>Additionality</p>	<ul style="list-style-type: none"> ● Leakage: a low level of leakage (of 10%) has been assumed on the basis the majority of the research funding will be retained within the University and hence City Deal Region boundary; ● Displacement: an assumption of no displacement for public and private funds at the City Deal Region level has been applied, given the innovative nature of R&D the funding will be seeking to unlock and the lack of alternative Higher Education Institutions/competitor bodies likely to undertake similar activity within the City Region; and, ● Multipliers: Type I multipliers have been applied for the SIC code 72 (R&D) 2017 of 1.4 for GVA and Employment impacts for the City Deal and Scotland levels based on latest Scottish Government data for the Scottish economy.

As a result of the above additionality adjustments, and as demonstrated in the table below, net uplifts in GVA (over the lifetime of the Programme) from research and adoption are estimated to be **£3.5m**.

In quantifying the type and level of impacts that might be created from Research and Adoption activities consideration has also been given to the uptake of CPD modules. The projected levels of CPD uptake have been estimated over the next 15 years with and without the Innovation Hub Programme to isolate the **net CPD outputs** attributable to the Programme of **£1.2m**⁶. This has been based on Return on investment on CPD courses by sponsoring employers using data from Biggar Economics analysis of return on continued professional development – “Economic Impact of the University of Edinburgh 2013-14” which indicates GVA from CPDs are on average 3.6 times the fees paid for the course undertaken⁷.

⁶ Additionality ratios for CPDs have been applied as follows: 10% leakage outside the City Region this is based on the assumption that the majority of impact will remain in the local area given the specialist and localised nature of the courses on offer. Displacement is also assumed to be low at 10% on this basis with Type I multiplier of 1.2.

⁷ CPD fees for credit bearing courses are projected to be £750 per student. Non-credit bearing: £140 in year 1 increasing to £239 by year 15.

Table 12: Innovation Hub: Net GVA Impact for Research and Adoption, Discounted (2020/21-2034/35)

Net Additional Research and Adoption GVA (£'m)	Net Additional CPD GVA (£'m)	Total Net Additional GVA (£'m)
3.5	1.2	4.7

5.2.3 Entrepreneurship Outcome Analysis

The creation of the Innovation Hub will establish an additional 2,145 sq m of commercial and R&D space for use by the start-ups likely to be generated by Hub activities in relation to teaching and research support. It is projected that approximately 98 new start-ups will be created as a result of the Innovation Hub over 15 years. In regard to the GVA outcomes associated with this level of start-ups, analysis has been based on the Employment Density Guidance from the HCA⁸ and set out in the table below.

Table 13: Innovation Hub Entrepreneurship outcome analysis: key assumptions

GVA	<ul style="list-style-type: none"> • Direct employment from occupiers of the Innovation Hub estimated by applying the HCA employment density ratio of 1 employee per 31 sq m⁹ • GVA per head for the Professional and Technical sector of £74,091 for the CDR¹⁰
Additionality	<ul style="list-style-type: none"> • Deadweight: a medium level of deadweight at 30% has been assumed given the likelihood that in the absence of the Innovation Hub start-ups and other commercial users would require commercial space in the City Deal Region and that potential occupiers may find alternative (if sub-optimal) accommodation in the City Deal Region. • Leakage: medium level of leakage has been assumed at 25% based on the HCA Additionality Guide (2014) for the City Deal Region reflecting the likelihood that the Innovation Hub will attract researchers and businesses from outside the City Deal Region. • Displacement: low level of displacement at 10% has been assumed based on the bespoke nature of the space provided by the Innovation Hub including specialist staff and equipment.

⁸ Employment Densities Guide 3rd Edition, 2015. Based on R&D Space employment density ratio of between 40 to 60 per sq m of space developed applied to Net Internal Area (NIA) in sq m in order to generate gross FTE jobs.

⁹ This is based on the average employment density ratios for commercial space of 12 employees per sq m and R&D space of 50 employees per sq m.

¹⁰ Based on average GVA for the Professional and Technical sector across the six Local Authority areas within the CDR from the Annual Business Survey by Local Authority, 2017 inflated to 2020 prices.

	<ul style="list-style-type: none"> • Multipliers: Type I multipliers have been applied for the SIC code 72 (R&D) of 1.4 for GVA and Employment impacts for the City Deal and Scotland levels based on latest Scottish Government data for the Scottish economy.
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Based on the above analysis it is estimated that the Innovation Hub will generate an additional **£20.1m** of net GVA (in net present value terms) over the Programme period.

Table 15: Innovation Hub Entrepreneurship Net Employment and GVA Impacts, Discounted (2021/22 to 2034/35)

Benefit Category	Total number of Jobs ¹¹	Assumed GVA per job p.a.	Gross GVA over 15 years (£'m, net present value terms at 01 Sep 2020)	Net GVA (£'m, net present value terms at 01 April 2020)
Edinburgh Innovation Hub	69	£74,091	39.1	20.1

5.3 Edinburgh Innovation Park Impacts

The Innovation Programme will also help facilitate the creation of a new 40,000 sq m Edinburgh Innovation Park. The additional employment and GVA impact of this employment space has also been considered for the purposes of the business case. In order to capture the impact of this development the following assumptions have been applied:

Table 14: Edinburgh Innovation Park outcome analysis: key assumptions

GVA	<ul style="list-style-type: none"> • Direct employment from occupiers of the EIP estimated by applying the HCA employment density ratio of 1 employee per 50 sq m • GVA per head for the Professional and Technical sector of £74,091 for the CDR¹²
Additionality	<ul style="list-style-type: none"> • Deadweight: a relatively high level of deadweight at 50% has been assumed given the likelihood that the EIP would eventually be developed for commercial use and that potential occupiers may find alternative (if sub-optimal) accommodation in the City Deal Region.

¹¹ Steady state jobs p.a. assuming 100% occupancy of the Innovation Hub from year 8 onwards.

¹² Based on average GVA for the Professional and Technical sector across the six Local Authority areas within the CDR from the Annual Business Survey by Local Authority, 2017 inflated to 2020 prices.

	<ul style="list-style-type: none"> • Leakage: medium level of leakage has been assumed at 25% based on the HCA Additionality Guide (2014) for the City Deal Region reflecting the likelihood that the EIP will attract businesses from outside the City Deal Region. • Displacement: low level of displacement at 10% has been assumed based on the bespoke nature of the space provided by the EIP including specialist staff and equipment. • Multipliers: Type I multipliers have been applied for the SIC code 72 (R&D) of 1.4 for GVA and Employment impacts for the City Deal and Scotland levels based on latest Scottish Government data for the Scottish economy.
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Based on the above analysis it is estimated that the EIP will generate an additional **£77m** of GVA in net terms over the Programme period.

Table 15: Edinburgh Innovation Park Net Employment and GVA Impacts, Discounted (2021/22 to 2034/35)

Benefit Category	Total number of Jobs	Assumed GVA per job p.a.	Gross GVA over 15 years (£'m, net present value terms at 01 Sep 2020)	Net GVA (£'m, net present value terms at 01 April 2020)
Edinburgh Innovation Park	680	£74,091	228.3	77.0

5.4 Summary Net Impacts

The table below summarises the net outputs and GVA that is estimated to be generated over a 15 year period associated with the gross outputs provided in Table 3 above and indicates that a total net GVA of **£144m** will be generated as a result of the Innovation Hub and EIP.

Table 16: Innovation Hub Net Employment, TRADE & EIP GVA (discounted)

GVA impact - NPV (base date 1 Sep 2020)	Gross impact (£'m)	Net impact (£'m)
Direct Employment	11.7	9.5
Student Spend	7.0	6.4
Graduate (City Deal Region)	46.7	10.7

Graduate (Scotland)	41.2	15.9
CPD	1.3	1.2
Research & Adoption	2.8	3.6
Entrepreneurship	39.0	20.1
Total	149.7	67.4
Innovation Park	228.3	77.0
Total	378.0	144.4

6 Value for Money

The cost benefit ratios for the project have been set out in the table below. The ratios are presented both including and excluding the discounted net GVA associated with the Innovation Park. The analysis undertaken has used the City Deal funding of £30.0m and discounted its drawdown profile at a rate of 3.5% (in line with HMT Green Book guidance) to determine the cost of **£27.8m**.

Table 17: Total Innovation Hub (discounted) GVA and CBR (2021/22 to 2034/35)

	Excluding Innovation Park	Including Innovation Park
Total cost (£'m)	£27.8m	£27.8m
Total net GVA (£'m)	£67.4m	£144.4m
Cost benefit ratio	1:2.4	1:5.2

Appendix 1

A detailed breakdown of the profile of gross annual outputs is provided below.

Profile of gross outputs over 15 year appraisal period.

Year		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Academic Year		20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	34/35
Hub Operational Flag	Total	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1

Talent

Graduates																
New undergraduate students	314	0	0	20	22	22	23	23	24	24	25	25	26	26	27	27
New Masters Students	120	0	0	0	0	0	0	0	10	11	12	13	14	15	15	15
New PhD Students	50	0	4	2	2	3	3	4	4	4	4	4	4	4	4	4

CPD																
Professional courses (credit bearing) - uplift	165	-	-	-	-	10	11	12	13	14	15	16	17	18	19	20
Professional courses (non credit bearing) - uplift	1,878	77	77	77	77	85	93	102	113	124	136	150	165	182	200	220

Direct employment																
SCFDI - Research (FTE)	5	3	0	0	0	2	0	0	0	0	0	0	0	0	0	0
Hub - Admin (FTE)	6	0	0	0	3	1	1	1	0	0	0	0	0	0	0	0
Entrepreneurship - Enterprise Officers (FTE)	4	0	0	0	1	0	1	0	1	0	0	0	1	0	0	0
Entrepreneurship - Innovation Managers (FTE)	3	0	0	0	0	1	0	0	0	1	0	0	1	0	0	0
Total staff uplift	18	3	0	0	3	5	1	2	0	2	0	0	2	0	0	0

Student spend																
Total undergraduate students	1095	0	0	20	42	64	87	90	92	94	96	98	100	102	104	106
Total Masters Students	120	0	0	0	0	0	0	10	11	12	13	14	15	15	15	15
Total PhD Students	138	0	4	6	8	7	8	10	11	12	12	12	12	12	12	12

Research & Adoption

UK Innovate Funding																
Baseline (£'000)	1,800	40	40	40	80	80	80	120	120	120	160	160	160	200	200	200
Revised (£'000)	5,220	80	120	120	200	200	250	300	350	400	400	500	500	600	600	600
Uplift (£'000)	3,420	40	80	80	120	120	170	180	230	280	240	340	340	400	400	400

Industry Consulting																
Baseline (£'000)	4,531	210	221	232	243	255	268	281	295	310	326	342	359	377	396	416
Revised (£'000)	8,972	220	242	266	293	322	500	545	595	649	708	772	843	919	1003	1094
Uplift (£'000)	4,441	10	22	35	50	67	232	264	300	339	382	430	484	542	607	678

Entrepreneurship

Entrepreneurship																
No of student/graduate start ups	537	0	5	7	10	15	20	25	35	40	50	55	60	65	70	80
No of student/graduate start ups founded/co founded by women	437	0	3	5	7	10	15	18	28	32	42	46	51	55	60	65
No of QMU student/graduate businesses securing scale up funding	188	0	0	2	4	5	7	12	15	16	17	18	20	23	24	25
No of start ups	633	0	5	8	10	17	23	29	41	47	58	66	72	78	84	95
No of start ups securing scale up funding	233	0	0	3	4	6	8	14	17	19	21	23	26	29	31	32
No of start ups surviving	98	0	0	1	2	3	3	6	7	8	9	10	11	12	13	13
Scale up investment raised (£'000)	4893	0	0	63	84	126	168	294	357	399	441	483	546	609	651	672

Entrepreneurship employment																
Gross Internal Area (sq m (thousands))		7	7	7	7	7	7	7	7	7	7	7	7	7	7	7
Lettable space (sq m (thousands))		5	5	5	5	5	5	5	5	5	5	5	5	5	5	5
SCFDI (sq m (thousands))		1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Remaining lettable space (sq m (thousands))		4	4	4	4	4	4	4	4	4	4	4	4	4	4	4
Occupancy level		0%	0%	0%	0%	50%	65%	80%	100%	100%	100%	100%	100%	100%	100%	100%
Space occupied (gross sq m (thousands))		0	0	0	0	2	3	3	4	4	4	4	4	4	4	4
Entrepreneurship space occupied (net sq m (thousands))		0	0	0	0	1	1	2	2	2	2	2	2	2	2	2
Entrepreneurship direct employment		0	0	0	0	35	45	55	69	69	69	69	69	69	69	69

Edinburgh Innovation Park

Entrepreneurship															
Gross Internal Area (sq m (thousands))		40	40	40	40	40	40	40	40	40	40	40	40	40	40
Occupancy level		0%	0%	0%	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Space occupied (gross sq m (thousands))		-	-	-	-	4	8	12	16	20	24	28	32	36	40
Conversion to net area (100%-15%)		85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%	85%
Space occupied (net sq m (thousands))		-	-	-	-	3	7	10	14	17	20	24	27	31	34
Employment		-	-	-	-	68	136	204	272	340	408	476	544	612	680

Equalities Impact Assessment - Edinburgh Innovation Hub

Introduction

In a partnership, public bodies covered by the Public Sector or Fairer Scotland equalities duties carry their duties into that partnership. Where a decision is taken in that partnership, authorities must be able to demonstrate that they have met the duties in relation to their own contributions to the partnership. In meeting this obligation, the purpose of this equalities impact assessment is to consider if the policy intervention being proposed:

- Helps to remove or minimise disadvantage;
- Meets the needs of different groups;
- Encourages increased participation of particular groups; and
- Takes account of disabled people's requirements.

Policy Context

The Public Sector Equality Duty, also known as the general equality duty, came into force on 5 April 2011.

It covers the following protected characteristics:

- age
- disability
- gender reassignment
- pregnancy and maternity
- race, religion or belief
- sex
- sexual orientation.

As bodies subject to the general duty, QMU and ELC are required to give due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity
- Foster good relations

Due to limitations in the available data, as part of the agreed benefits realisation plan for the Edinburgh and South East Scotland City Region Deal¹, it has initially been agreed to monitor and report on four of the protected characteristics:

- Age
- Disability
- Race and minority and ethnic communities
- Sex.

The socio economic duty (Part 1 of the Equality Act 2010), also known as the Fairer Scotland Duty [FSD], came into force in April 2018. The duty places a legal responsibility on public bodies in Scotland to

1

<https://democracy.edinburgh.gov.uk/documents/s25995/5.3%20Benefits%20Realisation%20Plan%20with%20appendices.pdf>

actively consider using their functions to reduce inequalities of outcome caused by socio-economic disadvantage when making strategic decisions.

QMU currently reflects these requirements in its biennial Mainstreaming Report² and Outcome Agreement³. With respect to the protected characteristics and providing equality of opportunity for all, QMU's Mainstreaming Report outlines seven Equality Outcomes it is striving for with which the hub proposals will align:

1. The University workforce represents the community it serves.
2. Pay Gaps are eliminated where the pay gap is significant in statistical terms.
3. Recruitment, progression, retention and attainment of students drawn from a wide range of backgrounds is maximised.
4. Our people policies promote inclusive employment and career advancement prospects.
5. The particular needs of disabled staff and students are fully accommodated.
6. Equality and diversity is embedded fully in the curriculum and in research.
7. Women's careers in research and in STEM subjects are advanced through Athena SWAN and other sector initiatives.

Approach to Assessment

In carrying out the assessment the following steps have been taken:

- Confirm the scope of the proposal being assessed;
- Review the evidence base, relevant to the subject matter of the proposal, to identify potential equalities issues. This included desktop review of existing evidence and specific discussion with relevant staff members with visibility and awareness of current known issues;
- Analyse the potential positive and negative impacts of the proposals;
- Identify any actions required;
- Confirm ongoing monitoring and reporting.

Equality Impact Assessment

Scope of Proposal Assessed

Public sector investment of up to £40m to construct the Edinburgh Innovation hub at Queen Margaret University focused on innovation in the food & drink sector. The hub will enable delivery of a programme of activities focussed on realising benefits to the city region covering the following areas:

- **Talent** - address skills needs and shortages in the food and drink sector including in-work skills development;
- **Research & Adoption** - develop the knowledge needed to tackle market trends and challenges in the food and drink sector and work with commercial partners to embed this knowledge to add value, realise productivity gains, grow wages and employment and drive economic growth;
- **Data** - harness the expertise of the City Region in data driven innovation in teaching, research and entrepreneurship activities to support target sectors;
- **Entrepreneurship** - actively support the formation and growth of companies to address the

² <https://www.qmu.ac.uk/media/6803/mainstreaming-report-and-equality-outcomes-review.pdf>

³ <http://www.sfc.ac.uk/funding/outcome-agreements/outcome-agreements-2018-19/queen-margaret-oa2018-19.aspx>

opportunities present in the market providing well paid employment opportunities for the region.

Assessed Characteristic	Gathering relevant evidence of issues/barriers	Assessment of potential positive and negative impacts of the proposals	Actions/ Recommendations
Age	<p>The south of Scotland has an ageing population, with a lower proportion of young and working-age people relative to the Scottish average⁴. 17% of the population in Edinburgh⁵ and 14% of the population in the Scottish Borders are aged 20-34, compared to 20% of the Scottish population overall⁶</p> <p>As people live longer, there is a need for ongoing skills development to enable people to respond to a changing workplace with relevant skills.</p>	<p><i>Positive impacts of the proposals</i></p> <p>QMU has a positive track-record in educating young people and hopes that the Hub and innovative new course pathways will attract young people to the local area and equip them with up to date skills with long term relevance to the evolving workplace. Meanwhile the proposed CPD course offering gives people greater opportunity for in work development including formal accreditation of skills to facilitate labour mobility in the food and drink sector. Additionally, current research activities focus on the role of diet in supporting “healthy aging” in line with the government’s Industrial Strategy.</p> <p><i>Negative impacts of the proposals</i></p> <p>None identified.</p>	<p>Maintain an open and inclusive application process for courses and entrepreneurial activities</p> <p>Offer a range of course pathways to reflect people at different stages of their career</p> <p>Support research activity that has age positive impacts (both in early and later years)</p>
Disability	<p>Review of relevant evidence indicates that people with disabilities are:</p> <ul style="list-style-type: none"> • Significantly less likely to be in employment and less likely to have educational qualifications, than those without disabilities⁷. 	<p><i>Positive impacts of the proposals</i></p> <p>QMU’s goal of equality of opportunities for the disabled community is stated in its fifth equality outcome statement and currently 20.6% of QMU’s student population has declared a</p>	<p>Through careful scrutiny of the building designs, ensure that all of the Innovation Hub’s facilities are accessible.</p> <p>Closely monitor the extent to</p>

⁴ [Demographic Change in Scotland](#)

⁵ <https://www.edinburgh.gov.uk/downloads/file/24261/population-age-structure-and-household-overview>

⁶ [Enterprise and Skills Review report on Phase 2: South of Scotland Enterprise Agency](#)

⁷ [Disability and education, UK: 2019](#)

Assessed Characteristic	Gathering relevant evidence of issues/barriers	Assessment of potential positive and negative impacts of the proposals	Actions/ Recommendations
	<ul style="list-style-type: none"> • More likely to live in poverty, experience higher household costs and face challenges to being economically active⁸⁹. • Underrepresented in the UK entrepreneur community¹⁰, struggle to gain access to start-up capital, often lack the skills and confidence necessary to start their own business and struggle to access appropriate business advice and support materials in a suitable format (e.g. braille, audible). • Face physical barriers to services. 	<p>disability. As such, ensuring no opportunities are lost due to disabilities is at the core of QMU's ethos. The university encourages early disclosure of any disabilities by staff and students to allow for the provisions of any necessary adjustments.</p> <p>QMU will continue this commitment to equality of opportunity for the disabled community in both the design and running of the Innovation Hub with disabled access to all areas of its site and ensuring materials and resources are in appropriate formats. This commitment will offer disabled people access to the support and resources this minority often struggles to gain, providing them with the skills and confidence necessary to start their own businesses.</p> <p><i>Negative impacts of the proposals</i></p> <p>None identified.</p>	<p>which the Innovation Hub's tenants include people with disabilities.</p> <p>QMU should work with local authorities to ensure that the Innovation Hub is well served by accessible public transport.</p>
Race, religion or belief	<p>Research indicates that ethnic minorities in Scotland are:</p> <ul style="list-style-type: none"> • Twice as likely to live in poverty and experience unemployment¹¹; • Unusual compared to other minorities being more likely to start their own businesses than their white counterparts, with the self- 	<p><i>Positive impacts of the proposals</i></p> <p>The Innovation Hub will have much of the resources and support required for promoting successful, long term entrepreneurship in one place, which should combat the difficulties in identifying appropriate resources SMEs are currently facing. With the building of the Hub,</p>	<p>Consideration should be given to making appropriate facilities available and accessible on campus for users of the hub (e.g. multi faith prayer room).</p> <p>QMU should work closely with any charitable organisations</p>

⁸ [POVERTY AND DISABLED PEOPLE IN DEVELOPMENT CONTEXT](#)

⁹ [The Employment of Disabled People](#)

¹⁰ [Under-represented entrepreneurs: A literature review](#)

¹¹ <https://www.equalityhumanrights.com/en/our-work/news/scotland%E2%80%99s-ethnic-minorities-face-overcrowding-poverty-and-unemployment-says-equality>

Assessed Characteristic	Gathering relevant evidence of issues/barriers	Assessment of potential positive and negative impacts of the proposals	Actions/ Recommendations
	<p>employment rate for ethnic minorities in Scotland in 2016 being 16% compared to 13% for those of white ethnic origin¹²;</p> <ul style="list-style-type: none"> • More likely to experience greater barriers to entry in starting a business and face lower turnover and survival rates than their white counterparts¹³; • More likely to establish businesses in low value-added sectors and sub-sectors; • Less aware of available enterprise support and less likely to trust that they can have fruitful engagements with support institutions, finding the support system complex, overwhelming and difficult to navigate. 	<p>QMU will be in a unique position to offer its 5.9% ethnic minority student base (vs 3.7% Scottish average) the opportunities they need to thrive in the F&D sector including the opportunity to create their own businesses that target high value added markets.</p> <p><i>Negative impacts of the proposals</i></p> <p>None identified.</p>	<p>or government bodies which specifically support businesses started by individuals from minority groups to make sure they are aware of and encouraged to access the support available.</p> <p>QMU should continue to promote a culture of inclusion and diversity within its student body and workforce. To support this it could run training and provide guidance on areas such as unconscious bias and open-mindedness.</p>

¹² [Taking steps to combat barriers to ethnic minority enterprise in Scotland](#)

¹³ [Under-represented entrepreneurs: A literature review](#)

Gender/Sex	<p>The 2019 Alison Rose review of Female Entrepreneurship, stated that up to £250bn of new value could be added to the UK economy if women started and scaled new businesses at the same rate as men¹⁴.</p> <p>In February 2019 the British Business Bank issued a report (commissioned by the UK Government) which reported that for every £1 of venture capital investment in the UK, all-female founder teams get less than 1p. This report helped to demonstrate the challenges that female entrepreneurs can face when seeking funding.</p>	<p><i>Positive impacts of the proposals</i></p> <p>A large proportion (75%) of QMU's student body is female and QMU already has a large focus on promoting female equality and entrepreneurship and has a continued programme of the EntreprenHER events with their Chancellor Prue Leith and East Lothian Business Gateway. These can be further developed with the Innovation Hub.</p> <p>Furthermore, QMU actively promotes sector wide accelerator programmes specifically catered towards female entrepreneurs and will work with external organisations such as Women's Enterprise Scotland (WES) and the Royal Bank of Scotland, both of whom are championing female entrepreneurship in an effort to create an environment where more women can start up in business and enable businesses to thrive and grow.</p> <p>In addition to the Innovation Hub QMU are working with the Scottish Government and WES to explore options of developing a hub at QMU to support female entrepreneurs/businesses across the region. The building of the Innovation Hub could act as a stimulus to provide specific, targeted support in this area.</p> <p><i>Negative impacts of the proposals</i></p> <p>None identified.</p>	<p>QMU should take advantage of the fact that a significant proportion of its student base is female and should continue to proactively promote entrepreneurship opportunities for females.</p> <p>QMU should seek to ensure that female entrepreneurs are well represented amongst the tenants of the Innovation Hub and seek to offer tailored support..</p> <p>QMU should support women who are seeking to return to work or education following maternity leave. It should allow flexible working to provide for those who wish to work or study while also managing childcare responsibilities.</p>
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Assessed Characteristic	Gathering relevant evidence of issues/barriers	Assessment of potential positive and negative impacts of the proposals	Actions/ Recommendations
Sexuality	<p>A 2017 report by the Scottish Government highlighted some of the inequalities in respect of the LGBTQ community in Scotland. The report noted that a higher proportion of this community lives in the most deprived areas of Scotland (27% compared with 19% of heterosexual adults). Furthermore LGBTQ adults were over three times more likely to be unemployed than heterosexual adults.¹⁵</p> <p>In 2018 Stonewall issued a report on the discrimination and barriers that members of the LGBTQ community face in the workplace. The report noted that in the past year over a third of LGBTQ staff had hidden or disguised the fact that they are from the LGBTQ community out of fear of discrimination.¹⁶</p>	<p><i>Positive impacts of the proposals</i></p> <p>QMU has achieved good representation of the LGBTQ community amongst its student body, with 6.6% of students identifying themselves as being from the LGBTQ community (compared to an estimated average of 2.9% across the Scottish population as a whole¹⁷).</p> <p>QMU prides itself on its inclusive campus and this reputation should help to attract a wide range of entrepreneurs to the Innovation Hub, regardless of their sexual orientation.</p> <p><i>Negative impacts of the proposals</i></p> <p>None identified.</p>	<p>Monitor continued enrollment in activities by this protected group. Target marketing materials at this group in the event of the LGBTQ community being underrepresented among tenants of the Innovation Hub.</p> <p>QMU should continue to promote a culture of inclusion and diversity within its student body and workforce. To support this it could run training and provide guidance on areas such as unconscious bias and open-mindedness.</p>
Other Protected Characteristics	<p>Due to the lack of data on the relative economic activity rates for certain protected groups in the south of Scotland (pregnancy and maternity, marriage and civil partnership, religion and belief and gender reassignment). It is currently difficult to identify specific issues and areas for intervention.</p>	N/A	N/A

¹⁴ [The Alison Rose review of female entrepreneurship](#)

¹⁵ <https://www.gov.scot/publications/sexual-orientation-scotland-2017-summary-evidence-base/pages/6/>

¹⁶ https://www.stonewall.org.uk/system/files/lgbt_in_britain_work_report.pdf

¹⁷ [Lesbian, gay, bisexual and transgender \(LGBT\) people: number in Scotland](#)

Assessed Characteristic	Gathering relevant evidence of issues/barriers	Assessment of potential positive and negative impacts of the proposals	Actions/ Recommendations
Socio Economic Disadvantage	<p>People in protected characteristics groups are more likely to suffer from poverty than others, specifically ethnic minorities, women, the LGBTQ population and those with disabilities.</p> <p>Socio economic disadvantage can act as a barrier to entrepreneurship. In the 10% most deprived areas of the UK, people are almost 50% less likely to be self-employed¹⁸.</p> <p>A briefing paper issued by Public Health Scotland highlighted that income and wealth inequalities are key causes of health inequalities. It noted that for men in the most deprived areas of Scotland nearly 25 fewer years are spent in 'good health' than men in the least deprived areas.¹⁹ Poor diet is often a contributory factor to health inequalities.</p>	<p>QMU has a commitment to equality, with their mission being that all students, regardless of their background, will have equal opportunities to succeed and become graduates with a strong sense of ethical and social responsibility who will have the skills to contribute to and influence their wider community. Their Widening Participation and Retention Strategy seeks to increase student numbers from non-traditional groups, including those that are: first generation to go to Higher Education; from low progression schools and/or reside in communities in the lowest 20% and 40% of the Scottish Index of Multiple Deprivation, with bursaries provided to support these students²⁰.</p> <p>This ethos will continue in the building and running of the Innovation Hub, giving those from low income backgrounds previously difficult to access support and pathways to entrepreneurship. Furthermore, the overarching aim of the Innovation Hub is to promote innovation-led growth in the local/national Food & Drink sector and focus on developing new products to address the key social challenge of nutritional impacts on</p>	<p>Monitor continued enrollment in activities by this group. Target marketing materials at this group in the event of evidence of under-representation among tenants of the Innovation Hub.</p> <p>Engage with City Deal Skills team to support positive and inclusive skills pathways across the city region.</p> <p>Continue to invest in areas of research that have a positive impact on disadvantaged group (e.g. in respect of affordable nutrition)</p>

¹⁸ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/511533/boosting-enterprise-in-more-deprived-communities.odt

¹⁹ http://www.healthscotland.scot/media/1365/inequalities-briefing-8_income-wealth-and-poverty_apr17_english.pdf

²⁰ <https://www.qmu.ac.uk/media/6803/mainstreaming-report-and-equality-outcomes-review.pdf>

Assessed Characteristic	Gathering relevant evidence of issues/barriers	Assessment of potential positive and negative impacts of the proposals	Actions/ Recommendations
		health which currently disproportionately affects these deprived groups.	

Conclusions

The equality impact assessment process has helped to consider the potential positive and negative impacts of the creation of the Innovation Hub on those with protected equality characteristics. Overall, QMU and ELC consider the assessment to show that the innovation hub:

- Will be neither directly nor indirectly discriminatory on the basis of any of the protected characteristics and that the partners have established policies in place to enforce this; and
- Will enable delivery of a range of activities capable of making a significant contribution to addressing inclusive growth and equalities challenges including education, training, research and entrepreneurship support activities in the food and drink sector; and
- opportunities for groups currently less likely to be economically active or self employed.

Summary of effects on Protected Characteristics

QMU's has a positive reach to groups with protected characteristics. It is anticipated that all protected characteristics will experience a positive impact from the project through improved access to training and enterprise support via the hub. No negative impacts are anticipated with established policies to promote equality already in place within QMU as the key delivery partner.

Summary of Socio Economic Impacts

The broad range of activities proposed and QMU's established reach within groups of varied social economic backgrounds creates a positive platform for the hub to deliver further change. In particular the following areas of activity proposed in the hub are expected to have a positive impact:

- QMU's established culture of inclusion and support for all groups;
- Proposed research activities that include a focus on developing healthier foods, addressing challenges of poor nutrition for low income groups;
- Offering a wide range of skills development pathways including to support in work progression
- An accessible campus by public transport and road serving diverse communities;
- Aim to support the creation of higher value adding careers in the food and drink sector

Reporting and Monitoring Progress

Under the requirements of the Public Sector Equality Duty (PSED) introduced in the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012, QMU and ELC are already required to report on how they are mainstreaming equality and have established reporting frameworks for this into which the innovation hub activities will be integrated including:

- QMU biennial Mainstreaming Report²¹ and Outcome Agreement²²;
- ELC Annual Equalities Monitoring Report; and
- Commitment to monitor and report project outcomes via the Edinburgh and South East Scotland City Region Deal Benefits Realisation Plan ²³. This will specifically monitor and evaluate four of the protected characteristics: disability, minority and ethnic communities, age and sex.

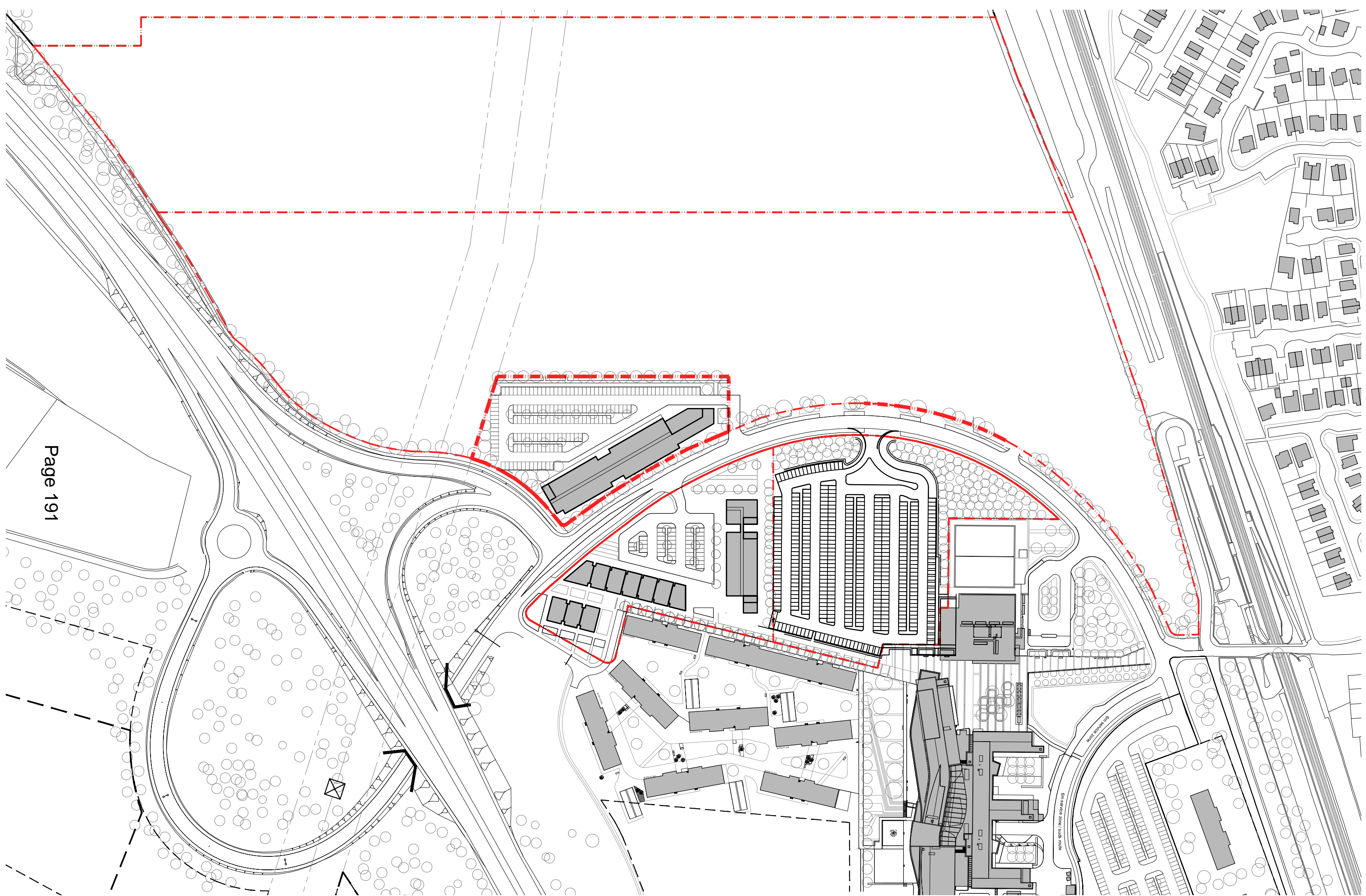
The partners are committed to using the findings of ongoing reporting and monitoring activities to improve delivery in support of equality and positive socio economic outcomes.

²¹ <https://www.qmu.ac.uk/media/6803/mainstreaming-report-and-equality-outcomes-review.pdf>

²² <http://www.sfc.ac.uk/funding/outcome-agreements/outcome-agreements-2018-19/queen-margaret-oa2018-19.aspx>

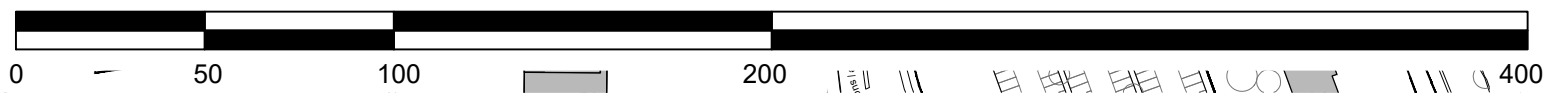
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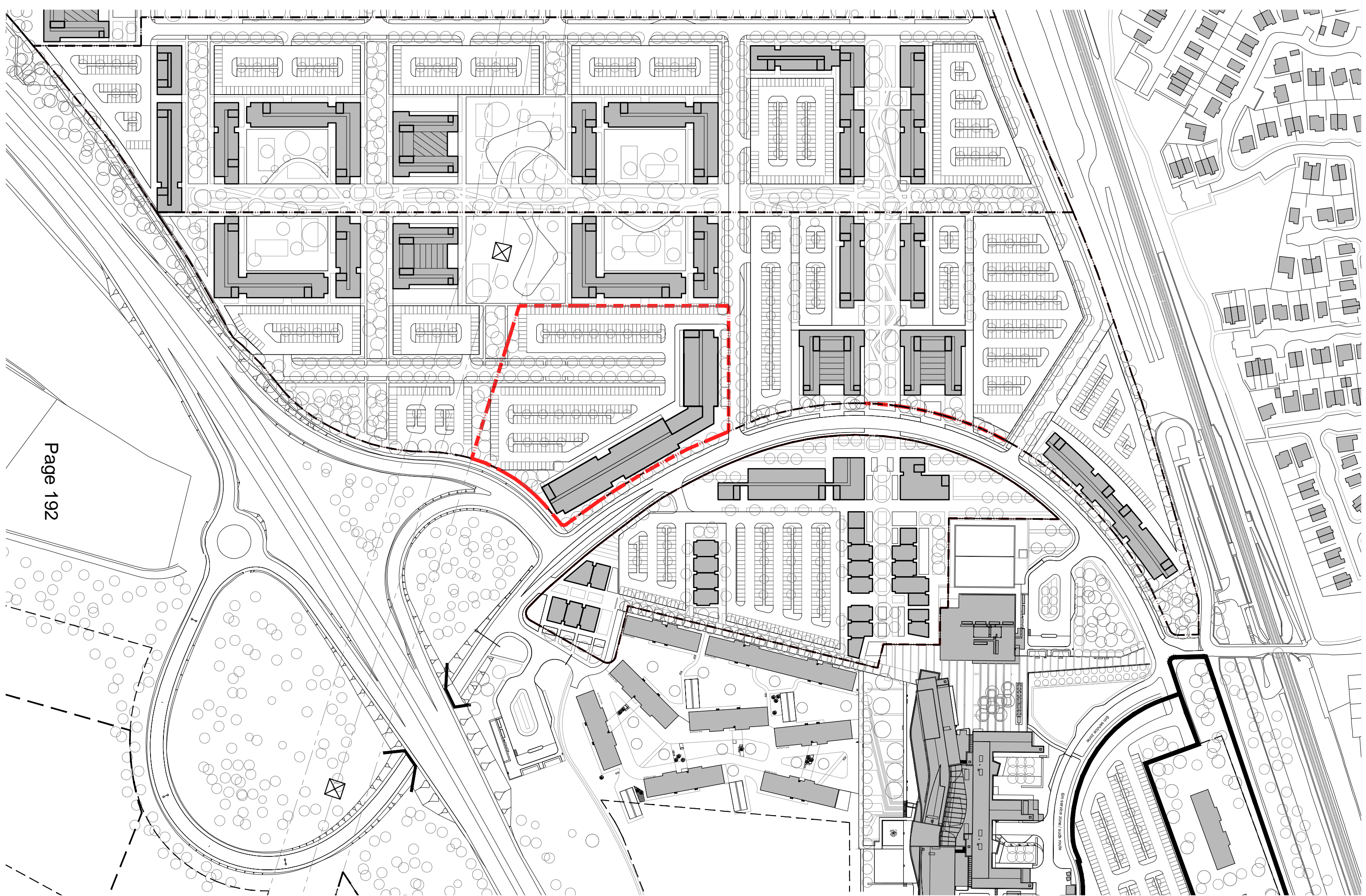
<https://democracy.edinburgh.gov.uk/documents/s25995/5.3%20Benefits%20Realisation%20Plan%20with%20appendices.pdf>



EDINBURGH INNOVATION PARK PHASE 1

Scale 1:2000





EDINBURGH INNOVATION PARK MASTERPLAN

Scale 1:2000







Queen Margaret University & East Lothian Council

Craighall Land Development

Phase 1 Programme
2 November 2020

DRAFT INFORMATION ONLY

ID	Task Name	Duration	Start	2021												2022												2023												2024												2025												
				Q1			Q2			Q3			Q4			Q1			Q2			Q3			Q4			Q1			Q2			Q3			Q4			Q1																								
				N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N
140	PHASE 1: INNOVATION HUB	1025 days?	15 Feb '21																																																													
141	Preconstruction	535 days?	15 Feb '21																																																													
142	Surveys & Investigations	230 days	19 Jul '21																																																													
181	Design Team Procurement	90 days	15 Feb '21																																																													
191	Design Development	195 days	21 Jun '21																																																													
192	RIBA Stage 0/1: Preparation & Brief	35 days	21 Jun '21																																																													
196	RIBA Stage 2: Concept Design	85 days	09 Aug '21																																																													
201	RIBA Stage 3: Developed Design	75 days	06 Dec '21																																																													
206	Consents	105 days?	25 Feb '22																																																													
207	Prepare MSIC Submission	4 wks	25 Feb '22																																																													
208	Submit MSIC	0 days?	31 Mar '22																																																													
209	Planning Determination Period	16 wks	01 Apr '22																																																													
210	Planning Consent granted	0 days	21 Jul '22																																																													
211	Contractor Procurement: 2-Stage D&B	265 days	19 Jul '21																																																													
212	ESPD	50 days	19 Jul '21																																																													
219	First Stage Tender	80 days	20 Sep '21																																																													
229	Contractor ECI: PCSA Appointment	140 days	21 Jan '22																																																													
237	RIBA Stage 4: Technical Design (Contractor)	100 days	05 Aug '22																																																													
241	Building Warrant (Staged)	120 days	29 Sep '22																																																													
252	Construction	575 days	18 Nov '22																																																													
253	RIBA Stage 5: Construction	475 days	18 Nov '22																																																													
257	RIBA Stage 6/7: Handover & Occupation	100 days	11 Oct '24																																																													
260	Innovation Hub Operational	0 days	27 Feb '25																																																													

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Queen Margaret University

Innovation Hub - Phase 1

Indicative Cost

Job No: 4101725

27 November 2020

 Currie & Brown

Ref.	Description	Qty	Rate	Total
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Queen Margaret University



Innovation Hub - Phase 1
Newcraighall, Edinburgh

GiFA 7,200 m2

INDICATIVE COST

27 November 2020

		Qty	Rate £	Amount £	Cost /m2 £
1	Building shell and core	m2	7,200	1,475	10,620,000
2	Fit Out				
2.1	Balance space	m2	2,160	250	540,000
2.2	Cat A+ Office incl floor distribution and carpets	m2	1,714	200	342,800
2.3	Cat 1 Laboratories	m2	1,663	1,050	1,746,150
2.4	Cat 2 Laboratories	m2	1,663	1,650	2,743,950
2.5	IT	m2	5,040	70	352,800
2.6	External Works	Item	1	2,100,000	2,100,000 291.67
3	Bus Turning Circle	Item	1	450,000	450,000
	Prime Cost	Say		£ 18,895,700	2,624.40
4	Main Contractor's Prelims	16%		£ 3,024,000	
				£ 21,919,700	
5	Contingencies and Design Development	13.5%		£ 2,960,000	
				£ 24,879,700	
6	Inflation to Main Works Site Start	5%		£ 1,244,000	
	INDICATIVE CONSTRUCTION COST TOTAL			£ 26,123,700	3,628.29
7	Professional Fees	12%		£ 3,135,000	
8	Client Equipment	Item	1	750,000	750,000
				£ 30,008,700	
9	VAT	20%		£ 6,001,740	
				£ 36,010,440	
	TOTAL PROJECT COST	SAY		£ 36,000,000	

COMMENTARY

- 1 This Indicative Cost has been prepared using the following design information:
 - 10 Design
 - Masterplan site layout Options 2A and 2B
 - WSP
 - EIP-WSP-01-ZZ-DR-C-0501 Indicative SW layout
 - EIP-WSP-01-ZZ-DR-C-0502 Indicative FW layout
- 2 The following assumptions have been made in preparing this Indicative Cost:
 - a Start date on site: 3Q 2023
 - b Overall duration on site is 80 weeks
 - c Public Utility costs are provisional and will be subject to receiving quotations from statutory providers.
 - d It is assumed that the site has no adverse ground conditions and no allowance has been included for any remediation works or abnormal foundation solutions.
 - e The building design and elevational treatments will be to an out of town science, technology and innovation park level and will be consistent with the other Queen Margaret University buildings.
 - f Loose FF&E is excluded, with the exception of soft furniture in the atrium area.
 - g The project site is outwith any HV cable exclusion zones.
 - h We have assumed a Grade A+ office, which includes in addition to BCO Grade A office, floor outlet boxes, power distribution and carpets to tenanted areas.
 - i Cat 1 Laboratory areas - Usage will be for a broad range of SMEs principally in food and drink related technologies - to include vinyl floor, benching, lab drainage and associated M&E.
 - j Cat 2 Laboratory areas - Usage will be for a broad range of SMEs in the life and physical sciences and convergent technologies - to include vinyl floor, benching, lab drainage and one fume cupboard or microbiological safety cabinet per lab.
 - k An allowance for Client fit out has been included (£750K).
 - l An allowance for professional fees has been included (12%).
- 3 The Indicative Cost is exclusive of the following:
 - a Section 75 costs associated with planning consent
 - b Site purchase/acquisition costs
 - c Capital allowances, grants and contributions
 - d No allowance has been made for currency fluctuations
 - e Decant costs and transfer of existing Furniture and Equipment
 - f Illuminated signage/artwork
 - g Off site Signage
 - h Implications resulting from Brexit
 - i Implications resulting from Covid19 or any other pandemic virus
- 4 The construction cost has been prepared on the basis of current rates and prices ie 4th Quarter 2020 with an allowance for any inflation to the start on site of 3Q2023.
- 5 It is assumed all services and drainage are located nearby and they have sufficient capacity to serve the project without reinforcement or diversion.
- 6 The costs are based on a competitively tendered Single Stage Design and Build procurement route.
- 7 The works are completed in one Phase during normal working hours and that there is no linkage or conditions precedent between construction and lettings.



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Appendix Concept Design Brief

QMU innovation Hub

Context

Phase One of the Edinburgh Innovation Park (EIP) is the development and operation of an Innovation Hub that is to be designed to provide fit for purpose facilities and services to capture, support and grow companies working in the fast-changing innovation sector.

The development of the Innovation Hub will provide a dedicated home to small and medium sized enterprises (SMEs) working across a range of innovation sectors with a particular focus on food and drink and those areas where the University network and the region has existing expertise and excellence. The vision of QMU is that the Innovation Hub at EIP will act as a regional and national resource underpinned by the expertise found within the wider University innovation network working in partnership to grow the nation's innovation sector.

The Innovation Hub is not an incubator although business incubation will be one of the many functions the facility will fulfil.

The high-level concept for the Innovation Hub is not a design brief, which cannot be drafted until the operating model for the facility has been fully defined. At this early stage, the high-level concept has been drafted with the limited objective of informing the next iteration of the cost plan.

Design Concept

The Innovation Hub is to be a speculative, serviced multi-occupied laboratory and office building. All of the Innovation Hub is to be fitted to Cat B (less office furniture) or laboratory equivalent; because the target market for the facility will not have the resource to fit out units should they be provided by the landlord to a shell specification.

The design concept for the Innovation Hub is for a facility that anticipates success and the need for subsequent 'grow-on' expansion. A number of 'innovation hub' facilities in the UK have not exploited their full potential because success and the concomitant need for contiguous expansion was not anticipated. To deliver an expansion capability it is recommended that a two phase approach to the development of the Innovation Hub is adopted with the first phase being the larger and funded by the City Deal grant.

- Phase One – 7,200 sq m (GIA) excluding plant loft
- Phase Two – 4,650 sq m (GIA) excluding plant loft

To retain the opportunity for the development of a second phase there is a requirement for the core of the first phase of the Innovation Hub to be located and designed in such a way that it could serve the second phase wing. This means that Phase Two would use the core developed in Phase One. The core for Phase One would not need to be enlarged in anticipation of a second phase being developed.

Companies locating to the Innovation Hub will benefit from first class facilities – both specialist laboratory facilities and generic facilities designed for target markets – together with easy access to the University, its social capital and to new ideas. Co-location will encourage mentoring and peer support. Close access to business development staff and business support intermediaries will enhance

the support on offer, facilitating connections with investors and enabling business collaboration. The close linkages and proximity to the University Departments, their students and expertise will be an important aspect of this initiative. The Innovation Hub will provide opportunities for students to embrace the innovation and enterprise culture as part of their educational experience. The Innovation Hub will provide a home for enterprise initiatives, events and workshops and will showcase the inspirational, innovative students and staff from across the University.

Design, Specification and Services

Based upon a speculative supply-led demand model, the first phase of EIP is the development of an Innovation Hub for SMEs that qualify with the entry criteria for the park. Drawing on best practice from the newest approaches to service delivery within the innovation sector, the Innovation Hub will deliver both specialist and generic research and business support services together with specialist and generic facilities for target SMEs.

The concept for the Innovation Hub is for a facility that will be constructed as two phased buildings physically linked by a central operational core. The proposed approach has been adopted successfully at Liverpool Science Park and Thames Valley Science Park. The Innovation Hub will offer a range of common services including front of house, amenities and networking space. The target NIA is 70%. Each ‘wing’ of the Innovation Hub will target high growth SMEs working in the innovation space that have been identified as key economic growth sectors for Scotland. For Phase 1 the table above provides indicative uses and proportions to inform the next high-level iteration of the cost plan. A number of operational issues will need to be incorporated in the design of the Innovation Hub as the project moves towards. These issues will be addressed in the design brief, which will reflect the operating model for the Hub.

Function	Specification	Proportion of lettable
Offices – for office based R&D	Cat B Unfurnished Power and data included Raised floor	33%
Offices / Lab enabled for Food and Drink	Cat 1 Lab Power and data included Solid floor	33%
Labs and write up – for SMEs	Cat 2 Lab Power and data included Positive pressure regime at no less than 5 Pascal’s Solid floor	33%
Shared Provision	Cat B furnished: • Meeting rooms • Café? • Team points • Lab wash up • Reception • Management office	0%



Cyber Park, Cheltenham

Government Communications Headquarters (GCHQ) Cheltenham, UK

GCHQ is a UK government intelligence and security organisation. A sub department of GCHQ is the National Cyber Security Centre.

With an existing cyber cluster of over 200 organisations, Cheltenham is a national centre of expertise in cyber security and a key potential growth asset for the region's economy. The project is to develop a Cyber Park co-located with GCHQ as an important strategic step in creating specialist infrastructure that will provide a focus and resource to support the UK's cyber security capability.

Set on 20.81 ha of land, the Vision for the Cyber Park is to create a vibrant ecosystem fostering the support of digital innovation entities and cyber security companies; facilitating innovation, start-up activity and inward investment by larger companies to develop a cyber-secure nation and to help grown the regional and national economy.

A new garden village providing 3,000 new homes is to be developed contiguously with the Cyber Park.

We have provided strategic, commercial, development, funding and operational advice for the new Cyber Park.

Project complexities

- Alignment of divergent partner aims and objectives
- Creating a market-focused Value Proposition (hard and soft infrastructure)
- Speculative development to establish supply led demand
- Launch of a new business exploiting proximity to an established government cyber facility

Benefits to be delivered

- Only purpose built innovation campus in the UK focusing only on cyber security
- Development on a previously green-field site
- SME cluster creation and facilitated growth
- Direct and indirect employment creation
- Delivery of the Cheltenham Borough Council Economic Strategy

Client: Public and private sector Joint Venture

Role: Principal strategy, development and operations advisor



Gold Coast Health and Knowledge Precinct

City of Gold Coast, Queensland, Australia

Development and operation of the Gold Coast Health and Knowledge Precinct to create an integrated research, education and related commercial precinct that drives a diversified health and knowledge based economy through a cooperative partnership between all tiers of government, the education sector, health services and the private sector.

Following a period of extensive marketing which had not resulted in commercial development, CAM-SCI was appointed to provide advice to deliver value proposition development and a market approach for new life science and physical science sectors.

Our role was to propose a revised and market appropriate approach to the development of this 200 ha site to support the establishment and growth of commercial knowledge enterprise.

Client: Queensland Government, Australia

Role: Strategic and Development Advisor

Project Complexities

- Dormant project requiring re-launch and re-positioning
- Absence of a defined value proposition
- Undefined development strategy
- Small scale of existing commercial knowledge enterprise
- Multi-partner stakeholder group
- Requirement for speculative development to pump prime the wider development scheme

Benefits Delivered

- Defined Value Proposition
- Adoption of a development strategy optimised to the SME market
- Concept definition for initial phase of development
- Client group agreement to initial phase of speculative development
- Multi-partner stakeholder engagement and agreement
- Optimised market creation strategy
- Stakeholder group endorsement to revised approach

Liverpool Science Park

Liverpool, UK

Creation of a new science park for a special purpose vehicle client comprising University of Liverpool, Liverpool John Moores University and Liverpool City Council.

The purpose of the new science park is to facilitate the establishment and growth of commercial knowledge enterprise in a city where this sector is under-developed. In addition, there is an economic regeneration agenda in this post-industrial city. So far three phases of speculative development have been completed providing 12,000 sq m of serviced multi-occupied office and laboratories with high occupancy.

Our role has been to undertake the full range of services from initial concept definition and business planning to the design, development, commercial operation and leasing of new build office and laboratory facilities

Project Complexities

- History of previous science park project failure in Liverpool
- Multi partner ownership structure
- Alignment of divergent partner aims and objectives
- Creating the Value Proposition (hard and soft infrastructure)
- Acquisition of capital to fund construction
- Speculative development to establish supply led demand
- Transition from initial public funding to a sustainable commercial business model

Benefits Delivered

- Successful development in a post-industrial city
- Regeneration of a previously brown field site
- SME creation and facilitated growth
- Leasing to 'blue chip' tenants
- Direct and indirect employment creation
- Positive cash flow for a previously grant aided project
- Reputational benefits to the City and its Universities
- Increased business rates income to Liverpool City Council



Client:

- University of Liverpool
- Liverpool John Moores University
- Liverpool City Council

Role: Founder Chief Executive, Chief Operating Officer and Development Director



Thames Valley Science Park

Thames Valley, University of Reading, UK

Creation of a new science park serving London and Thames Valley focusing on a range of science and digital markets.

TVSP is located 30 miles west of London in easy reach of London's Heathrow Airport. The purpose of TVSP is to create a commercial knowledge cluster that enhances the reputation of the University and provides an income stream for the University. Outline planning consent for an initial 80,000 sq m of knowledge-based development has been granted.

TVSP opened its first facility in March 2018 - a 7,500 sq m speculative multi-occupied office and laboratory building.

Our role has been to undertake all advisory work from initial concept and vision definition and business planning to design oversight, development, commercial operation and leasing.

Client: University of Reading

Role: Strategy advisor, Development Director and agency

Project Complexities

- A new major commercial venture for the University
- Requirement to justify TVSP over other University investment opportunities
- Alignment with University aims and objectives
- Creating the Value Proposition (hard and soft infrastructure)
- Major off site highway construction to enable site access
- Speculative development to establish supply led demand
- Changed university capital funding priorities mid programme

Benefits Delivered

- Speculative development of a multi-occupied laboratory and office building on a green field site
- Zero demand at commencement of the build programme with 95% pre-let at completion of construction
- Verified success of the design concept
- SME creation and facilitated growth
- Direct and indirect employment creation
- Earlier than predicted income generation
- Positive reputational benefits to the University

NEWCASTLE HELIX: A SPECULATIVE INNOVATION PARK DEVELOPMENT

INTRODUCTION

As part of its economic regeneration strategy, in 2005 Newcastle City Council acquired the 24-acre site (previously occupied by the Scottish and Newcastle brewery) in partnership with Newcastle University. Legal and General joined the partnership in 2017.

The site, branded Newcastle Helix, is now a commercial Innovation Park incorporating commercial and university facilities. The site currently has four commercial facilities, each developed on a speculative basis with no known occupiers previous to design or construction.

Like other successful developments in the UK targeting the innovation sector, Newcastle Helix has adopted a supply-led model in order to stimulate market demand and to attract follow-on investment.

THE BIOSPHERE

The Biosphere is the Park's flagship development. The Biosphere is a 75,000 sq ft (gross internal area) speculative facility targeting SMEs in digital, life sciences, engineering and other related innovative sectors.

The Biosphere's rate of occupation was projected to be circa five companies per annum reaching capacity by 2025. However, due to its highly functional design and operations model, the facility reached capacity within two years of launch and three years ahead of target.



November 2017

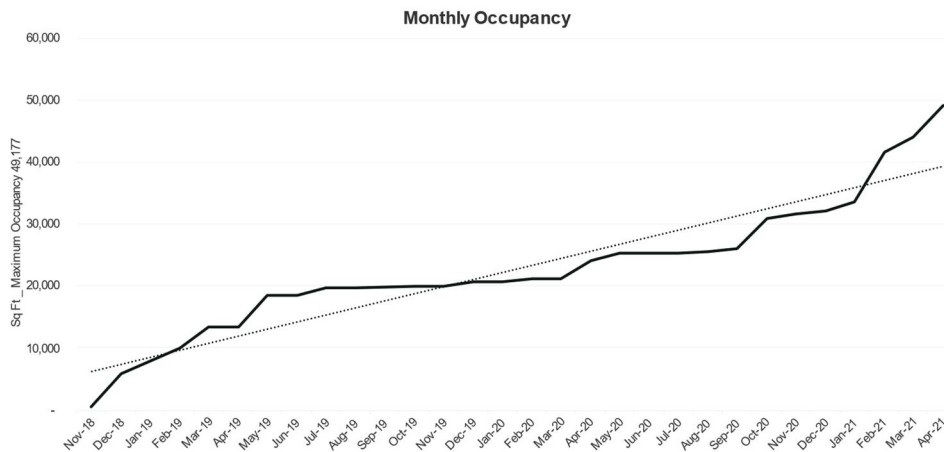


July 2018



March 2019

Biosphere Occupancy Graph



1

FUNDING AND OPERATIONS MODEL

The Biosphere was developed at a cost of £25m with funding provided through a public sector body. However, the development and operations model for the Biosphere is fully commercial so that the facility generates commercial revenue that can be invested in further development.

OTHER DEVELOPMENT AT NEWCASTLE HELIX

The Core: The Core has had high levels of occupancy since launch in 2014 and is currently full. The Core was developed as a speculative serviced multi-occupied office building providing 24,812 sq ft (net internal area) of offices for an SME market. The Core is operated as a commercial facility.

Newcastle University: Newcastle University has developed a number of academic and research facilities at the Helix site:

- National Innovation Centre for Data
- National Innovation Centre for Ageing
- Newcastle University Urban Sciences Building

Legal and General: Legal and General joined the Newcastle Helix partnership in 2017 and has since developed the following:

- **The Lumen:** The Lumen is a speculative building providing 100,000 sq ft of office space. This £32m development, funded by Legal and General, has been brought forward in partnership with Newcastle University and Newcastle City Council. Completed in May 2020 the Lumen is operated as a commercial facility.
- **The Spark:** The Spark is a speculative £32m replica of The Lumen, adjacent to it, and it is currently under construction. The Spark will be operated as a commercial facility.



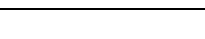
QUEEN MARGARET UNIVERSITY, EDINBURGH

UK Science Park Rent and Service Charge Benchmarking Summary
for Queen Margaret University - Edinburgh Innovation Park

APRIL 2020

	Project	Location	Rent (per sq ft)		Service Charge	Rates Payable	Utilities	Total (per sq ft)	
			Laboratory	Office				Laboratory	Office
1	Alderley Park BioHub (Ex AZ)	Cheshire	£35.00	£35.00	Included	Included	Included	£35.00	£35.00
2	Babraham Institute, Bioincubator (BBSRC)	Cambridge	£50.00	£50.00	Included	Included	Included	£50.00	£50.00
3	BioCity Scotland (Newhouse, Motherwell) (Ex MSD)	Lanarkshire	£28.00	£28.00	Included	£4.00	Included	£32.00	£32.00
4	Cambridge Science Park Innovation Centre (Closed down)	Cambridge		£39.00	£5.00	£12.00	Excluded		£56.00
5	Charnwood Biomedical Campus (Ex AZ)	Loughborough	£25.00	£15.00	£1.00	Excluded	Excluded	£26.00	£16.00
6	Edinburgh BioQuarter (Scottish Enterprise)	Edinburgh	£20.00-£22.00	£20.00-£22.00	£8.45	Included	Excluded	£28.45 - £30.45	£28.45-£30.45
7	Enterprise Centre (University of Reading)	Reading		£50.00	Included	£9.29	Included		£59.29
8	Innovation Building BioCity Nottingham (Ex BASF)	Nottingham	£33.00	£30.00	Included	£1.80	Included	£34.80	£31.80
9	Keele Science Park Innovation Centres (Keele University)	Keele	£35.00	£15.00	£9.50	Included	Excluded	£44.50	£24.50
10	Laurus BioCity (Ex BASF)	Nottingham	£24.00	£24.00	£6.20	£2.30	£2.00	£34.50	£34.50
11	Liverpool Science Park (University of Liverpool, Liverpool John Moores University and Liverpool City Council)	Liverpool	£20.00	£18.00-£24.00	£8.49	£6.00	Excluded	£34.49	£32.49 - £38.49
12	London BioScience Innovation Centre (Royal Veterinary College)	London	£49.00		£14.00	£9.00	Excluded	£72.00	
				£38.00		£9.00	£9.00	Excluded	
13	MediCity Nottingham (Ex Boots)	Nottingham	£33.00	£30.00	Included	Included	Included	£33.00	£30.00
14	Mersey Bio (Closed down) (University of Liverpool)	Liverpool	£18.00		Included	Included	Included	£18.00	
15	Northampton Innovation Centre (University of Northampton)	Northampton		£27.00	Included	Included	Included		£27.00
16	Newcastle Science Central Innovation Centre (The Core) (Newcastle City Council)	Newcastle		£24.00	Included	£8.59	Included		£32.59
17	Newcastle Science Central BioInnovation Centre (The Biosphere) (Newcastle City Council)	Newcastle	£24.00	£24.00	£10	£8.59	Excluded	£42.59	£42.59
18	Science and Technology Centre (University of Reading)	Reading	£55.00		Included	£8.00	Included	£63.00	
19	Science Village, Chesterford Research Park	Cambridge	£35.00		£2.70	£11.15	Excluded	£48.85	
20	Sheffield BioIncubator (University of Sheffield)	Sheffield	£35.00		Included	Included	Included	£35.00	
21	Stevenage Bioscience Catalyst	Stevenage	£18.75		£8.50	£13.50	Excluded	£40.75	
22	Thames Valley Science Park (University of Reading)	Reading	£35.00	£32.50	£9.00	£18.00	Excluded	£62.00	£59.50
23	University of Manchester Incubator	Manchester	£38.50		Included	Included	Excluded	£38.50	
24	Warwick Science Park Innovation Centre	Coventry		£16.50	£6.10	£5.00	Excluded		£27.60
25	York Science Park BioCentre (University of York)	York	£46.00		Included	Included	Included	£46.00	

KEY



Included

Excluded

Some facilities are laboratory only, others are office only; some facilities are a mixture of laboratory and offices.

Included in rent.

Excluded from rent and charged separately. For utilities this will be metered separately or apportioned. For business rates depending on operating model these charges are made by the Valuations Office directly to the tenant.

SCIENCE AND TECHNOLOGY PARK	SPECULATIVE INNOVATION HUB DEVELOPMENT	0% PRE-LET
Newcastle Helix The Core	5,310 sq m multi-occupied office facility	Fully occupied within 12 months
Newcastle Helix The Biosphere	6,967 sq m multi-occupied office and lab facility	Original target occupancy of 33% in year one with full occupancy to be achieved by the end of year three. The Biosphere achieved full occupancy before the end of year two in 2020
Nottingham BioScience and Office Innovation Facility	6,967 sq m multi-occupied office and lab facility	85% pre-let at completion
Liverpool Science Park – Innovation Centre One	3,900 sq m multi-occupied office facility	Fully occupied within 18 months
Liverpool Science Park Innovation Centre Two	3,900 sq m multi-occupied office facility	Fully occupied within 15 months
Liverpool Science Park Innovation Centre Three	3,900 sq m multi-occupied office and lab facility	70% occupied within 6 months of completion
Thames Valley Science Park Innovation Gateway Building	6,897 sq m office and lab facility	95% pre-let at completion

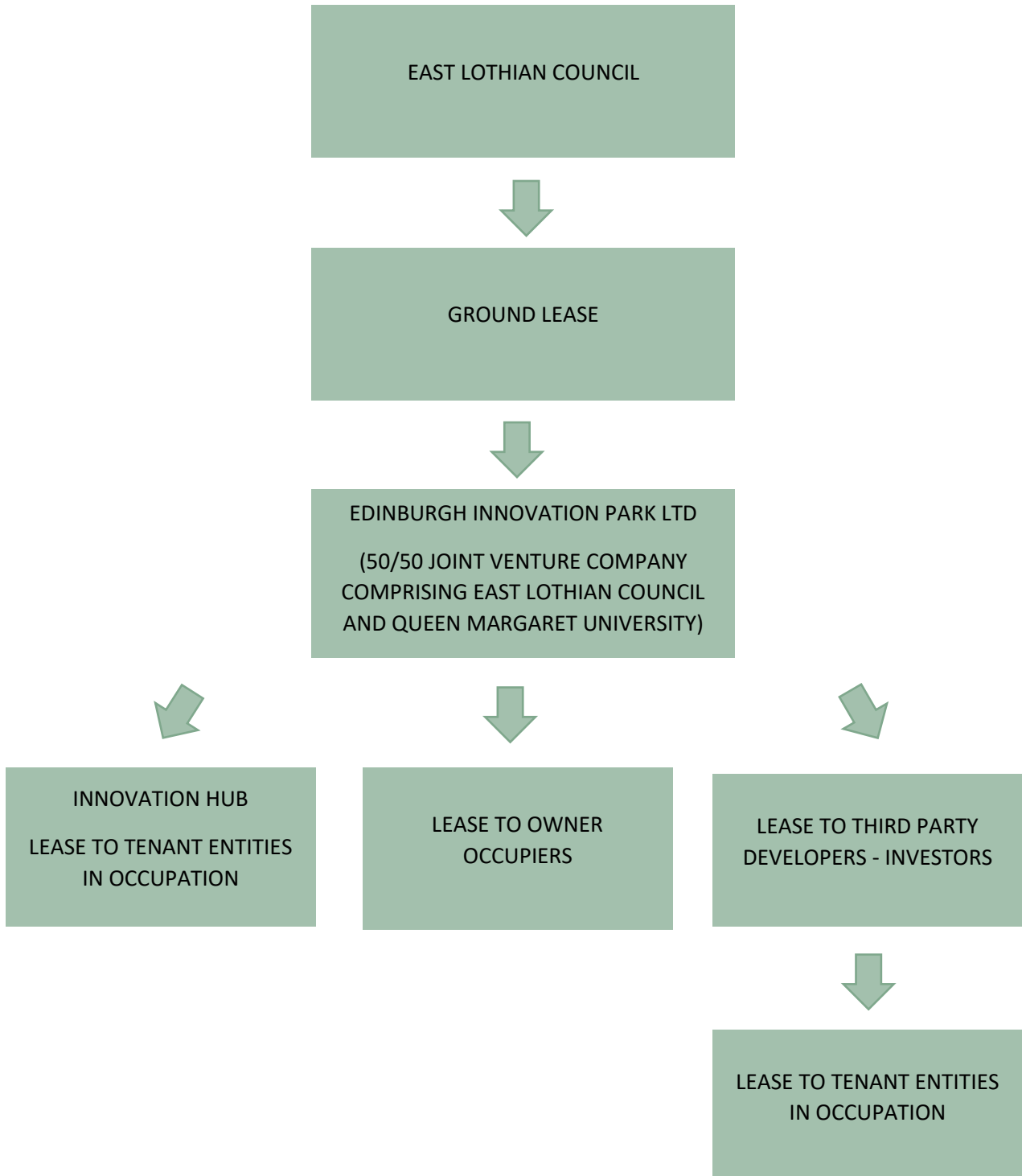
INNOVATION HUBS IN THE UK BY SIZE

LOCATION	FACILITY	SQ M (Gross Internal Area)
Edinburgh Innovation Park	QMU Innovation Hub	7,200
Central Park Manchester	Innovation Centre	11,148
Oxford Science Park	Innovation Centre	9,290
Edinburgh BioQuarter	BioInnovation Centre	8,825
Citi Labs Manchester	Innovation Centre	8,297
Liverpool Science Park	BioInnovation Centre	7,800
Newcastle Helix	BioInnovation Centre	6,988
Thames Valley Science Park	Gateway Building 1	6,897
Nottingham	BioInnovation Centre	6,705
Liverpool Health Campus	BioInnovation Centre	6,500

Average 8,050 sq m across existing facilities

APPENDIX B

Edinburgh Innovation Park-Leasing Strategy



EDINBURGH INNOVATION PARK

CASE STUDIES OF COUNCIL AND UNIVERSITY JOINT VENTURE COMPANIES IN THE INNOVATION ECONOMY

The table below summaries how most innovation and science parks that are delivered jointly by Councils and Universities have structured themselves.

The projects cited have been funded through a combination of public grant aid sources (ERDF, Regional Development Agencies, Regional Growth Funds, Local Enterprise Partnership etc) in order to establish innovation and science parks with the aim of delivering new economically driven commercial ventures following initial speculative development 'pump priming'. The public funding sources used have an equivalence with City Deal funding.

The development of innovation and science parks provides Councils with the opportunity to deliver their respective socio-economic and commercial strategies while simultaneously enabling universities to exploit intellectual property and create commercial benefit.

Working through a Joint Venture limited company, Councils and Universities have a shared beneficial interest in developing new innovation and science parks. Both the risks and the rewards are shared in the adoption of an equitable approach founded on cooperation and mutuality of interests.

Where Councils or Universities seek additional security, it is common practice for them to register a charge on property at the park in which they are co-owners.

The well-established practice should inform the Joint Venture structure that is proposed to deliver Edinburgh Innovation Park, including the Innovation Hub, by East Lothian Council and Queen Margaret University.

	LOCATION	JOINT VENTURE PARTNERS	JOINT VENTURE COMPANY	DEVELOPER	DEVELOPMENT	RISK	CHARGES	DEVELOPMENT CAPITAL FUNDING BY UNIVERSITY JV PARTNER(S)
1	Liverpool Science Park	<ul style="list-style-type: none">University of LiverpoolLiverpool John Moores University	Liverpool Science Park Ltd	Liverpool Science Park Development Ltd	Three Innovation Hubs comprising 120,000 sq ft of labs and offices	Shared equally through the JV company	Liverpool John Moores University has a charge on the first	No

		<ul style="list-style-type: none"> Liverpool City Council 					building. The university was the Accountable Body and was responsible for the discharge of obligations to the public bodies that funded the first development	
2	Exeter Science Park	<ul style="list-style-type: none"> University of Exeter Devon County Council Exeter City Council East Devon District Council 	Exeter Science Park Ltd	Exeter Science Park Ltd	Six buildings since opening in 2015 providing 135,000 sq ft of offices and labs	Shared equally through the JV company	East Devon District Council has a charge on a 'grow-on' building at Exeter Science Park having loaned money to Exeter Science Park Ltd	No
3	Plymouth Science Park	<ul style="list-style-type: none"> University of Plymouth Plymouth City Council 	Plymouth Science Park Ltd	Plymouth Science Park Ltd	Fourteen buildings on a 35 acre site with more than 100	Shared equally through the JV company	Since incorporation in 1996, Plymouth Science Park	No

					business in occupation		has had numerous charges against its properties. Charges have variously been in favour of the University and the City Council	
4	University of Warwick Science Park	<ul style="list-style-type: none"> University of Warwick Coventry City Council Warwickshire County Council 	University of Warwick Science Park Ltd	University of Warwick Science Park Ltd	Provides over 500,000 sq ft of development on a 42 acre site accommodating 140 companies employing circa 2,100 staff	Shared equally through the JV company until the university acquired all interests in 2012	Since incorporation in 1982, charges have been registered in favour of the University, Warwickshire County Council and Coventry City Council.	No
5	Bristol and Bath Science Park	<ul style="list-style-type: none"> University of Bath South Gloucestershire Council 	Bristol and Bath Science Park Estate Management Company Ltd	Bristol and Bath Science Park Estate Management Company Ltd	59 acre site launched in 2011 Development costs so far are £300 million and it is	Shared equally through the JV company	No charges	Not at establishment stage but seven years after launch when the University purchased the

					<p>expected to employ 6,000 staff when fully developed</p> <p>In 2018 the University and the Council purchased the park from the Department for Business, Energy and Industrial Strategy</p>			park with the Council from the Department for Business, Energy and Industrial Strategy
6	Wolverhampton Science Park	<ul style="list-style-type: none"> University of Wolverhampton Wolverhampton City Council 	University of Wolverhampton Science Park Ltd	University of Wolverhampton Science Park Ltd	Incorporated in 1993 the park now comprises 129,000 sq ft of office and labs	Shared equally through the JV company	Three charges have been registered	No
7	University of Stirling Innovation Park	<ul style="list-style-type: none"> University of Stirling Stirling Council 	University of Stirling Innovation Park Ltd	University of Stirling Innovation Park Ltd	Incorporated in 1985 the park houses 70 companies and comprises 110,000 sq ft of development	Shared equally through the JV since March 2005	One charge registered	Not known
8	Manchester Science Park	<ul style="list-style-type: none"> University of Manchester 	Manchester Science Park Ltd	Manchester Science Park Ltd to 2012	Incorporated in 1983, Manchester Science Park	Shared equally through JV	There have been 21 charges registered	No

		<ul style="list-style-type: none">• Manchester Metropolitan University• Manchester City Council• Salford City Council			<p>had developed 8 buildings funded from public sources until 2012</p> <p>In 2012 a third party investor developer acquired a controlling interest</p>			
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Edinburgh and South East Scotland City Region Deal Joint Committee

10am, Friday 4 June 2021

Dunfermline Strategic Transportation Intervention Measures (STIM) Full Business Case

Item number 5.4

Executive Summary

This report presents the Business Case for a Proposal to part fund the Dunfermline Strategic Growth Transportation Infrastructure Programme, as part of the Edinburgh and South East Scotland (ESES) Region City Deal. This proposal, through the Housing Infrastructure Fund, will provide a means to unlock and accelerate investment in essential new strategic transportation infrastructure in the Dunfermline Strategic Growth Area. This will facilitate large-scale mixed-use development and investment in the Dunfermline and wider Edinburgh City Region economy including unlocking up to 2,000 affordable and 6,000 private homes.

Pam Ewen

Head of Planning, Fife Council

E-mail: | pam.ewen@fife.gov.uk

Dunfermline Strategic Transportation Intervention Measures (STIM) Business Case

1. Recommendations

- 1.1 To endorse the Full Business Case (FBC) included as Appendix 3 to this report to support for submission of a Housing Infrastructure Fund application(s); and
- 1.2 To note that Fife Council's Policy & Co-ordination Committee on 13th May 2021 authorised officers to submit the Business Case to the Edinburgh and South East Scotland City Region Deal Joint Committee and Government partners for final approval.

2. Background

- 2.1 The attached Business Case presents a proposal to part fund the Dunfermline Strategic Growth Transportation Infrastructure Programme.
- 2.2 Fife's Strategic Development Areas (SDAs) are large scale, mixed-use, development allocations which are identified through the Strategic Development Plans of SESplan (for the Edinburgh City Region) and TAYplan (for the Dundee City Region). The delivery of the SDAs is central to the spatial strategy of Fife Council's Adopted Local Development Plan (FIFEplan) which proposes several SDA sites across Fife for development. Cumulatively, it is estimated the SDAs have an investment value of £3 billion. Development of the SDAs are key components to achieving the outcomes of the Plan 4 Fife, Fife's Local Outcome Improvement Plan (LOIP), and contribute to the themes of thriving places and inclusive growth and jobs.
- 2.3 The Dunfermline SDA programme (see Appendix 1) represents one of the largest areas of strategic growth in Scotland. This programme has the potential to provide approximately 8,000 homes (including a minimum of 25% affordable units); 80 ha of employment land; 5 new primary schools and £36m in developer contributions to secondary education facilities in the Dunfermline area; and other community facilities. There will be additional benefits to the wider Dunfermline Strategic Transportation Zone where a total of 14,000 houses are programmed. The Dunfermline SDA programme will not only assist Fife's post-COVID economic recovery but will also unlock the delivery of up to 2,000 affordable housing units and

help meet the Council's affordable housing target and support the Scottish Government's Housing to 2040 vision.

- 2.4 Fife Council will deliver a major investment programme in strategic transportation infrastructure in Dunfermline (see Appendix 2) to support the SDA delivery of homes, employment land and community infrastructure such as schools, shops and urban parks. Such investment will accelerate inclusive growth, create new economic opportunities, and new jobs that will help to reduce inequalities in the Dunfermline area and beyond. This will be achieved through direct investment by the Council working in partnership with private sector landowners and developers to leverage additional investment and funding into Dunfermline, Fife and the wider City Region.
- 2.5 The aim is to create a long-term investment programme in Dunfermline that will assist in the delivery of the objectives of the LOIP not only in Dunfermline but into Mid Fife and the rest of Fife through increased connectivity and economic growth. The importance and benefits of Dunfermline's strategic growth to Fife and the wider Edinburgh City Region have been recognised through the Edinburgh & South East Scotland City Region Deal. Dunfermline is one of the seven strategic sites identified within the deal that can access monies to deliver infrastructure and unlock strategic growth.

3. Main report

- 3.1 The vision is that the SDA programme will have a transformative effect on Dunfermline, in terms of place making and inclusive and economic growth and contributes to national, regional and local policy objectives. This vision, therefore, supports not just the ambitions of the ESES City Deal but also the strategic ambitions outlined throughout the Business Case.
- 3.2 However, there is a capital gap due to an uplift in capital costs and a timing gap between the interventions being put in place and the funds being received in full through developer contributions. Without public sector intervention to bridge the initial upfront infrastructure funding timing lag and capital gap, the strategic growth of Dunfermline, as proposed through [SESplan](#) and [FIFEplan](#), will not be able to be delivered by the private sector. The timing gap has always been expected and been estimated and accounted for in the Fife Council Capital Plan. However, capital costs are likely to be higher than the level that can feasibly be covered from receipt of developer contributions. The Business Case will support a grant funding application for Housing Infrastructure Fund grant to bridge the projected capital funding gap.
- 3.3 Under the Business as Usual scenario within the Business Case, it is anticipated that the continued developed of the SDA sites would stall due to the critical nature of the transportation network in Dunfermline. This would result in the non-delivery of the SDA Programme in Dunfermline and as a result, national, regional and local objective to deliver homes and economic growth through strategic growth would fail. The consequences of failing to deliver enhanced connectivity in Dunfermline would

also impact on other parts of Fife, in particular Mid Fife and the wider Edinburgh City Region.

- 3.4 The data in the supporting Dunfermline Housing Market Report (Appendix 8.3 of the Business Case) highlights that Dunfermline has a strong housing market. Dunfermline has weathered the post credit crunch downturn better than settlements of similar size and out of the 5 comparators shows the most consistency from year to year demonstrating its resilience and its attractiveness to developers. However, the buoyancy of the market may create a challenge.
- 3.5 It is approved Fife Council policy that Section 75 contributions for off-site transportation interventions in Dunfermline will be collected, held within the Fife Infrastructure Investment Fund, and the funds drawn down as required for Fife Council to deliver the required infrastructure interventions. Due to the strong Dunfermline housing market; many of the Dunfermline housing sites are now being considered through the planning process and programmed to be under construction at the same time. This accelerates the requirement for transportation infrastructure and results in a cash flow deficit within the Infrastructure Investment Fund that requires to be filled to allow development to proceed.
- 3.6 The Business case has been considered by ESES Regional Housing Partnership and endorsed by the Regional Housing Board. The Regional Transport Appraisal Board will be briefed at their meeting on 10th May. The Council has worked collaboratively with Scottish Government, More Homes Division and Scottish Futures Trust to arrive at a workable solution of grant funding. The Business Case has been endorsed in principle by More Homes Division.

Risk Assessment

- 3.7 An assessment of the risks associated with the delivery of the transportation interventions has been undertaken and forms part of the Business Case. This identifies a wide range of potential risks and the impacts these would have on the delivery of the STIM Programme. Sensitivity analysis has been undertaken to help inform this risk analysis and can be found in Table 5.5 of the Business Case. The Business Case Risk Register can be found within Appendix 8.10 of the Business Case and the STIM Programme Risk Register is appended to this report as Appendix 4.

4. Financial impact

- 4.1 Fife Council has worked closely with Scottish Government More Homes Division and Scottish Futures Trust to arrive at the most appropriate source of funding that will work to reduce the funding gap in the Dunfermline STIM programme. Housing Infrastructure Fund (HIF) grant has been identified as the most appropriate funding solution for Dunfermline and the Business Case has been written to align with this funding stream. This collaborative working has also been focused on achieving a

funding route for other strategic sites within the City Deal, where there are similar objectives.

4.2 In summary, this proposal seeks to secure Housing Infrastructure Funding (HIF) of £16.5m towards strategic transportation infrastructure. The grant would cover 25% of construction costs to align with the 25% affordable housing provision. The Scottish Government has advised that the City Deal HIF funding shall not affect the amount of potential HIF funding Fife Council could access through its affordable housing programme. HIF funding is required to unlock the 2,000 affordable units proposed and deliver the wider strategic growth of Dunfermline. Funding will be applied for, and phased, over three, five-year grant periods to align with the Scottish Parliament parliamentary periods (a requirement of HIF funding). An initial phase 1 grant application of £4.85m, covering 2021/22 - 2025/26 will be submitted on approval of the Business Case. Table 1 outlines the proposed grant over the 15-year delivery period:

Grant Period	Phase 1 (2021/22 - 2025/26)	Phase 2 (2026/27 - 2030/31)	Phase 3 (2031/21 - 2035/36)	Total
Grant	£4.85m	£6.1m	£5.58m	£16.538m

Table 1: Projected grant phases

5. Alignment with Sustainable, Inclusive Growth Ambitions

5.1 The Inclusive Growth Challenges for the City Region and a Framework to tackle these are set out in Pages 6 - 10 of the City Region Deal document. Dunfermline is one of the seven strategic sites identified within the Housing Theme as a key area of change and growth. The strategic urban expansion of Dunfermline is of a scale not seen outwith Scotland's cities for a number of years. It will contribute to increased sustainable economic growth and directly contribute to Themes 1 and 2 of the Edinburgh and South-East Scotland City Region Deal inclusive growth framework:

- Theme 1: Accelerating inclusive growth
- Theme 2: Removing the physical barriers to growth

5.2 The delivery of the Dunfermline STIMs Programme will directly address transportation infrastructure constraints that are currently impacting on the amount of available land for housing. This will contribute to Theme 2 by removing physical barriers to growth. By improving connectivity and unlocking affordable housing, private housing and employment land/commercial expansion, the Programme will accelerate inclusive growth and contribute to Theme 1 by unlocking a significant programme of construction. This will be achieved initially through the delivery of the transportation interventions over a 15 year period but also the unlocking and delivery of up to 2,000 affordable and 6,000 private homes programmed up to 2058/59.

- 5.3 The Economic Impact Assessment undertaken as part of the Business Case projects 1,000 construction jobs per annum will be sustained across the construction phase. In addition, the Programme will help contribute to the growth ambitions of the City Region Deal by growing employment opportunities. By the end of year 30, approximately 1,000 permanent/recurring jobs will have been created on the employment allocation (based on a conservative 25% take-up of employment land).

6. Background reading/external references

- 6.1 [Fife Council Policy & Co-ordination Committee, 13th May 2021](#), Item 7 - Edinburgh & South East of Scotland City Region Deal: Dunfermline Strategic Transportation Intervention Measures (STIM) Business Case.

7. Appendices

Appendix 1: Dunfermline Strategic Development Area

Appendix 2: Dunfermline Strategic Transportation Intervention Measures

Appendix 3: Dunfermline Strategic Transportation Intervention Measures City Deal Business Case

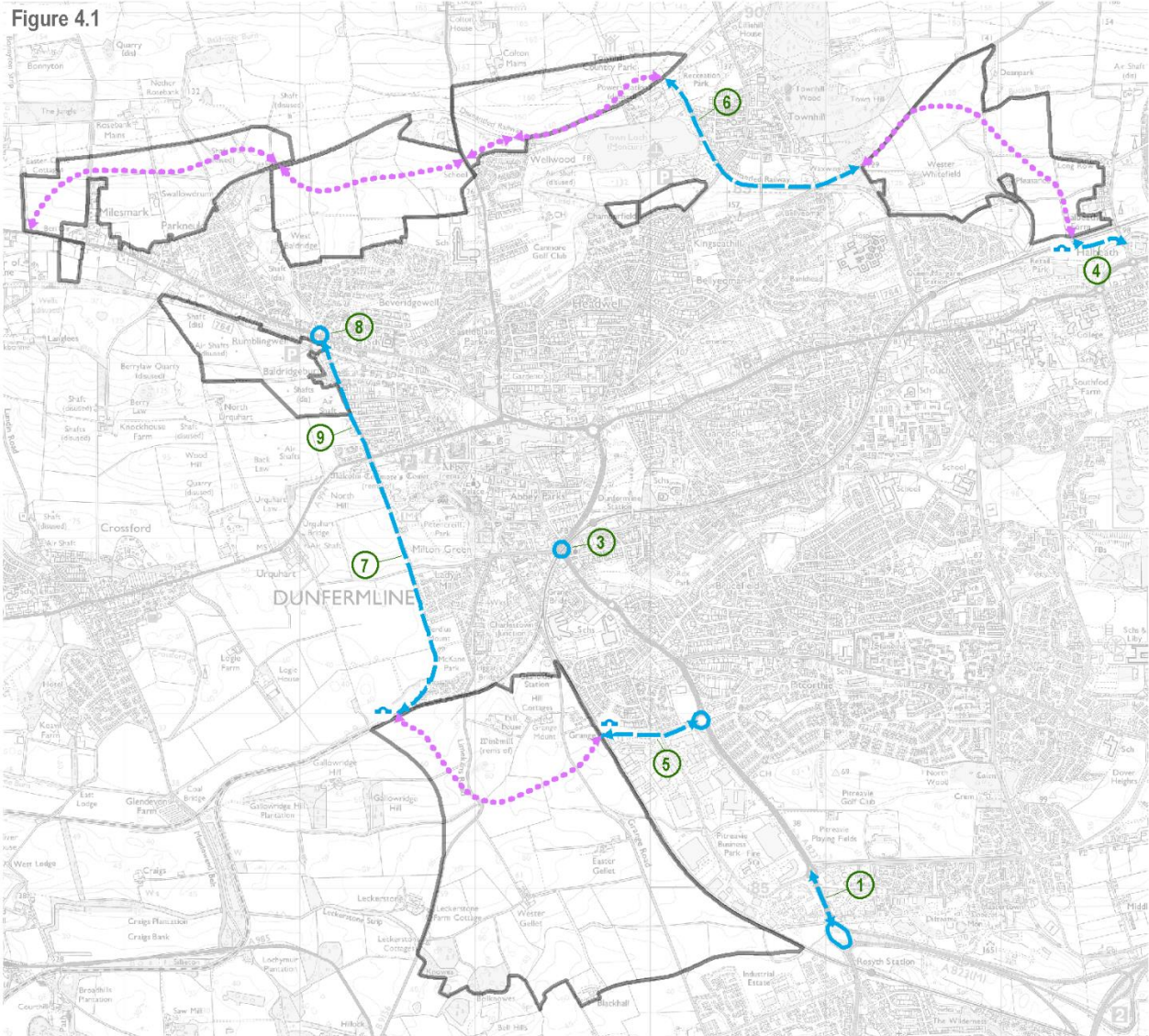
Appendix 4: Dunfermline Strategic Transportation Intervention Measures Programme Risk Register

Appendix 1: Dunfermline Strategic Development Area






Appendix 2: Dunfermline Strategic Transportation Intervention Measures

Figure 4.1



Dunfermline Strategic Transportation Intervention Measures

-  Sections of Northern Link Road & Western Distributor Road within SDA's
-  Bridge over railway
-  Sections of Northern Link Road & Western Distributor Road outwith SDA's
- ① Pitreavie Roundabout Signalisation & Additional Southbound Lane on A823
- ② Kings Road/Admiralty Road Junction Signalisation (Not Shown)
- ③ Bothwell Gardens Roundabout Signalisation
- ④ Northern Link Road (NLR) - East End
- ⑤ Western Distributor Road (WDR) - Grange Drive
- ⑥ NLR - A823 - Whitefield Road
- ⑦ WDR - Coal Road including Bridge Crossing of Dunfermline - Alloa Railway
- ⑧ WDR - William Street/ Rumblingwell Junction Upgrade
- ⑨ WDR - William Street

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**Submission to Scottish Government
Edinburgh and South East Scotland City Deal
Housing Infrastructure Fund**

**Dunfermline Strategic Growth
Transportation Infrastructure Programme:
Supporting Housing Delivery**

Full Business Case

June 2021



EDINBURGH AND SOUTH EAST SCOTLAND
CITY REGION DEAL

Purpose of this Document

This document sets out the Full Business Case, in support of the Dunfermline Strategic Growth Transportation Infrastructure Programme. The Business Case provides the evidence that the most economically advantageous investment programme is being delivered and that it is affordable. In addition, the Full Business Case explains the fundamentals of the Dunfermline Strategic Growth Transportation Infrastructure and outlines the detailed arrangements for its delivery, demonstrating that the required outputs can be successfully achieved.

“We can also deliver transformational change through our approach to housing. The [COVID-19] crisis has reiterated the fundamental importance of safe and good quality housing for all - that means continuing our programme of housebuilding, and ensuring both new and existing homes are energy efficient and high quality, creating jobs as part of our investment in construction and retrofitting.”

Extract from the introduction from the First Minister, Rt Hon Nicola Sturgeon MSP
First Minister of Scotland to Protecting Scotland, Renewing Scotland: The
Government's Programme for Scotland 2020-2021, September 2020

“... delivering on the vision and aspiration set out in this strategy [Housing to 2040] will require hard work, collaboration and commitment. But when the prospect of doing so will enable us to realise an equal and fairer Scotland, where everyone has the right to a home, and helps us deliver a greener Scotland with vibrant and flourishing communities, then that effort will be worth it and for the generations to come.”

Foreword extract from Aileen Campbell, the Cabinet Secretary for Communities and
Local Government, Housing to 2040, March 2021

EXECUTIVE SUMMARY

This document presents a Business Case which seeks grants, from the Housing Infrastructure Fund (HIF), to part fund the Dunfermline Strategic Growth Infrastructure Programme as part of the Edinburgh and South East Scotland (ESES) Region City Deal. Grant funding is required to address a capital shortfall within the Dunfermline Strategic Transport Intervention Measures (STIM) Programme. This will enable strategic transportation infrastructure to be delivered to unlock the strategic growth of Dunfermline. By unlocking this growth and individual housing sites, up to 2,000 affordable housing units and up to 6,000 private units will be delivered.

The Business Case for Dunfermline shows a commitment to place-based investment which will see a co-ordinated approach to housing investment through delivery of essential transport infrastructure, using the investment first principle, that will enable private investment, supporting regional growth. This will be achieved by the delivery of strategic transportation interventions, unlocking up to 2,000 affordable homes as part of wider mixed-use development and investment in the Dunfermline economy. The place-based investment aligns with a number of Scottish Government strategies, aimed at transitioning to net zero emissions, driving inclusive economic growth and building resilient and sustainable places, (including the recently launched [Housing to 2040](#), the [Infrastructure Investment Plan for Scotland](#) and the [Place Principle](#)).

Figure 0.1, below, identifies the nine development sites which make up the Dunfermline strategic growth programme. Due to the scale of growth, significant infrastructure is required to service the strategic growth of Dunfermline as identified in Figure 0.2. This proposal will provide a means to unlock and accelerate investment in essential new strategic transportation infrastructure in the Dunfermline strategic growth area (see Figure 4.1) in order to facilitate up to 2,000 new affordable housing units as part of large scale mixed use development and investment in Dunfermline, Fife and the wider Edinburgh City Region economy.

Unlocking the seven strategic housing sites identified in ESES Region City Deal Heads of Terms Agreement and delivering innovative infrastructure solutions is essential to remove existing physical barriers to growth. The development pipelines created by the regional housing programme contributes significantly to the £1bn programme of construction planned across the city region deal programme.

Fife's Strategic Development Areas (SDAs) are large scale, mixed-use, development allocations which are identified through the approved Strategic Development Plans of [SESplan](#) (for the Edinburgh City Region) and [TAYplan](#) (for the Dundee City Region). The delivery of the SDAs is central to the strategy of Fife Council's Local Outcome Improvement Plan ([Plan 4 Fife](#)) and the [Adopted Local Development Plan \(FIFEplan\)](#) which proposes a number of SDA sites for development. Development of the SDAs will help achieve the outcomes of the Plan 4 Fife; in particular the themes of Thriving Places and Inclusive Growth and Jobs. At a national level, Fife's SDAs will contribute to national outcomes relating to place making; social inclusion; and low carbon.

The Dunfermline SDA Programme represents an exemplar of strategic growth within the City Deal Programme. Within the context of the then Development Plan

a *Dunfermline Strategic Framework* (WMUD 2009) study was commissioned by Fife Council. It looked at how the land-use elements (housing, employment, and community infrastructure) could be accommodated in Dunfermline in a manner which would result in “*high quality, sustainable & distinctive place-making*”. The starting point of the *Framework* was the development of walkable neighbourhoods based around mixed-use local centres and local employment land, supported by improved transport facilities. Community interests, key agencies and the principal developers were involved in this iterative process.

The Dunfermline SDA Programme now represents one of the largest areas of strategic growth in Scotland. The programme has potential to provide up to 2,000 affordable homes; as well as up to 6,000 market homes; 80 ha of employment land; 5 new primary schools; £36m in developer contributions to secondary education facilities in the Dunfermline area; as well as other community facilities; all integrated with new transport infrastructure. There will also be benefits to the wider Dunfermline Strategic Transportation Zone where a total of 14,000 houses are programmed (see Appendix 8.5). It was intended that all of the above infrastructure would be funded by developers, with either direct provision on site or via developer contributions. Additional costs have been identified which means this is no longer the case and there will be a capital shortfall. In the case of the off-site strategic transportation infrastructure, developer contributions are being collected in a Strategic Infrastructure Fund managed by Fife Council.

It is recognised that the Dunfermline SDA build out period will take the programme through the interim reduction targets to reduce greenhouse gases and potentially on to zero carbon targets as set out in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. The programme of STIMs will work alongside new park and ride schemes and a new rail halt at Halbeath Park and Ride. Improved modal options which will promote sustainable and active travel in Dunfermline and the surrounding area.

Dunfermline is South East Scotland’s largest town. The Dunfermline housing market has a strong track record of delivery and performance compared to other similarly sized locations and provides a strong rationale for why this is a low risk investment (see Section 4 - Commercial Case and Appendix 8.3 Dunfermline Housing Market Report).

However, despite the strong housing market, developers have viability issues, particularly, in the early years of development, when most on and off-site infrastructure needs to be provided. Extensive undermining in the area is resulting in significant ground remediation works for those already on site. Critical capacity issues in the school estate means that schools are required immediately or within the first few years of development, with interim temporary arrangements having to be put in place, and funded, by the developers. In addition, significant capacity issues exist in the Dunfermline road network, as identified in the Dunfermline Transport Assessment 2011 and the FIFEplan Local Development Plan Transport Appraisal 2015. To enable growth, new transportation interventions are required, alongside an increase in active travel opportunities. The Strategic Transportation Intervention Measures listed in Appendix 8.1 all have early triggers.

The response to COVID-19 and the subsequent impact on the development industry, and wider economy, is unlikely to be understood in full for some time. The conclusions drawn later in this document have looked at national and local impacts.

The Financial Model supporting this Business Case has a built in COVID assumption which assumed the delivery of 25% of the Dunfermline housing completions programmed in 2020/21 (due to construction pausing for 9 months), with recovery over the following 3 years. COVID-19 delays due to adaptations to working practices and disruption to the supply chain are expected to also have an adverse impact on construction costs. A contingency of 15% was included on construction costs in 2020/21 and 10% has been applied for costs in 2021/22.

If a funding solution for the delivery of the transport infrastructure cannot be found, then strategic growth in Dunfermline (including the delivery of affordable homes) would be challenging to deliver and would be delayed. In addition, a grant to part fund the delivery of transportation infrastructure would allow Fife Council to manage and deliver its considerable education infrastructure responsibilities and challenges in Dunfermline and elsewhere in Fife.

The Dunfermline Business Case

- **is seeking grant funding of £4.85m over the next Scottish Parliament parliamentary period (2021/22 – 2025/26), to unlock affordable housing - covering 25% of construction costs (to align with 25% affordable housing provision); and**
- **sets out plans for future phases of the Programme which will require financial support after 2025/26 estimated at £11.68m.**

The delivery of up to 2,000 affordable housing units in Dunfermline, as part of strategic growth across 9 sites, would meet the criteria of the Housing Infrastructure Fund. Funding would only be directed to infrastructure works which are outwith the curtilage of the affordable housing sites and which are of a scale that will open up larger sites for housing development. The HIF funding while unlocking the delivery of up to 2,000 affordable housing units, would further assist in enabling the delivery of up to 6,000 market housing units; employment land and other community infrastructure over the full Programme.

The Fund would not be used to:

- provide community infrastructure required as a consequence of new housing development, for example, schools;
- fund, or supplement, developer contributions towards affordable housing provision;
- replace other public sector contributions for major infrastructure which these bodies should be directly funding;
- fund works or other items which would normally be funded by the local authority, for example, general land acquisitions or acquisitions of property and land made under compulsory purchase orders (CPOs); or
- fund major roadworks, such as upgrading or realignment of trunk roads, which will not directly support housing delivery within the five-year period.

HIF grant funding to assist with the delivery of strategic transportation infrastructure in Dunfermline would: -

- enable housing and infrastructure delivery;
- support quality of life by promoting quality of place and the public interest in Dunfermline in line with 'A Plan for Scotland', the Scottish Government's Programme for Government; A National Mission with Local Impact Infrastructure Investment Plan for Scotland 2021-22 to 2025-2026; and the Place Principle;
- enable the delivery of up to 2,000 new affordable homes supporting the Scottish Government's Housing to 2040 vision;
- enable the delivery of up to 8,000 new homes, supporting the SESplan 19,000 target;
- enable the delivery of sustainable place making and new homes supporting Fife Council's Local Outcome Improvement Plan;
- enable Fife Council to maintain an effective 5-year housing land supply and fulfil its statutory requirement to deliver the adopted Local Development Plan;
- enable the collection of over £67m in transportation contributions (required to improve the local transportation network), and the equivalent of over £100m in education contributions; to sustain the growth from not only the strategic sites but the other 20 or so housing sites allocated in the Local Development Plan, in line with Fife Council's Planning Obligations Framework Supplementary Guidance; and
- enable further economic growth in the Dunfermline area through the creation of construction jobs and the delivery of employment land, and local community infrastructure.

In line with requirements of the UK Treasury Green Book methodology the business case highlights:

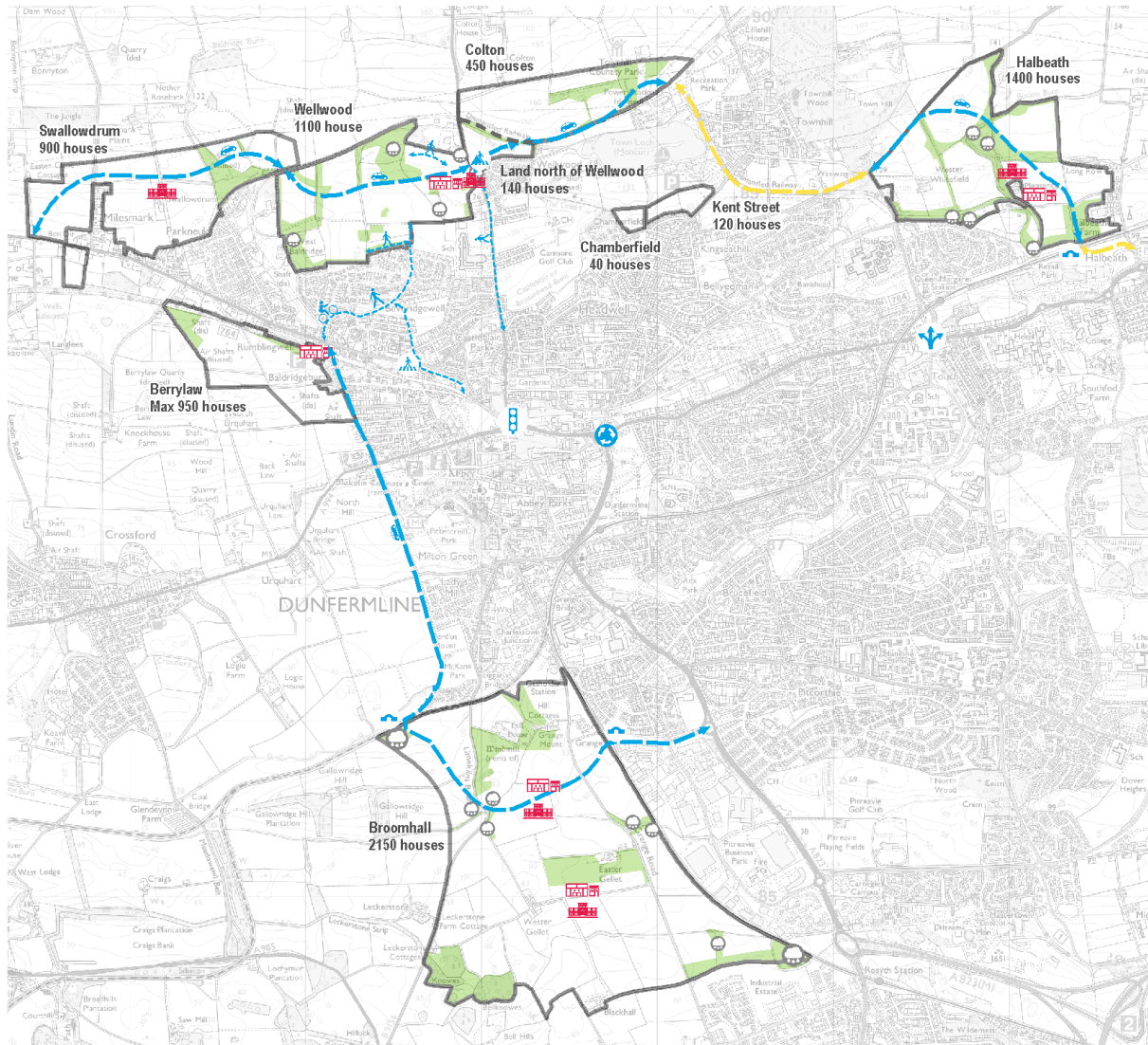
- Justifies the case for investment;
- Demonstrates Value for Money (VfM);
- Sets out the 5-Case model Strategic; Economic; Commercial; Financial; and Management.

Figure 0.1: Aerial View of Dunfermline SDA



Source: Fife Council

Figure 0.2: Infrastructure required to service the strategic growth of Dunfermline



Dunfermline SDA Infrastructure

- Improvements to Sinclair Gardens roundabout
- Traffic signal upgrade
- Northern link road & western distributor road
- New & enhanced pedestrian & cycle links
- Bridge over railway
- Junction & road improvements Whitefield Rd/ Halbeath Rd
- Sections of Northern link road outwith SDA's
- 5 new Primary Schools at Wellwood, Broomhall, Halbeath & Swallowdrum
- Neighbourhood centre
- Sustainable Urban Drainage
- Parks & structural landscaping

Other Infrastructure - no location

- New/enhanced bus service
- Sites for healthcare facilities - Swallowdrum & Halbeath
- Contributions towards secondary school provision
- Public Art
- Wastewater Infrastructure
- Water Infrastructure
- Recycling Facilities
- CHP/Renewable Energy

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Source: Fife Council

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1.0 INTRODUCTION

- 1.0.1 This Dunfermline Strategic Growth Infrastructure Programme Business Case is seeking to secure a first phase grant funding of £4.85m of Housing Infrastructure Fund (HIF) funding under the Edinburgh and South East Scotland (ESES) Region City Deal Heads of Terms agreed with the UK and Scottish Governments on 20th July 2017. This funding will be supplemented with a Fife Council Capital Programme contribution, which is based on developer contributions. Over the length of the programme funding will, therefore, come from the developer contributions and the Scottish Government with Fife Council funding the timing gap.
- 1.0.2 The proposal contained in this Business Case is to secure capital funding to part fund the infrastructure delivery of the Dunfermline Strategic Growth Programme. This proposal will provide a means to unlock and accelerate investment in essential transportation infrastructure in the Dunfermline Area and will facilitate the delivery of up to 2,000 affordable homes, as part of large-scale mixed-use development and investment in the Dunfermline economy and wider City Region.
- 1.0.3 The vision is that this place-based investment programme will have a transformative effect on Dunfermline, in terms of place making; social inclusion and economic growth whilst contributing to national, regional and local policy objectives. This vision, therefore, supports not just the ambitions of national policy and the ESES City Deal but the Fife-wide strategic ambitions contained throughout this Business Case.
- 1.0.4 The Dunfermline Strategic Development Area (SDA) programme represents one of the largest areas of strategic growth in Scotland. The Programme has potential to provide up to 8,000 homes (including a minimum of 25% affordable – approximately 2,000 units); 80 ha of employment land – along with the related employment and training opportunities; 5 new primary schools and £36m in developer contributions to secondary education facilities in the Dunfermline area; and other community facilities. There will be additional benefits to the wider Dunfermline Strategic Transportation Zone where a total of 14,000 houses are programmed (inclusive of the SDA - see Appendix 8.5 Transport Zones and Appendix 8.7 Financial Model).
- 1.0.5 The delivery of up to 2,000 affordable homes, a part of the Dunfermline strategic growth programme, will contribute to the Scottish Government's Housing to 2040 vision. The vision, is to deliver 100,000 affordable homes across Scotland by 2031/32, whilst adopting “*a place-based approach so that homes and places work together seamlessly and people can live in communities that meet their needs and support their health and wellbeing*”. Amongst the actions set out in Protecting Scotland, Renewing Scotland: The Government's Programme for Scotland 2020-2021 is the objective of the Scottish Government to “*complete the delivery of affordable homes as quickly as it is safe to do so, and set out a 20 year vision for energy efficient, zero carbon housing, with access to outdoor space, transport links, digital connectivity and community services*”.
- 1.0.6 The ESES City Region Deal has recently produced a draft paper on *The Role of Affordable Housing in Regional Economic Recovery*. The aim of the paper “*is to highlight the role of affordable housing to help rapidly rebuild the Scottish and city region economy, create jobs and revive our communities. The combination of strong*

demand for housing and the ability of regional partners to deliver affordable housing, provides a huge economic opportunity”.

- 1.0.7 Dunfermline is well placed to help the Scottish Government deliver its affordable housing commitments. The strategic growth of Dunfermline is already on-site delivering completions and is projected to deliver approximately 2,000 additional affordable homes, subject to resolving barriers to infrastructure delivery. Not only will Dunfermline contribute to meeting this affordable housing commitment, but it will help implement and deliver the Scottish Government’s 20 year vision for sustainable, balanced communities.
- 1.0.8 A quarter of new homes delivered in Dunfermline will be affordable. The developers are committed to working with Fife Council and Registered Social Landlords to deliver affordable housing in each phase of their developments. Key to this scale of delivery is the unlocking of the City Region’s seven identified strategic sites, including Dunfermline. The programme of new housing, supported by the partners and Scottish Government, aims to bring certainty to Small Medium Enterprises by maximising economic benefits from the construction process.
- 1.0.9 This proposal, therefore, sets out a high-level bid to secure capital funding to part fund the infrastructure delivery of the Dunfermline Strategic Growth Programme to assist the timeous and viable delivery of the Dunfermline Strategic Transportation Intervention Measures (STIM) (see Appendix 8.1); essential to unlocking the 2,000 affordable housing units and supporting the delivery of the wider SDA Programme in Dunfermline.
- 1.0.10 There is a mismatch between when transportation infrastructure is required to be delivered to allow development to proceed and when monies accrued from development contributions will be available to fund these infrastructure interventions in their entirety. Due to this timing issue, there will be a capital shortfall to support infrastructure. In addition, increased costs of £15.9m has meant that the capital shortfall is exacerbated which is why the Scottish Government is being asked to provide grant funding.
- 1.0.11 There is a direct timing relationship between the actual pace of development and the need for the delivery of the STIM measures. Should there be a delay to the pace of development then the STIM programme can also be reprogrammed. This will lead to reprofiling of the capital plan.

1.1 **Context for the Business Case**

- 1.1.1 The delivery of strategic growth in Dunfermline is supported by the Scottish Government, the ESES Region City Deal and Fife Council. The ESES City Deal aims to deliver inclusive economic growth and place based investment across the region through housing, innovation, transport, skills and culture. Investment in Fife is proposed through Strategic Growth as part of the Housing/Transport and Innovation Themes within the ESES Region City Deal Heads of Terms Agreement on 20th July 2017. The ambition is to invest in essential infrastructure required to unlock development in Dunfermline thus accelerating growth and delivering large scale affordable housing, other market homes and jobs.

- 1.1.2 Although supported by national, regional and local planning policy and objectives, the Strategic Development Sites allocated in [FIFEplan](#), (the Local Development Plan), have failed to deliver the planned housing and economic growth across Fife at the programmed rate. The downturn in the economy over the last 10 years has meant that the private sector has been unable to invest in essential infrastructure to enable the development of strategic sites. Severe constraints on the availability of debt finance, over a sufficiently long period from traditional funding sources, particularly since the financial crash in 2008/9 has exacerbated the problem. Whilst this lack of financial viability is not unique to Fife, it is constraining the creation of much needed homes and community infrastructure, and the resulting economic and job creation opportunities.
- 1.1.3 Just prior to the current COVID pandemic, there had been an upturn in the housing market in Dunfermline, with three SDA sites consented for 1,100, 2,150 and 90 units and one approved subject to Section 75 (1,400 units). Looking Dunfermline-wide, all but one of the SDA sites has now been submitted to the planning process (see Appendix 8.4 – Dunfermline Strategic Growth Development Overview). Past completions data for Dunfermline during the last economic recession indicates that Dunfermline continued to perform well. Whilst sites slowed, they continued to deliver. Local developers are indicating a positive outlook (as of March 2021). This is possibly in part due to committed sales and pent-up demand. The pandemic has also resulted in an intensification of the home and its space through home working. After the successful operation of their ‘virtual office’ during lockdown, many companies are now questioning if they require the same quantity of office accommodation in the future. Looking forward, this trend in home working is likely to continue. This is likely to lead to a longer term reduction in the requirement for many Fife residents to commute daily to their employer’s physical base. The need for less daily commuting and greater home working in the ‘virtual office’ is likely to influence peoples’ locational choices for future housing. It is predicted that Dunfermline could benefit from this trend as some people relocate from the city to a more competitively priced market such as Dunfermline, still within easy commuting distance of Edinburgh and with excellent public transport links.
- 1.1.4 However, the capital funding gap and lack of upfront funding available to deliver some of the essential transportation infrastructure, including a new Western Distributor Road and a Northern Link Road (see Appendix 8.1) may result in consented sites stalling. The Council believes that the opportunity presented under the City Deal will contribute to achieving the aim of securing long-term investment in the delivery of growth in Dunfermline, supporting the wider City Region. The Queensferry Crossing, a major public sector infrastructure investment, opened in September 2017 after investment of c£1.4bn. This investment helped improve connectivity (both by bus and private car) for businesses and residents in Fife to Scotland’s central belt and the principal cities of Edinburgh and Glasgow. By both reducing journey times and improving resilience in adverse weather conditions, the new crossing is helping to improve the region’s economic performance. In addition, the Forth Bridge enables improved bus services, with enhanced journey times, connected to the very successful Park and Ride facilities at Ferrytoll and Halbeath. In the context of the current City Deal proposal in this business case, complementary investment in strategic transportation interventions in Dunfermline will help capitalise on the increasing strength in the market stimulated by the new crossing over the next 10 years and beyond.

- 1.1.5 Fife Council has made significant investment over many years in transportation infrastructure in the Dunfermline area through its capital programme; including parking upgrades at Dunfermline Town and Queen Margaret railway stations; the provision of a new bus station; upgrades to primary routes through the town e.g. Sinclair Gardens Roundabout and Whitefield Road; as well as encouraging active travel through enhanced provision of cycle and footpath networks with links to the bus and rail stations. The investment has aided the Council's Objectives around improved social, economic and environment issues.
- 1.1.6 However, the scale of planned growth over the next 20 to 30 years in Dunfermline requires significant new investment in transportation infrastructure, as set out in the Dunfermline Strategic Land Allocation Transport Assessment (TA) 2009 and the FIFEplan TA 2015. The measures listed in Appendix 8.1 will assist network capacity and flows whilst providing for active travel (which will be an integral part of the transportation measures on and off the development sites).
- 1.1.7 Further transportation modelling work was commissioned in the autumn of 2020, in order to review the current STIMs, traffic assumptions and delivery programme. The purpose of this re-evaluation was to establish if there was a more efficient way to deliver these works. The additional transport modelling concluded that all programmed Dunfermline Strategic Transportation Intervention Measures are still required and that no additional transport infrastructure is necessary to support the strategic growth of Dunfermline.
- 1.1.8 Revised cost estimates were also prepared for the Dunfermline STIMs in autumn 2020. These estimates valued the cost of the STIMs at £50.055m in 2020 prices and £66.8m when indexed to date of delivery (and £69.1m when interest is added at £2.4m). This is an increase of £15.9m compared to the original cost estimates.
- 1.1.9 The objective of the business case is to provide a clear and justified basis for City Deal grant funding to deliver significant infrastructure in Dunfermline. It sets out how the proposed investment meets strategic objectives at national, regional and local levels and how it will assist in delivering national outcomes relating to place making; social inclusion; and low carbon. Furthermore, it highlights the anticipated economic outcomes and why investment is required; how the proposal will be delivered in commercial terms; the viability of the investment proposal and, finally, how the proposal will be achieved and managed.

1.2 Structure of this Business Case

- 1.2.1 This business case adopts the 5-Case structure and together these show how the scheme is:
- Closely aligned to wider strategies and objectives – **the strategic case.**
 - Best value for money – **the economic case.**
 - Achievable in commercial terms – **the commercial case.**
 - Affordable – **the financial case.**
 - Achievable in practical terms – **the management case.**

1.3 Key Stakeholders

- 1.3.1 The principal stakeholders for the purpose of the business case comprise of Fife Council, including senior officials and local elected Members, and private landowners and developers. In addition, a number of other organisations are jointly involved in the delivery of this project, in particular Transport Scotland, Network Rail, Scottish Power and Scottish Water. A collaborative approach has been adopted with client and consultancy teams and national bodies and the local authority all working together. Fife Council has adopted a key co-ordination and facilitation role. Fife Council and the developers have contributed to Transportation Modelling work. Fife Council is co-ordinating the delivery of all off-site transportation interventions. The Council is collaborating with the SDA developers to deliver the community infrastructure such as the 5 new primary schools required and will manage developer contributions to deliver new secondary school capacity. Fife Council is leading the financial modelling work for both education and transportation. An internal Strategic Transportation Interventions Delivery Board and School Education Development Board oversee this work, with both reporting to the Sustainable Growth & City Deal Board (see Section 6 regarding governance).
- 1.3.2 The individual developers are also responsible for delivering the transportation interventions where they run through their respective development sites e.g. the Northern Link Road and the Western Distributor Road. These routes will provide the primary route through a number of strategic growth sites. Whilst developers will directly deliver on site interventions, in line with planning guidance, they will be making developer contributions towards the delivery of off-site works. The delivery of three rail crossings (two on the Western Distributor and one on the Northern Link Road) and the closure of a level crossing at the east end of the NLR (reducing interface between road and rail users) will be delivered jointly by Fife Council and Network Rail (see Appendix 8.2 - Network Rail Joint Working Agreement).
- 1.3.3 Communities and other interested parties have been consulted through the Local Development Plan process on the strategic transport interventions and proposed associated routes. Briefing notes, and meetings have kept Community Councils updated on the progress in delivering the SDAs. In addition, each of the SDA developers have engaged in community consultation via the planning application process, including for example a World Café and Design workshops.

1.4 Programme Description

- 1.4.1 The proposal in this business case comprises a programme of investment in infrastructure over a period of 15 years (from 21/22 – 35/36). The overall investment over the whole programme is projected to be £16.5m City Deal funding and £52.6m Fife Council. Whilst the business case covers a wider programme of 15 years expenditure, a Phase 1 HIF application is being made for the £4.85m over the first 5 years. Phase 1 will cover the Scottish Parliamentary period 2021/22 - 2025/26 to align with HIF funding requirements. Based on the successful application and delivery of Phase 1, it would be the intention to engage with the Scottish Government for further funding for the remaining period of programmed expenditure up to 2035/36.

- 1.4.2 Fife Council will deliver a major investment programme in transportation infrastructure in Dunfermline to support the delivery of homes, employment land and community infrastructure such as schools, shops and urban parks. Such investment will accelerate inclusive growth, create new economic opportunities, and new jobs that will help to reduce inequalities in the Dunfermline area and beyond. This will be achieved through direct investment by the Council working in partnership with private sector landowners and developers to leverage additional investment and funding into Dunfermline, Fife and the City Region.
- 1.4.3 The aim is to create a long-term investment programme in Dunfermline that will assist in the delivery of the objectives of the Local Outcome Improvement Plan not only in Dunfermline but into Mid Fife and the rest of Fife through increased connectivity and economic growth.

2.0 STRATEGIC CASE

- 2.0.1 This section sets out the case for change at a strategic level. It summarises the programme's fit with wider policy objectives and summarises the strategic objectives for the investment programme. The investment proposed in this business case fits within, supports and contributes to the achievement of a number of policy objectives at a national, regional and local level.
- 2.0.2 The delivery of sustainable economic growth in Dunfermline is being progressed in alignment with the principles of the Infrastructure First approach and the Scottish Government infrastructure investment programme outcomes. The infrastructure investment programme is focussed on delivering good outcomes for the people of Scotland and, transitioning to net zero emissions, driving inclusive economic growth and building resilient and sustainable places.

2.1 Strategic Dimension

- 2.1.1 'A Plan for Scotland', the Scottish Government's Programme for Government, (September 2016) stated that the planning system ... ***"enables housing and infrastructure delivery and supports quality of life of all our communities by promoting quality of place and the public interest ..."***. [Protecting Scotland, Renewing Scotland: The Government's Programme for Scotland 2020-2021](#) also recognises the vital importance of ensuring that all parts of Scotland benefit from economic growth and highlights that the government will continue to support City Region Deals and Regional Growth Deals
- 2.1.2 Without assistance to augment the Council's current front-funding arrangements, the planning system in Fife is currently unable to integrate the timing and delivery of housing and infrastructure in Dunfermline thus maximising the associated economic growth. The Infrastructure Commission for Scotland's first published Report *Phase 1 Key findings: A blueprint Scotland* is welcomed. A number of the eight overarching themes, such as Place; Transport; Housing; and Public Service Infrastructure overlap with the objectives for delivering strategic growth in Dunfermline.
- 2.1.3 Fife's Strategic Development Areas (SDAs) are large scale, mixed-use, development allocations which are identified through the Strategic Development Plans of SESplan (for the Edinburgh City Region) and TAYplan (for the Dundee City Region). The delivery of the SDAs is central to the spatial strategy of Fife Council's Adopted Local Development Plan (FIFEplan) which proposes a number of SDA sites for development. Development of the SDAs will help achieve the outcomes of the Plan 4 Fife, Fife's Local Outcome Improvement Plan, and in particular contribute to the themes of Thriving places and Inclusive Growth and Jobs. The scale of growth in the Dunfermline area, which will involve significant capital investment, will result in a positive economic outcome for the local and regional economy: resulting in direct and indirect employment opportunities. At a national level, Fife's SDAs will contribute to national outcomes relating to the delivery of homes and jobs; place making; social inclusion; and net zero carbon whilst contributing to the post COVID-19 national economic recovery (see Appendix 8.3 Dunfermline Housing Market Report and Appendix 8.12 Assessment for Economic Impact.)

- 2.1.4 The Dunfermline SDA programme represents one of the largest areas of strategic growth in Scotland. The Programme has potential to provide up to 8,000 homes (including a minimum of 25% affordable – approximately 2,000 units); 80 ha of employment land; 5 new primary schools and £36m in developer contributions to secondary education facilities in the Dunfermline area; and other community facilities. There will be additional benefits to the wider Dunfermline Strategic Transportation Zone where a total of 14,000 houses are programmed (see Appendix 8.5 - Transport Zones and Appendix 8.7 - Financial Model).
- 2.1.5 The Dunfermline housing market is strong and continues to perform well when compared to the rest of Fife, and against similar sized towns in Scotland (see Appendix 8.3 - Dunfermline Housing Market Report). As a result, there is currently developer interest in all the Dunfermline SDA sites (see Appendix 8.4 – Dunfermline Strategic Growth Development Overview). However, there are long term socio-economic challenges in the area which restrict inclusive economic growth. The Dunfermline Area Community Plan Strategic Assessment identifies that greater investment is required in business infrastructure, transportation and digital connectivity to ensure the area's on-going and increasing competitiveness. The development of the Dunfermline SDA will bring additional infrastructure investment and help enable inclusive economic growth.
- 2.1.6 The Fife Industrial Estates Regeneration Programme, funded through the ESES Region City Deal, will invest in new business properties to create new employment opportunities in the Dunfermline and South Fife area. This business case seeks to unlock development investment in transportation infrastructure to enable that growth; the case is therefore linked to the delivery of homes and jobs.
- 2.1.7 A comprehensive programme of infrastructure delivery is required to support the SDA sites, to ensure that new development addresses any additional impacts on roads, schools and community facilities. This will be funded through developer contributions, as set out in [FIFEplan Planning Obligations Framework Supplementary Guidance 2017](#).
- 2.1.8 Whilst the delivery of strategic transportation interventions in Dunfermline is proposed to be funded by developers, in the inner and outer Transportation Zones (see Appendix 8.5), the additional costs identified along with the timing lag in funding in the early years will prevent progress in delivery and restrict economic growth in the area if the funding gap is not closed.

2.2 City Regions Aspirations to Deliver Inclusive Growth

- 2.2.1. Strategic growth and regeneration are part of the Plan 4 Fife (Fife's LOIP) and Fife's Development Plan strategy. While Fife is already prosperous and important to the national economy – generating £33bn of GVA a year, significant inequalities persist. It is estimated that 20% of Fife's population are living in poverty. The Scottish Index of Multiple Deprivation 2020 identifies communities within Dunfermline which are in the most deprived 20% - Abbeyview, Baldridgeburn, Brucefield, Halbeath, Headwell, Touch and Woodmill all fall into this category, with a combined population of 8,274 (an increase of over 2,500 since 2016). Three of these communities,

(Abbeyview, Headwell, and Touch and Woodmill), are within the 10% most deprived.

- 2.2.2. The ESES Region City Deal's vision is aimed at tackling the twin challenges of inequality and productivity. The successful delivery of a City Region Deal would make clear and measurable contributions to both inclusion and economic growth and address key economic barriers with significant new investment in housing, transport and community infrastructure. New jobs, skills and training opportunities will not only be created during construction and delivery of the planned growth but also in terms of future employment opportunities in the 80ha of employment land to be provided, and further employment opportunities in the community infrastructure (see Appendix 8.12 Assessment for Economic Impact).

2.3 Contribution to National Policy Objectives

Climate Change/Transitioning to Net Zero Emissions

- 2.3.1 The Climate Change (Emissions Reduction Targets) (Scotland) Act 2019 sets targets to reduce Scotland's emissions of all greenhouse gases to net-zero by 2045 at the latest, with interim targets for reductions of at least 56% by 2020, 75% by 2030, 90% by 2040.
- 2.3.2 Fife Council declared a climate emergency in 2019. It is recognised that Fife Council and the wider community have made considerable progress at reducing emissions and increasing resilience, but that we now need to mobilise to accelerate the pace and ambition of our response to the climate crisis. Climate Fife (Fife's Sustainable Energy & Climate Action Plan (SECAP)) is Fife's most recent response to the climate emergency.
- 2.3.3 It is recognised, by Fife Council, that spatial planning has the potential to lessen the impact of global climate change and help achieve sustainable development. Planning, along with Transportation, and aligned with relevant Community Planning strategies, can facilitate increased usage and access to public transport, walking and cycling modes. This can be achieved for example, by encouraging higher density development around transport nodes and an increase in mixed land-uses and active travel opportunities thus helping create balanced communities.
- 2.3.4 Fife Council has made significant investment over many years in transportation infrastructure in the Dunfermline area (see paragraph 1.1.5). The Dunfermline strategic growth programme will build on this and deliver active travel routes (on and off site) for pedestrians and cyclists and provide for sustainable transport modes (bus and rail), aimed at encouraging modal shift. The masterplans for the strategic development sites have applied the principles of walkable neighbourhoods (see paragraphs 2.4.5 and 3.1.12).
- 2.3.5 The Northern Link Road and Western Distributor Road will work alongside new park and ride schemes and a new rail halt at Halbeath Park and Ride. Further access to the south towards Edinburgh via bus has also been significantly improved now that the Forth Bridge is dedicated to public transport. Improved modal options which will promote sustainable and active travel in Dunfermline and the surrounding area are listed in section 2.4.

National Planning Framework

- 2.3.6 The current National Planning Framework, NPF3, sets out a long-term vision for development and investment across Scotland over the next 20 to 30 years. The Scottish Government state that the NPF *“is the spatial expression of the Government Economic Strategy, and of our plans for infrastructure investment. It is about our ambition to create great places that support sustainable economic growth across the country”*.
- 2.3.7 NPF 3 recognises Dunfermline as an important hub for employment and services and notes that it is identified for strategic growth as part of the Edinburgh City Region.
- 2.3.8 As part of the preparation of National Planning Framework 4, comments on how Scotland should look by 2050 were sought by the Scottish Government in early 2020. Further comments were sought on the NPF Position Statement in late 2020. It is expected that NPF4 will focus on achieving the following key outcomes by 2050:
- *Net-Zero Emissions*
 - *A Wellbeing Economy*
 - *Resilient Communities*
 - *Better, Greener Places*

In keeping with NPF4, strategic growth in Dunfermline is aligned with the objectives, of Transitioning to Net Zero Emissions; Driving Inclusive Economic Growth; and Building Resilient and Sustainable Places (see paragraphs 3.1.9 - 3.1.12).

- 2.3.9 However, as was noted in Fife Council’s submission to the initial NPF4 Call for Ideas, the delivery of strategic transportation interventions and community facilities (including secondary and primary school provision) to support the level of projected growth, and the associated revenue costs placed on the Council, will continue to be a challenge. This Business Case helps address this challenge by outlining the case for the part funding of strategic transportation infrastructure through City Deal.
- 2.3.10 The ESES Region City Deal authorities have also produced an interim Regional Spatial Strategy to feed into the preparation of the draft NPF4. The recently ratified Strategy focus on Regional recovery and renewal, as well as an adaptable and accessible region.

A National Mission with Local Impact: Infrastructure Investment Plan for Scotland

- 2.3.11 The [Infrastructure Investment Plan for Scotland 2021-2022 to 2025-2026](#) states that *“Scotland aims to deliver a wellbeing economy. That means ensuring society thrives economically, socially and environmentally, and that we deliver sustainable and inclusive growth for all. Making the right investments in the right places is crucial.”*
- 2.3.12 In particular, the Plan will focus on the following shifts in capital investment, to seek to address the economic, health and social impacts of COVID-19:

- Investing in digital connectivity and digital inclusion to help businesses, workers and service users to accelerate the uptake of digital services and reducing the need to travel.
- Supporting safe active travel and local, accessible public services in vibrant places to sustain local communities.
- Supporting green and blue spaces to provide access to nature.
- Investing in local business opportunities and job-creation to preserve and generate employment to support economic recovery.

The original concept plans for strategic growth in Dunfermline and the subsequent planning applications and supporting master plans are fully aligned with, and will deliver, these objectives. Fife Council will deliver a major investment programme in transportation infrastructure in Dunfermline to support the delivery of homes, employment land and community infrastructure such as schools, shops and urban parks and utilities. Such investment will accelerate inclusive growth, create new economic opportunities, and new jobs that will help to reduce inequalities in the Dunfermline area and beyond. This will be achieved through direct investment by the Council working in partnership with private sector landowners and developers to leverage additional investment and funding into Dunfermline, Fife and the City Region.

Place Principle

- 2.3.13 The [Place Principle](#) was adopted to help overcome organisational and sectoral boundaries, to encourage better collaboration and community involvement, and improve the impact of combined energy, resources and investment. It 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 principle encourages and enables local flexibility to respond to issues and circumstances in different places.
- 2.3.14 Strategic growth in Dunfermline is, and will continue to be, a collaborative, place-based approach with a shared purpose between the public and private sectors and local communities, to support a clear way forward for all services, assets and investments which will maximise the impact of their combined resources. The Dunfermline Area Community Plan Strategic Assessment identifies that greater investment is required in business infrastructure, transportation and digital connectivity to ensure the area's on-going and increasing competitiveness. The development of the Dunfermline SDA will bring additional infrastructure investment and help enable inclusive economic growth.

2.4 Contribution to Regional Policy Objectives

SESplan 2013

- 2.4.1 [SESplan's](#) Strategic Development Plan (SDP) June 2013, sets out the strategic vision for the South East of Scotland City Region: -
- “By 2032, the Edinburgh City Region is a healthier, more prosperous and sustainable place which continues to be internationally recognised as an outstanding area in which to live, work and do business.”*
- 2.4.2 Part of this vision includes: - *“Significant investment in infrastructure will be needed if new opportunities are to be realised and the area is to grow sustainably and improve its competitiveness nationally and internationally. The role of the SDP is to prioritise limited resources and provide a framework within which to align the investment plans of the key agencies and others.”*
- 2.4.3 *“The Spatial Strategy aims to encourage key development sectors and promote a sustainable growth pattern. It identifies priority strategic improvements to transport and other infrastructure which are required to support existing and future development.”*
- 2.4.4 The Spatial Strategy sets a framework for the SESplan area to take forward the Vision and Aims of the SDP. It identifies Sub Regional Areas across the SESplan area (e.g. Fife Forth) within which specific (SDAs) are identified with additional development in Fife Forth to be focussed in new SDAs in North Dunfermline and Ore/Upper Leven Valley areas.
- 2.4.5 The Edinburgh and South East Scotland City Region authorities produced an [interim Regional Spatial Strategy](#). The recently ratified Strategy focuses on Regional recovery and renewal, as well as an adaptable and accessible region. The Strategy states that, *“Fife’s strategic position stretching between three of Scotland’s cities ... with a long coastline and strategic transport routes provides excellent opportunities for investment to strengthen Fife’s communities and economy. Ongoing planned strategic growth of Dunfermline is the largest of the City Region’s development areas, with levels of strategic infrastructure investment highest outwith a Scottish city. Fife will build on this strong growth around Dunfermline and the Forth bridgehead area...”*
- 2.4.6 Key to the delivery of strategic growth in Dunfermline is the provision of a Northern Link Road (NLR) and a Western Distributor Road (WDR). Both roads will provide a primary frontage through the development sites, in keeping with the principles of place making. Place making connections which afford opportunities for active travel, access to formal and informal leisure activities, and access to green and blue infrastructure are recognised as key components to better physical, mental health and wellbeing. Pedestrian and cycle routes, proposed along the routes of the NLR and WDR, will provide opportunities to access the nearby Country Park and Loch to the north and the Town Park and wider countryside to the south-west. The masterplans for the strategic development sites, which are being developed around these roads and active travel routes have applied the principles of walkable neighbourhoods. It should be noted that new community infrastructure, such as schools, local shops and parkland, and areas of serviced employment land within the development sites have been designed to be walkable and supports the Scottish Government’s ambitions of 20-minute neighbourhoods.

- 2.4.7 Providing these alternative routes through Dunfermline will relieve congestion and potentially improve the air quality along the Halbeath Corridor which is currently an air quality hot spot. Appin Crescent, Halbeath is one of two Air Quality Management Areas in Fife being monitored for nitrogen oxide (NO₂) and fine particles (PM₁₀). (see [Fife Air Quality Annual Progress Report 2020](#)).
- 2.4.8 It is recognised that the Dunfermline SDA build out period will take the programme through the interim reduction targets to reduce greenhouse gases and potentially on to zero carbon targets (2045) as set out in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. The NLR and WDR will work alongside new park and ride schemes and a new rail halt at Halbeath Park and Ride. The proposed statutory closure of the level crossing at Halbeath, as part of the delivery of the NLR, will also improve performance on the Fife Circular line. Further access to the south towards Edinburgh via bus has also been significantly improved now that the Forth Bridge is dedicated to public transport. Improved modal options which will promote sustainable and active travel in Dunfermline and the surrounding area include: -
- Electrification of the East Coast Main Line and Fife Circular;
 - Dunfermline to Alloa railway route, and electrification, including delivery of the Charlestown Rail Chord to enable direct westerly access to Rosyth Port;
 - Halbeath Park and Choose capacity improvements including rail links;
 - Improved interchange facilities at Inverkeithing station and Ferrytoll Park and Ride;
 - A985/M90 traffic flow improvements serving Rosyth Port and West Fife including provision of park and choose, passenger ferry or river taxi options; and,
 - Improved public transport connectivity with Edinburgh City Centre.
- 2.4.9 The development and application of innovative technology in Fife could, for example, see the hydrogen technology, being developed at Fife Energy Park, applied to serve the East Coast mainline and Fife Circle trainline in future.
- 2.4.10 The results of the Longannet Taskforce, which should maximise employment opportunities in the wider area, is also likely to see increased connectivity. The Charlestown Rail Junction, a proposal in [FIFEplan](#), would see a link between Dunfermline to the Stirling Rail Line and the Fife Circle Line. The route abuts the northern boundary of the Broomhall SDA. In addition, a site to the west of Dunfermline, may be required to accommodate Talgo. The train manufacturer announced, in Nov. 2018, that it had selected the former Longannet power station as its new factory site, should it win the contract to build trains for HS2.

2.5 Contribution to Local Policy Objectives

Fife's Local Outcome Improvement Plan 2017

- 2.5.1 Fife Council, as part of Fife's Community Planning Partnership, is developing its Local Outcome Improvement Plan, the [Plan 4 Fife](#). The emerging vision is: *“by 2027, we want Fife to be a place where all residents live good lives, make informed choices and have a sense of control so that they can reach their full potential, and where all children are safe, happy and healthy. We want Fife to be a place where we make best use of our assets and facilities while sustaining them for future use.*

There are four priorities for the Plan 4 Fife:

- **Opportunities for all** – to ensure that every Fifer can access opportunities in education, training and jobs.
 - **Thriving places** – safe, well-designed and maintained places that promote wellbeing, where people are proud to be, and where they have access to the services and facilities they need at different stages of their lives.
 - **Inclusive growth and jobs** – to improve investment, growth and participation by businesses, people and communities, particularly in the mid-Fife area; to support businesses to grow and make sure that communities benefit from new business investment.
 - **Community-led services** – putting communities and service users at the heart of public services.
- 2.5.2 Dunfermline Strategic Growth Infrastructure Programme will contribute to meeting these priorities by meeting our ambitions for Fife by, improving access to affordable housing and other community infrastructure, increasing connectivity and therefore access to employment and training opportunities (see Appendix 8.6 - LOIP extract).
- 2.5.3 A key focus of the Thriving Places theme within the LOIP is the need to increase the supply of housing within Fife to help meet the challenge of Fife's growing population with more than 20,000 new homes needed over 10 years.
- 2.5.4 This is to be achieved by facilitating house building through well planned, sustainable communities, with adequate community infrastructure and affordable housing. Among the actions is one to *“promote investment and align public sector capital investment to unlock developer funding for transport and education infrastructure.”* This business case seeks to contribute to this aim and unlock development and transportation investment.

Adopted FIFEplan 2017 (Fife Local Development Plan)

- 2.5.5 [FIFEplan](#), was adopted in September 2017. It supports the creation of a place in which, by 2026, economy activity has recovered, and building is at a higher level of activity than at present, resulting in sustainable economic growth. This will be achieved by allocating land for new homes to be built and for investment in

economic growth and regeneration. The Plan policies encourage new, high quality development to achieve this.

- 2.5.6 Preparation of the next Local Development Plan (LDP) will commence later this year, with an indicative proposed new FIFEplan being ready for consultation in April-June 2023 and adoption in July-September 2024. The future housing allocation for Fife, which will be set out in the Housing Need & Demand Assessment (HNDA) 3, is currently unknown. However, the requirement to deliver the number of houses as allocated in the currently adopted LDP will still stand.
- 2.5.7 The adopted FIFEplan strategy combines growth ambitions with improving Fife as a place to live and work – keeping safe Fife’s rich environmental assets and improving and protecting the quality of Fife’s towns and villages as they change. The delivery of the SDA programme is central to delivering FIFEplan’s vision and strategy.
- 2.5.8 The Dunfermline Strategic Growth Infrastructure Programme will comprise a significant catalyst in securing the outcomes identified in FIFEplan. Dunfermline is a main focus for a large amount of strategic growth over the Local Development Plan period. The provision for a Northern Relief Road and a Western Distributor Road is essential to the delivery of these strategic developments. These will work alongside active travel options, the new park and ride at Halbeath and the improved access to the bridges to provide a range of travel options. There is also potential for improved rail connectivity through the introduction of a rail link between Inverkeithing and Halbeath, consistent with the Transport Scotland’s Strategic Transport Projects Review. Direct investment in essential infrastructure will support the delivery of up to 8,000 homes and 80ha of serviced employment land within Dunfermline alone. There will be additional benefits to the wider Strategic Transportation zone where a total of 14,000 houses are programmed. (See Appendix 8.5 Transport Zones and Appendix 8.7 Financial Model.)
- 2.5.9 Safeguarding and improving the environment are central to the Local Development Plan Strategy. The FIFEplan Strategic Environmental Assessment - Environment Report assesses the potential significant environmental impact of implementing the policies and proposals contained within the Plan across a number of themes. The summary for the strategy for Dunfermline is that it can be delivered without significant adverse impacts on the environment.
- 2.5.10 [FIFEplan](#) does not exist in a vacuum. It complements and supports the Council’s Local Outcome Improvement Plan ([Plan 4 Fife](#)), Local Community Plans, and the [Fife Economic Strategy](#). It also supports the Council’s aims of providing more good quality affordable homes and builds on the success of the 3,104 affordable homes that have been built in the last 5 years.

FIFEplan Planning Obligations Framework Supplementary Guidance 2017

- 2.5.11 [FIFEplan](#) Local Development Plan Policy 4: Planning Obligations and the related [Supplementary Guidance](#) on planning obligations provides the mechanism for developers to pay towards infrastructure required to mitigate the impact of their development. Contributions must be reasonable and proportionate to meet relevant planning tests in [Scottish Government Planning Circular 3/2012](#). The FIFEplan policy and guidance allow exemptions from making contributions including affordable housing and development on brownfield land; but if the proposed

development would create a critical capacity issue for the school estate, the exemptions may be set aside, and a contribution sought. These exemptions are built into the financial modelling that supports this business case.

- 2.5.12 As developer contributions are collected by Fife Council, for the strategic transportation interventions, they are held in an Infrastructure Fund. This approach allows cumulative contributions to be used in the most effective manner. In the event that an intervention was not delivered the developer contributions would be refunded after an agreed period of time as agreed in the developer's individual Section 75 Agreements.
- 2.5.13 On site requirements, local to individual developments within the SDAs, will be expected to be provided by the developer in a timely manner to serve proposed development, particularly active travel and sustainable transport measures.
- 2.5.14 The draft framework lists the Transportation interventions; identifies the Strategic Transportation Zones and confirms that transport contributions for the Dunfermline Zone will be held in the one of four sections of the Infrastructure Investment Fund (IIF). Developers will pay for interventions, totalling £50.055m at 2020 prices (£66.8m when index linked). Details on the operation of the IIF, including the value and timing of contributions collected for the Dunfermline Transportation Infrastructure Fund will be monitored through the annual HIF grant monitoring report.

2.6 Consultation

- 2.6.1 The Local Development Plan process has afforded a number of opportunities to comment on the SDA proposals, including the delivery of the Northern Link Road and the Western Distributor Road. Following Fife Council's Executive Committee approval on 23rd June 2015, the Proposed Local Development Plan was submitted to the Scottish Government Examination process. Through the examination process the Scottish Government Reporters considered all unresolved representations submitted to the Proposed Plan and made recommendations on any modifications that Fife Council required to make to the Plan prior to adoption.
- 2.6.2 Planning applications for the SDA sites will have to be accompanied by a Planning Application Consultation report. The site promoters will undertake comprehensive community consultation on the individual masterplans. Planning applications for the strategic transportation interventions, to be delivered by Fife Council, will also be the subject of community consultation and be accompanied by a Planning Application Consultation report.

2.7 Transportation

- 2.7.1 A comprehensive programme of infrastructure delivery is required to support the SDA sites, to ensure that new development addresses any additional impacts on roads, schools and community facilities. It is proposed that this will be funded through developer contributions, as set out in [FIFEplan Planning Obligations Framework Supplementary Guidance 2017](#). The framework within the supplementary guidance lists the Transportation interventions (see Appendix 8.1 – Strategic Infrastructure Transportation Measures) and identifies the Strategic

Transportation Zones (see Appendix 8.5 - Dunfermline Transport Zones). It also confirms that transport contributions for the Dunfermline Zone are held in the one of four sections of the Infrastructure Investment Fund (IIF).

- 2.7.2 The major roads, i.e. the Northern Link Road and the Western Distributor Road, will provide the primary routes through the SDA sites. The provision of the on-site components of the routes will be the sole responsibility of the developers to fund and deliver through their respective sites.
- 2.7.3 The Dunfermline Strategic Land Allocation TA (2011), prepared for the Dunfermline & West Fife Local Plan, identified strategic transportation intervention measures (STIM's) required to support SLA development. The FIFEplan TA was undertaken in 2015, which included an update of the Dunfermline SLA TA, tested existing STIMs and an east and west extension of the Northern Link Road. Individual TAs have been submitted in support of each development site's planning application. There is a strong evidence base to identify when interventions will be required. A timescale can be placed on each STIM by using the infrastructure capacity triggers set through the Section 75 agreements and the latest build programme for each site from the annual [Fife Housing Land Audit](#). However, the current scale of developer interest in Dunfermline, which has seen the majority of sites coming forward at the same time, results in forecast build out rates, as seen in the Housing Land Audit, that require earlier interventions. Further detailed design work will be undertaken for each intervention to further refine the high-level cost estimates.
- 2.7.4 The phasing and delivery of the interventions has been further tested by transportation modelling work commissioned by Fife Council in the autumn of 2020, in order to review the current STIMs, traffic assumptions and delivery programme. This additional transport modelling concluded that all programmed Dunfermline Strategic Transportation Intervention Measures are still required and that no additional transport infrastructure is necessary to support the strategic growth of Dunfermline.
- 2.7.5 The development partners are all committed to a high modal shift to meet environmental objectives. The provision of additional and enhanced cycle and pedestrian routes and connections to public transport (both bus and rail) are a fundamental part of each development.
- 2.7.6 The Council's Strategic Transportation Interventions Delivery Board (see Appendix 8.9 Strategic Transportation Interventions Delivery Board Remit) has a remit to deliver the strategic transport interventions required to serve Fife's proposed strategic growth. Whilst, the work of the board will be Fife-wide it will initially concentrate on Dunfermline where the development pressure, and consequently pressure on existing infrastructure, is most acute. The Strategic Transportation Board (see below) will be responsible for signing off the prioritised transportation interventions, in conjunction with Fife Council's Investment Strategy Group and the Policy & Co-ordination Committee. The Strategic Transportation Board will also be responsible for producing work programmes for all transportation interventions (including design work, lead-in times and delivery).
- 2.7.7 High level infrastructure design and costing work was undertaken for the Dunfermline Strategic Land Allocation TA 2009 and the FIFEplan TA 2015. This has been refined further by the individual transport assessments undertaken by the SDA developers. Fife Council Asset, Management & Design have commenced a

programme of design work. Specific measures, currently, being examined in more detail include the design work for the Northern Link Road and the compulsory purchase of land to deliver the Northern Link Road and the Western Distributor Road.

2.8 Do Nothing

- 2.8.1 Fife's Development Plan for the Dunfermline area ([SESplan](#) and [FIFEplan](#)) includes a commitment to strategic growth, including strategic development areas/strategic land allocations across Fife. In order to facilitate this growth, additional transportation infrastructure is required. Action to address current constraints to development has been identified. A grant to part fund strategic transportation interventions would allow the timely delivery of the infrastructure as, without the intervention, the Council would not be able to fund the gap identified as a result of the increased costs. Transport Assessments, undertaken on behalf of Fife Council and the individual developers, have considered how to ensure the existing road network operates within capacity for as long as possible prior to the strategic interventions being required (e.g. certain interim measures are being adopted, such as additional signalisation). The interventions will, however, be required prior to sufficient funds being collected through developer contributions.
- 2.8.2 A shortfall in funding to deliver key infrastructure could risk planning applications being refused. If that were to happen for development supported by the Development Plan, applicants may appeal planning refusals and planning permission could be granted on appeal leaving the Council to find funding solutions to deliver infrastructure. The impact of planning by appeal of course is a significantly reduced ability to secure the most positive outcomes and to co-ordinate growth with infrastructure delivery and mitigation. There is also a reputational risk to the Council if it is unable to deliver its own approved development strategy.
- 2.8.3 Alternatively, sites which are consented with a condition that a particular intervention is required at a certain trigger point will find that house building will be stopped. For example Wellwood, in the North of Dunfermline, requires the delivery of the Pitreavie Roundabout signalisation and an additional southbound lane on A823 prior to occupation of 250th house. This intervention is required by Transport Scotland. Failure to deliver would result in a build-up of queue lengths on the A823 (M) arm of the roundabout and increase the probability of queueing vehicles being struck by high speed vehicles leaving the M90. Transport Scotland would insist on the enforcement of the condition requiring that further house building stop until the intervention was completed. It should, however, be noted that this intervention is currently being delivered.
- 2.8.4 Table 2.1 identifies the result of a do-nothing approach for each Dunfermline STIM intervention. It is anticipated that all sites, if consented, would stall due to the critical nature of the transportation network in Dunfermline. Housing construction would be effectively halted by the required infrastructure not being delivered to facilitate development. Doing nothing would result in the non-delivery of the SDA Programme in Dunfermline. As a result, National, Regional and Local Objectives to deliver homes and economic growth through strategic growth would fail. The consequences of failing to deliver enhanced connectivity in Dunfermline would also

impact on other parts of Fife, in particular Mid Fife, and the wider Edinburgh City Region.

- 2.8.5 Ultimately, a shortfall in funding to deliver key infrastructure will result in the non-delivery of much needed local affordable housing. Thus, failing to deliver on the Housing to 2040 vision, the Infrastructure Investment Plan for Scotland, Fife Council's Local Outcome Improvement Plan (in particular the themes of Thriving places and Inclusive Growth and Jobs) and the policies and proposals of the Local Development Plan.

Table 2.1: [FIFEplan](#) STIMs – Do nothing

Intervention Measure			
Priority	Description	Required	Do Nothing
1	Pitreavie Roundabout Signalisation & Additional Southbound Lane on A823	Prior to occupation of 250 th house in Wellwood, or prior to occupation of 312 th house within Broomhall	Failure to deliver would result in a build-up of queue lengths on the A823(M) arm of the roundabout and increase the probability of queuing vehicles being struck by high speed vehicles leaving the M90. Transport Scotland would insist that further house building stop until the intervention was completed. (This intervention is currently being delivered.)
2	Kings Road/Admiralty Road (A985) junction signalisation	Prior to occupation of 312 th house within Broomhall	Failure to deliver would result in a build-up of queue lengths on all arms of the roundabout; the roundabout would exceed its practical capacity; an increase in delays and driver frustration at the roundabout; and an increase in journey times. Transport Scotland would likely insist that further house building stop until the intervention was completed.
3	Bothwell Gardens Roundabout Signalisation	Prior to occupation of 350 th house in Wellwood	Failure to deliver would result in a build-up of queue lengths on all arms of the roundabout; the roundabout would exceed its practical capacity; an increase in delays and driver frustration at the roundabout; and an increase in journey times. Fife Council would likely instruct the developer to cease house building until the intervention was completed.
4	Northern Link Road - East End	Prior to occupation of 340 th house in Halbeath North	Failure to deliver would result in a build-up of queue lengths on all arms of the Whitefield Road/Halbeath Road/Halbeath Place/Linburn Road signalised junction; the signalised junction would exceed its capacity; a significant increase in delays and driver frustration at the junction; and a significant increase in journey times, including to and from Queen Margaret Hospital. Drivers would seek an alternative route via the Kingseat Road Level Crossing. Network Rail would insist that further house building stop until the intervention was completed. Fife Council would likely instruct the developer to cease house building until the intervention was completed.

5	Western Distributor Road - Grange Drive Link Road	Prior to occupation of 655 th house within Broomhall	<p>Failure to deliver would result in a build-up of queue lengths and delays on all arms of the Brankholm Brae/A985 roundabout; a build-up of queue lengths and delays on all arms of the Pitreavie Roundabout (see 1 above); a build-up of queue lengths on the Limekilns Road/A985 junction, resulting in long delays for east-west traffic flow on the A985 Trunk Road; a build-up of queue lengths and delays on all arms of the Kings Road/A985 roundabout (see 2 above); a build-up of queue lengths and delays on all arms of the Bothwell Gardens roundabout (see 3 above); and an increase in queues and delays on all arms of the Elgin Street/Nethertown Broad Street/Moodie Street signalised junction. All junctions would exceed their capacity with significant increase in delays and driver frustration, and a significant increase in journey times. Drivers would seek alternative routes, but none would be available.</p> <p>Transport Scotland would insist that further house building stop until the intervention was completed. Fife Council would likely instruct the developer to cease house building until the intervention was completed.</p>
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6	Northern Link Road - A823 - Whitefield Road	Prior to occupation of 800 th house within Wellwood, Colton, Omnivale, Swallowdrum & Berrylaw	Failure to deliver would result in a build-up of queue lengths and delays on all the key routes within North Dunfermline, including the A823, A907 & A994 and also including the junctions referred to in 5 above. The Carnegie Drive (A907)/Pilmuir Street (A823)/Winterthur Lane signalised gyratory junction would exceed its practical capacity which would result in significant increase in delays and driver frustration and significant increases in journey times. There is a significant risk that the junction would fail completely resulting in a gridlocked road network. All junctions on the key routes would suffer from build up in queue lengths and delays. Any increase in delays would result in significant delays for all local and express bus services that all pass through Dunfermline Bus Station and/or the James Street stances, and a failure to provide a sustainable public transport system. Bus operators would withdraw services. Significant adverse impact on the Appin Crescent air quality management area. Any increase in delays would result in Dunfermline City Centre (Carnegie Leisure Centre, Carnegie Hall, Alhambra Theatre, Dunfermline Library & Museum, Pittencrieff Park & city centre shops and retail park) becoming significantly less attractive as a destination and adversely affecting their commercial viability. Drivers would seek alternative routes, but none are available. Fife Council would likely instruct the developer to cease house building until the intervention was completed.
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7	Western Distributor Road - Coal Road including bridge crossing of Dunfermline - Alloa Railway	Prior to Occupation of 1,413 th house within Broomhall and/or 1,187 th house within Dunfermline North (Wellwood, Colton, Omnivale & Swallowdrum) & Berrylaw	Failure to deliver would result in a build-up of queue lengths and delays on all the key routes referred to in 5 & 6 above with the same adverse consequences. Failure to deliver the WDR between Broomhall and Pittencrieff Street would result in a significant increase in vehicle trips on Coal Road and Lovers Loan. Both roads are narrow with high masonry boundary walls on one or both sides of the carriageway with the two roads meeting at a sharp 90° bend with no forward visibility. There are no pedestrian or cyclist facilities and the road is unsuitable for buses and large HGV's. The route is not currently suitable for the peak hour trips it accommodates and could not accommodate the significant increases in trips generated by the FIFEplan allocations.
8	Western Distributor Road - William Street/ Rumblingwell junction upgrade	Prior to Occupation of 1,413 th house within Broomhall and/or 1,187 th house within Dunfermline North (Wellwood, Colton, Omnivale & Swallowdrum) & Berrylaw	Failure to deliver would result in a build-up of queue lengths and delays on all arms of the junction and the key routes referred to in 5, 6 & 7 above with the same adverse consequences. Failure to deliver the junction upgrade would result in the junction operating over its capacity and result in a significant increase in journey time through the junction. The existing junction layout cannot accommodate the significant increases in trips generated by the FIFEplan allocations. There are no suitable alternative adjacent routes available. The journey times between Dunfermline City Centre and communities to the northwest of Dunfermline (including Gowkhall, Carnock, Oakley, Blairhall & Saline) would increase significantly, with existing bus services being significantly adversely affected. Fife Council would likely instruct the developer to cease house building until the intervention was completed.

9	Western Distributor Road - William Street	Prior to Occupation of 1,413 th house within Broomhall and/or 1,187 th house within Dunfermline North (Wellwood, Colton, Omnivale & Swallowdrum) & Berrylaw	Failure to deliver would result in a build-up of queue lengths and delays on all the key routes referred to in 5, 6, 7 & 8 above with the same adverse consequences. The existing William Street layout has a number of junctions with substandard visibility. Crossing William Street, Rumblingwell and Baldridgeburn are considered as risks to the safer routes to local primary schools and Pittencrieff Park. Failure to deliver the intervention measures and would result in these streets becoming barriers to safe pedestrian and cyclist movements, particularly in relation to safer routes to schools. Fife Council would likely instruct the developer to cease house building until the intervention was completed.
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Source: Fife Council

3.0 ECONOMIC CASE

3.1 The Edinburgh City and South East Scotland City Region

- 3.1.1 The Edinburgh City and South East Scotland City Region economy pre-COVID has been experiencing healthy levels of growth with a variety of thriving sectors. The City Region brings together six local authorities that span a large and varied geographic area with a population of 1.33 million, and an economy that generates £32.39 billion GVA per year.
- 3.1.2 The diversity of the City Region means that it is ideally placed to support a number of vibrant and growing industries. A City Region Deal that proposes a targeted series of interventions and projects to address the barriers to development, while building on the area's existing strengths, will accelerate economic growth, as well as address the inequality and productivity challenges.
- 3.1.3 The objective of current job creation in the region has focused on skills programmes in highly productive sectors in, for example, technology, science, finance, and energy and in driving higher productivity across lower income levels. This has resulted in growth for these high value sectors, however there should be a continued focus on developing supply of skills and a workforce in this area.
- 3.1.4 To attract inward investment, businesses need to see investment in the region's infrastructure. Across the region barriers to business growth include the availability of development land for housing and commercial expansion in urban areas, as well as physical and digital connectivity issues. The strategic growth of Dunfermline will contribute both to the delivery of additional housing and employment land and will help attract new inward investment into the region.
- 3.1.5 Existing transport infrastructure will need to be upgraded to reduce journey times, maintain safety, and improve road and rail connectivity across the City Region augmenting significant connectivity investment already delivered or in the pipeline.
- 3.1.6 Within this context, Fife Council has a long-standing commitment to growth around the west and north of Dunfermline. This strategy was devised early this century to address the growth requirements of the local population and the demand from inward migration. Although delayed by the recession, this strategy is now being realised through the progression of all the major development sites around the town.
- 3.1.7 As the largest town in the South East of Scotland, after Edinburgh, Dunfermline is a natural focus for economic growth. The south Fife area has a strong economy of its own but also benefits from close links to Edinburgh. These have been enhanced by the delivery of the Queensferry Crossing across the Forth, and the dedicated public transport route across the Forth Road Bridge.
- 3.1.8 The south Fife area is identified as a key driver in the Regional Economy in [SESplan](#) 1. With National Planning Framework (NPF) 3 identifying the need for an increased focus on housing delivery across the South East of Scotland,

and the South of Fife containing a large proportion of the growth planned in the region to 2036, there is a clear need to focus the delivery of infrastructure to provide the context for this growth. NPF3 also states that innovative means will be necessary to fund the infrastructure that is required to enable and support on-going inclusive growth.

- 3.1.9 The delivery of sustainable economic growth in Dunfermline is being progressed in alignment with the principles of the Infrastructure First approach and the Scottish Government infrastructure investment programme outcomes. The infrastructure investment programme is focussed on delivering good outcome and sustainable places.
- 3.1.10 **Driving inclusive economic growth.** Fife Council will deliver a major investment programme in transportation infrastructure in Dunfermline to support the delivery of homes, employment land and community infrastructure such as schools, shops and urban parks. Such investment will accelerate inclusive growth, create new economic opportunities, and new jobs that will help to reduce inequalities in the Dunfermline area and beyond. This will be achieved through direct investment by the Council working in partnership with private sector landowners and developers to leverage additional investment and funding into Dunfermline, Fife and the City Region.
- 3.1.11 **Transitioning to net zero emissions.** It is recognised that the Dunfermline SDA build out period will take the programme through the interim reduction targets to reduce greenhouse gases and potentially on to zero carbon targets as set out in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019. The programme of Strategic Transportation Interventions (STIM) will work alongside new park and ride schemes and a new rail halt at Halbeath Park and Ride. Improved modal options which will promote sustainable and active travel in Dunfermline and the surrounding area.
- 3.1.12 **Building resilient and sustainable places.** How the land-use elements (housing, employment, and community infrastructure) could be accommodated in Dunfermline in a manner which would result in “*high quality, sustainable & distinctive place-making*”. The starting point of the *Framework* was the development of walkable neighbourhoods based around mixed-use local centres and local employment land, supported by improved transport facilities.
- 3.1.13 **To help ensure the best value for taxpayers' money in the delivery of vital public infrastructure projects in Dunfermline.** Fife Council has worked closely with the Scottish Futures Trust (SFT) in preparing this business case to secure funding for the Dunfermline strategic transportation interventions.

3.2 Dunfermline Economic Context

- 3.2.1 Dunfermline has a population of around 56,832 people, about 15% of Fife’s population. Whilst Dunfermline is one of the least deprived areas of Fife with only 9.3% of its population classified as income deprived and 7.9% employment deprived in the Scottish Government’s latest Scottish Index of Multiple Deprivation (SIMD20), between 2016 and 2020, the number of its data zones (and population) in the most 20% deprived in Scotland increased.

- 3.2.2 In addition, neighbouring Cowdenbeath has the second highest rate of deprivation in Fife - 17.0% of its population are income deprived (compared with a Fife average of 11.9%) and 13% are employment deprived (compared with a Fife average of 9.4%). Cowdenbeath and the area covered by West Fife and Coastal Villages also have a high number of people claiming out-of-work benefits. In September 2020, their claimant counts were 7.7% and 7.1% respectively compared with 6.7% in Fife as a whole.
- 3.2.3 The area covered by Dunfermline, South West Fife and Cowdenbeath Area Committees contains 35.7% of Fife's most deprived areas (11.2% are in Dunfermline, 19.4% in Cowdenbeath and 5.1% in South West Fife).
- 3.2.4 The strategy for south Fife has a strong focus on creating the economic climate and improved accessibility to address these inequality challenges.

3.3 Dunfermline Housing Market

- 3.3.1 Market-based investment has already achieved a significant level of growth in Dunfermline which is located within 30 minutes travel time of Edinburgh city centre. Its population grew by 10,000 residents/22% between 2001 and 2011. Further expansion to the north and west could be enabled by the delivery of key infrastructure projects, such as the Dunfermline Northern Link Road, the Western Distributor Road, Rosyth Park & Ride and the Charleston Rail Chord.
- 3.3.2 In comparison to other settlements of a similar size Dunfermline performs well. Dunfermline has weathered the post credit crunch downturn better than settlements of similar size. Table 3.1 shows the 12 most populous localities in Scotland and indexes their populations against Dunfermline i.e. Dundee's population is 2.79 times that of Dunfermline. From these localities, 5 were selected as house building comparators to Dunfermline – Dundee; East Kilbride; Hamilton; Kirkcaldy and Dysart and Perth (shaded blue in Table 3.1). Appendix 8.3 (Dunfermline Housing Market Report) assesses Dunfermline against these comparator localities to assess the strength of the Dunfermline housing market by looking at population, new house building activity, house sales activity and house price increase.

Table 3.1: Most populous localities in Scotland

Locality	Population 2016	Proportion (Dunfermline = 100%)
Glasgow	612,040	1,153%
Edinburgh	488,050	919%
Aberdeen	200,680	378%
Dundee	148,280	279%
Paisley	77,220	145%
East Kilbride	75,120	141%
Livingston	57,030	107%
Hamilton	54,080	102%
Dunfermline	53,100	100%
Cumbernauld	50,920	96%
Kirkcaldy and Dysart	50,010	94%
Perth	47,430	89%

Source: Fife Council

Table 3.2: Average and indexed completions by locality 2009/10 – 2018/19

Locality	Mean Completions 200/10-2018/19	Population Index from Table 1 of Appendix 8.3 (Dunfermline = 100%)	Mean completions normalised by population index
Dundee City	300	279%	108
East Kilbride	308	141%	219
Hamilton	296	102%	290
Dunfermline	303	100%	303
Kirkcaldy & Dysart	116	94%	124
Perth City	115	89%	129

Source: Fife Council

- 3.3.3 As Table 3.2 shows, Dunfermline is nearly 3 times as successful in attracting new development as its nearest neighbour, Kirkcaldy. If the mean completions figures were to be normalised by the population index, i.e. mean completions ÷ population index, in order to remove locality size as a factor in attracting and delivering new build housing, Dunfermline is by far the most successful of the comparator localities in attracting new build housing.
- 3.3.4 The data in Appendix 8.3 (Dunfermline Housing Market Report) highlights that Dunfermline has a strong housing market. Dunfermline has weathered the

post credit crunch downturn better than settlements of similar size. Whilst all localities underwent a significant reduction in new housing completions following the credit crunch and onset of the recession in 2008, of all the comparator localities, Dunfermline shows the most consistency from year to year demonstrating its resilience and its attractiveness to developers.

3.4 Why City Deal?

- 3.4.1 Dunfermline has now reached a point where economic growth, on a scale envisaged by national and regional strategy, will be unable to continue at the scale and timing anticipated until significant investment has been made into the town. Additional capacity is required within the school estate and the transport network within 2-3 years. Neither the private nor public sectors have the required funding to undertake these projects. Private sector infrastructure investment will be leveraged through the planning process but will also be made in the housing stock as the SDAs are developed. It will also enable private sector investment in the development of employment land in South Fife. Monies from the Housing Infrastructure Fund, via the City Deal Programme would allow development to be unlocked and proceed.
- 3.4.2 The advantage of HIF City Deal Funding is that this funding solution allows a package of support to be delivered rather than individual HIF applications for each intervention. The primary risk of individual applications would be no certainty that all applications would all be successful, thus creating a lack of confidence. Packaging all interventions within this Business Case, which covers the full STIM programme and provides detail for the first grant phase, provides confidence and certainty in the STIM delivery programme to the market to enable private sector investment.
- 3.4.3 Together, the early delivery of these projects will allow an accelerated progression of 2,000 affordable, and additional market housing, and employment sites to the benefit of the whole City Region. This will provide employment opportunities accessible to an area of persistent deprivation. It will allow the south Fife area to operate at an improved level of sustainability through greater public transport options and improve access to the wider City Region.
- 3.4.4 South West Fife has significant potential for further inclusive growth. Therefore, the Council and partners are continuing to promote the location given its strong existing employment profile and the areas excellent transport links, in addition to the areas strong skills base which stems from a proven track record in industry. Continued focus will also be placed via the Fife Economic Strategy 2017 to drive forward innovation and entrepreneurship by attracting new industry and modern employment uses to the area. Within this context, the Port of Rosyth remains a location for strategic investment and infrastructure focus.
- 3.4.5 City Deal funding support would also encourage the private sector to invest in commercial property. Research by Rydens in 2014/15 concluded that significant challenges face the sector in Fife. A growing obsolescence (physical, functional and energy) of the industrial and office stock, is resulting in the reduced availability of quality properties to encourage high value

businesses to locate to Fife. This is affecting the productivity of existing occupiers. The employment land allocation, which would be facilitated by the strategic transport infrastructure in Dunfermline, will provide opportunities for new development to address the obsolescence of industrial and office stock.

- 3.4.6 Current policy partly addresses the strategic transportation interventions funding issue through an assumption that developer contributions will primarily fund the interventions. However, the housing sites require a timing lag to be applied and funded to deliver the essential strategic infrastructure when it is required and allow development to proceed. In addition, there is a funding gap between the cost of the interventions and expected developer contributions due to increased costs. If the required infrastructure takes too many years to be realised, the delivery of the step change in economic performance increases will be delayed. City Deal funding enables the economic infrastructure to be forward-funded and accelerated; to unlock development and reduce risk for all stakeholders.

3.5 Alternatives

- 3.5.1 Through Regional and Local transport modelling, key transport interventions have been identified that require to be delivered to allow development to progress. These have been agreed by Transport Scotland and have been set out in the Local Development Plan as main elements of the spatial strategy.
- 3.5.2 Their funding has also been progressed through [Planning Obligations Framework Supplementary Guidance 2017](#). This policy guidance focuses on the impact of development on infrastructure and the levels which development should contribute to upgraded or new infrastructure.
- 3.5.3 Without the transport infrastructure set out in this bid, development cannot proceed in a timely and integrated manner and subsequently the strategy aims of national and regional planning may not be realised. The south Fife element of the south East Scotland City Region may not be able to assist, at the rate anticipated, with the increased delivery of housing (including 2,000 affordable units), economic growth and improvements to social inclusion that are predicted as a result of the strategy.
- 3.5.4 **Therefore, the do nothing or status quo option is not a viable alternative to the proposal in this business case.** Equally other options are not suitable as they would not reflect the outcomes of the transport modelling which the Council has agreed to include as a main part of its Local Development Plan spatial strategy.

3.6 Economic Benefits

Gross Value Added

- 3.6.1 The investment unlocks the complex delivery of key infrastructure that is required to allow private sector investment to deliver growth in this area. The Housing Infrastructure Fund would enable a viable funding package and

provide co-investment to advance housing delivery (including 25% affordable) for the Strategic Development Areas. It will also accelerate delivery of business investment and forecast increases in GVA and jobs across the SDA and the wider Dunfermline Intermediate Transport Zone (see Appendix 8.5). (Table 3.3 GVA Forecast).

Table 3.3: GVA Forecast

Indicator		Source
GVA: (Net Present Value of Direct GVA): (£M)	399	Fife Economic Model (2018)
Jobs (Net Average Direct Job Impact (p.a.))	599	Fife Economic Model (2018)
Net Average Job impact (p.a.)	822	Fife Economic Model (2018)
Housing Units Unlocked	14,747	Fife Economic Model (2018)
Qualitative impacts	<ul style="list-style-type: none"> Improved Fife and regional travel connections; Address existing air quality issues in East of Dunfermline; Provides accessible (travel times and distance <20Km) employment opportunities for South and Mid Fife residents; and 25% of homes in Dunfermline will be affordable. There will also be an affordable homes contribution from sites outwith the SDAs and from sites in the wider area (ranging from 5% to 25% depending on the settlement and Housing Market Area the site lies within). 	Fife Council

Source – Fife Economic Model 2018 (see Appendix 8.11)

3.6.2 The delivery of these transportation infrastructure interventions would unlock up to 2,000 affordable homes. In addition, it would help deliver a total of up to 8,000 homes in the Dunfermline strategic growth area and have added benefits across the wider region. This investment in the Dunfermline area and the knock-on impacts on the area adjoining the Bridgehead and Rosyth port facilities will provide new jobs accessible to the residents of Mid Fife and the wider Lothians.

Employment

3.6.3 The figures in the GVA forecast in table 3.3 are taken from the Fife Economic Model 2018. In 2020, a further estimate of the economic impact of the strategic growth was undertaken by Fife Council (see Appendix 8.12 Approach to Estimating Economic Impact). This appendix sets out the methodology for the calculation of employment associated with the strategic transport interventions in terms of:

- The long-term/permanent effect from employment land unlocked (circa 80 Ha); and
- The short-term/temporary effect from construction investment in the transport interventions themselves, and the associated construction of homes and schools.

3.6.4 The assessment is made over a 30-year time horizon, and also estimates the indirect and induced employment effects generated by these directly created jobs.

3.6.5 It concludes that on average, 1,000 construction jobs per annum will be sustained per annum across the construction phase, assuming a 30 year build out. This is likely to peak in the middle 10 years (years 10 to 20). By the end of the 30 year period, about 1,000 permanent/recurring jobs will have been created on the employment land allocation. These will build up over time, peaking in the later years, and continue on beyond the 30 years, but no jobs from the employment land are projected for the first few years. This assessment assumes 25% of the employment land being built out. The 80ha land allocation is of significant scale and is unlikely to be developed in full during a 30-year period. The employment has, therefore, been reduced by a further 75% to allow for an expected rate of build out and the risk that constraints render some sites undevelopable in the short to medium-term.

3.6.6 There is no comprehensive data available about the impact of COVID on employment effects or multipliers and this has therefore not been modelled. It would be reasonable to assume that, overall, COVID-19 will not significantly affect the total number of jobs created by each £1m invested by the construction sector. However, it may affect the balance between direct and indirect jobs as it could effectively push activity out to the supply chain and away from construction sites e.g. construction firms may seek products that minimise on-site assembly. It is not clear at this stage the extent to which this will happen and whether any changes will revert to pre-COVID approaches or endure as part of a new normal.

- 3.6.7 Regional approaches to off-site construction will have a bearing on the extent to which this shift will constitute leakage from the region (and indeed Scotland) and to what extent it will simply redistribute impacts between different sectors and geographies within the region.
- 3.6.8 There is no comprehensive data available about the impact of the EU Exit on employment effects or multipliers and this has not been modelled. There is some evidence of increases in the cost of imported raw materials, and rising wages as labour supply for the sector contracts due to fewer migrant workers. Both of these affects are likely to result in an overall reduction in the number of jobs created per £1m invested. Future trade deals, migration and innovation in the sector will influence the number of jobs sustained by construction investment.

4.0 COMMERCIAL CASE

- 4.0.1 Fife Council has a strong desire to see the strategies and allocations of [SESplan](#), [FIFEplan](#) and the [Plan 4 Fife](#) delivered. This includes as a key focus the strategic growth of Dunfermline to the benefit of Fife and the wider Edinburgh and South East Scotland City Region.
- 4.0.2 As identified within the Economic Case (Chapter 3), Dunfermline has a strong housing market. Whilst all localities underwent a significant reduction in new housing completions following the credit crunch and onset of the recession in 2008, of all the comparator localities, Dunfermline shows the most consistency from year to year demonstrating its resilience and its attractiveness to developers. Dunfermline is in addition nearly 3 times as successful in attracting new development as its nearest neighbour, Kirkcaldy. Analysis of housing completions indexed against population demonstrates that every comparator locality is outperformed by Dunfermline. It has delivered significantly more new housing than all comparators and has sufficient land allocated and programmed as effective to maintain, and improve on, new housing delivery.
- 4.0.3 The case, therefore, for continued housebuilding in Dunfermline remains very strong. This is reflected in the projected build rates for Dunfermline, as supplied by development interests, within the [Housing Land Audit 2019](#). The accuracy of previous projections for the Dunfermline Housing Market area within the Housing Land Audit has been analysed and found to have a high level of accuracy over most of the last 8 years due to the strong housing market (Table 4.1). When sites are allocated and gain planning consent, units are built and sell reflecting the strong market demand. Due to a very strong year in 2016/17 when 121% of the programmed housing output was achieved, the programmed output for the following year (2017/18) was increased accordingly. 2016/17 was a uniquely high level of completions and completions have now reduced as illustrated in Table 4.2. As this increase in completions has not been sustained, the adjusted 2017/18 programmed output resulted in an over prediction of 30%. This has levelled and, as a result, the 2018/19 prediction is within 10%.

Table 4.1: Housing Land Audit Prediction Accuracy¹

	Actual Completions / Programming in Previous Audit %							
Local Housing Strategy Area	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Dunfermline & Coast	99%	96%	103%	110%	103%	121%	70%	107%
Fife Average	82%	92%	95%	86%	85%	79%	74%	90%

Data Sources: [Housing Land Audits](#) (2012 - 2019).

At the time of preparing this Business Case, the 2020 Housing Land Audit is still under preparation.

¹ Data does not include small site completions and assumptions in calculations
Less than 100% indicates an over-prediction, more than 100% indicates an under-prediction

Key

Within 10%
Within 10-20%
More than 20% out over-prediction
More than 20% out under-prediction

Table 4.2: Annual House Completions within Dunfermline and West Fife Housing Market Area (HLA completions 2011/12 - 2018/19)

All Sites (capacity greater than 4 + small sites)			
Year	No. of completions Dunfermline & West Fife Housing Market Area	No. completions All Fife	Dunfermline & West Fife HMA as % of Fife Total
2011/12	505	859	59%
2012/13	536	917	58%
2013/14	536	848	63%
2014/15	514	876	59%
2015/16	540	985	55%
2016/17	589	1,388	42%
2017/18	570	1,390	41%
2018/19	723	1,213	60%
Total	4,513	8,476	53%

Data Sources: Housing Land Audits (2012 - 2019)

4.1 Appraisal of Delivery & Funding Options

4.1.1 The UK Treasury Green Book is guidance issued by HM Treasury on how to appraise policies, programmes and projects. It also provides guidance on the design and use of monitoring and evaluation before, during and after implementation. The role of appraisal and evaluation is to provide objective analysis to support decision making, including the scrutiny of business cases by government departments. The principles of the Green Book also support options appraisal. It is intended to assist in the development of transparent, objective and evidence-based advice to inform consistent decision making across government. This approach has been applied to the delivery of the Dunfermline Strategic Transportation Intervention Measures below.

4.1.2 It should be noted that Strategic Transportation Intervention Measures (STIMs) 7, 8 and 9 (Whitefield Road; Appin Crescent & Elgin St. Link Road), which were included in the FIFEplan Planning Obligations Guidance 2015, are no longer required and have been removed from FIFEplan Planning Obligations Guidance 2017. FIFEplan 2017, which replaced the Dunfermline & West Fife Local Plan 2012, identified additional land allocations which required different transport solutions, e.g. the Northern Link Road (NLR) was extended to the east and west removing the need for through trips in the town. STIMs 10, 11 and 12 were consequently renumbered to 7, 8 and 9 as below. As a result, STIMs 1 - 9, only, are referred to throughout the business case, including in Section 2.8 Do Nothing (Table 2.1). However, the Options Appraisal below includes the original (12) interventions in the Do maximum Scope option.

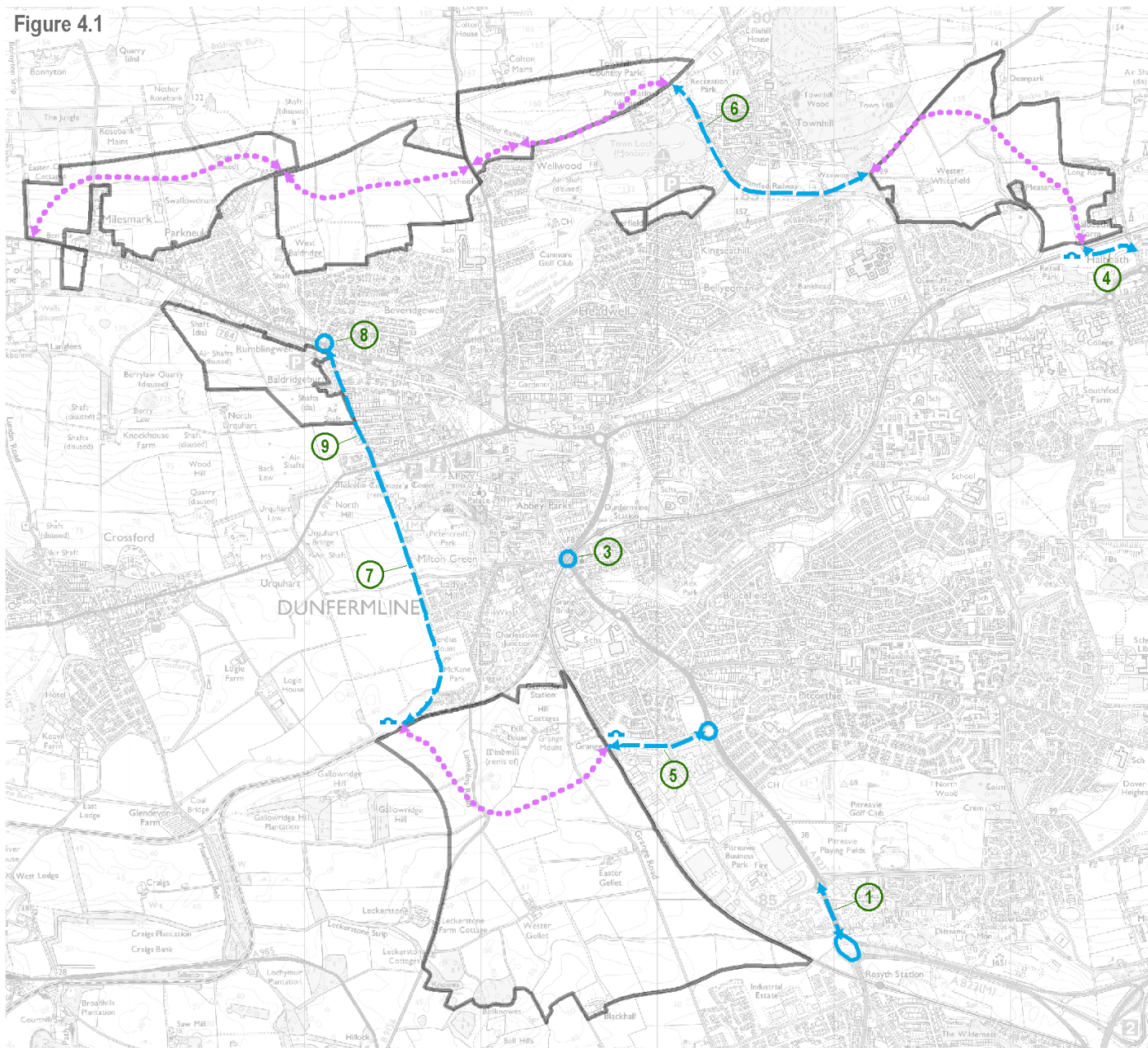
4.1.3 **Strategic Transportation Intervention Measures (STIMs) (1-9): -**

Figure 4.1, below, shows the location of the following strategic transportation measures: -

1. Pitreavie Roundabout Signalisation & Additional Southbound Lane on A823
2. Kings Road/Admiralty Road (A985) junction signalisation
3. Bothwell Gardens Roundabout Signalisation
4. Northern Link Road (NLR) - East End
5. Western Distributor Road (WDR) - Grange Drive Link Road
6. NLR - A823 - Whitefield Road
7. WDR - Coal Road including bridge crossing of Dunfermline - Alloa Railway (previously no.10)
8. WDR - William Street/Rumblingwell junction upgrade (previously no.11)
9. WDR - William Street (previously no.12)

The transportation intervention triggers on individual sites are listed below and mapped.

Figure 4.1



Dunfermline Strategic Transportation Intervention Measures

-  Sections of Northern Link Road & Western Distributor Road within SDA's
-  Bridge over railway
-  Sections of Northern Link Road & Western Distributor Road outwith SDA's
- ① Pitreavie Roundabout Signalisation & Additional Southbound Lane on A823
- ② Kings Road/Admiralty Road Junction Signalisation (Not Shown)
- ③ Bothwell Gardens Roundabout Signalisation
- ④ Northern Link Road (NLR) - East End
- ⑤ Western Distributor Road (WDR) - Grange Drive
- ⑥ NLR - A823 - Whitefield Road
- ⑦ WDR - Coal Road including Bridge Crossing of Dunfermline - Alloa Railway
- ⑧ WDR - William Street/ Rumblingwell Junction Upgrade
- ⑨ WDR - William Street

4.1.4 **Transportation Intervention triggers on individual development sites: -**

Wellwood

1. Pitreavie Roundabout required prior to occupation of 250th house
2. Bothwell Gardens signalisation prior to occupation of 350th house

Broomhall

1. Pitreavie Roundabout required prior to occupation of 312th house
2. Kings Road/Admiralty Road junction signalisation required prior to occupation of 312th house
3. WDR – Grange Road Link required prior to occupation of 655th house
4. WDR – Coal Road required prior to occupation of 1,413th house
5. WDR – William Street/ Rumblingwell junction required prior to occupation of 1,413th house
6. WDR – William Street required prior to occupation of 1,413th house

Halbeath

1. NLR - East End required prior to occupation of 340th house

Wellwood, Colton, N. of Wellwood, Swallowdrum & Berrylaw

1. NLR – A823- Whitefield Road required prior to occupation of 800th house
2. WDR – Coal Road required prior to occupation of 1,187th house
3. WDR – William Street/ Rumblingwell junction required prior to occupation of 1,187th house
4. WDR – William Street required prior to occupation of 1,187th house

4.1.5 It is approved Fife Council policy that developer contributions for off-site transportation interventions in Dunfermline will be collected and held within the Infrastructure Investment Fund, and the funds drawn down as required for Fife Council to deliver the infrastructure intervention(s). As previously identified, due to the strong Dunfermline housing market; many of the Dunfermline housing sites are now being considered through the planning process and programmed to be under construction at the same time. This accelerates the requirement for transportation infrastructure and results in a cash flow deficit within the Infrastructure Investment Fund that requires to be filled to allow development to proceed. In the event that housing construction should be accelerated or delayed, the potential risks and mitigation measures are identified in Appendix 8.10 (Programme Risk Register Extract).

4.1.6 This development pressure, along with the additional costs, results in a cash flow deficit and requires the previously approved delivery vehicle to be reviewed. As the financial model illustrates, all funding for each strategic transportation intervention measure will not be collected in its entirety before the intervention requires to be delivered. Whilst Fife Council had planned for the timing gap within their Capital Plan for the next 10 years, the additional costs are not reflected in the Capital Plan. Therefore, Fife Council will not be in a position to solely deliver all off-site interventions as all the capital required will not be collected from developers. In addition, as public sector organisations cannot apply for the financial transactions monies from the City

Deal Housing Fund, an alternative delivery model (i.e. non-Council delivery) was considered to meet the terms of the fund.

- 4.1.7 The creation of a delivery partnership between Fife Council and the private sector development interests for Dunfermline SDAs to deliver the off-site transport interventions was explored in the preparation of this Business case. To accord with the terms and conditions of the City Deal Housing Fund, it was proposed that the private sector interests, through the delivery partnership, would deliver the required off-site transportation infrastructure and borrow funding to address the cash flow deficit. Fife Council would be a minority partner in the delivery partnership. The role of the Council would be to collect and retain the private sector contributions within the Fife Infrastructure Investment Fund and allow these funds to be drawn down for the delivery of the transportation infrastructure by the private sector.
- 4.1.8 The success of such a delivery model required considerable hurdles to be overcome. Most significantly was the requirement for the responsibility of the delivery of off-site infrastructure to shift from the Council (current Council policy dictates Council delivery) to the private sector, thus increasing the level of risk placed on the development industry. In addition, the interest rate applied to City Deal Housing Fund monies have in the past been charged at commercial rates to meet state aid compliance (now addressed under the UK Subsidy Control Regime). This created a higher rate of interest than the private sector (and the Council) could borrow at from alternative sources, thus increasing overall costs.
- 4.1.9 The borrowing costs associated with the private sector led delivery of the strategic infrastructure, along with the transference of risk to the private sector (as delivery lead), understandably resulted in a very significant challenge to gain development industry sign up under the terms and conditions of City Deal Housing Fund.
- 4.1.10 As this business case illustrates, the private sector has the potential to deliver major mixed-use strategic growth in Dunfermline thereby meeting policy objectives. It is important to note that the development industry is committed to investing in the Dunfermline market. The policy of the Local Development Plan (and its supporting TAs) requires developers to fully fund the strategic transportation interventions required as a result of the cumulative development impact (based on the costs at the point planning consent is granted). To facilitate that growth, the Council needs to enable the process where there is a short-term timing lag in income. This is due to a mismatch between when infrastructure is required to be delivered to unlock development and when monies from development contributions will be in a position to fund these infrastructure interventions in their entirety.
- 4.1.11 Furthermore, revised STIM cost estimates have been prepared since the FIFEplan Planning Obligations Framework Supplementary Guidance 2017 was prepared (which set the level of developer contributions in policy). This has highlighted significant additional costs of £15.9m, an increase of 43%. When these costs, along with the introduction of the interest projected to be incurred from the timing gap in income are modelled, it is now projected that developer contributions will be unable to cover the full cost of infrastructure delivery (capital and borrowing costs). Whilst Fife Council had

planned for funding the timing gap, the shortfall due to increased costs is unaffordable for the council. However, it should be noted that HIF grant/City Deal funding will be used to reduce the capital shortfall.

- 4.1.12 Without public sector intervention to bridge the initial upfront infrastructure, the strategic growth of Dunfermline, as proposed through SESplan and FIFEplan, will not be able to be delivered by the private sector. This will have serious implications for the delivery of affordable housing in Dunfermline. It is considered essential that public sector intervention is secured to realise the potential economic benefits that would be expected to be accrued through the provision of new jobs and homes. The SDA Programme will meet the national, regional and local policy objectives if infrastructure can be front funded to kick-start and unlock development.
- 4.1.13 While the development industry continue to invest in the strategic growth of Dunfermline, the risk transference and increased costs associated with the interest rate to achieve the then State Aid compliance (now addressed under the UK Subsidy Control Regime) created a barrier to the private sector committing to City Deal funding under the current terms and conditions placed on the City Deal Housing Fund. Another solution required to be found which allows public sector investment to address the timing lag as well as the shortfall due to the increased costs. This will enable infrastructure to be delivered when required to unlock sites, deliver affordable housing, and allow the strategic growth of Dunfermline to progress as programmed in SESplan and FIFEplan. The increased costs have also resulted in a greater risk and level of exposure for the Council to cover. Therefore, an alternative funding solution requires to be found.
- 4.1.14 Fife Council has investigated alternative funding models with the Scottish Futures Trust and the Scottish Government that allow the Council (rather than the private sector) to deliver the infrastructure interventions, share risk and injects capital into the SDA programme. As Table 4.3 (UK Treasury Green Book Appraisal of Delivery Options) concludes, the preferred funding option is a Housing Infrastructure Fund (HIF) grant to part fund the delivery of the strategic transportation infrastructure.
- 4.1.15 Therefore, under the terms of the City Deal Housing Fund (the original funding option available), City Deal cannot successfully deliver the required transportation infrastructure due to the additional costs and risks placed upon the private sector. However, through the investigation of alternative funding mechanisms, the HIF grant funding mechanism has been identified as the preferred funding solution and allows both development and private sector investment to be unlocked.

Options	Do minimum	Intermediate	Do maximum
Scope	STIMs 1, 2, 3 & 11 (part). Does not deliver the road network capacity to enable strategic growth in Dunfermline as allocated in SESplan and FIFEplan.	Do all 9 STIMs. Delivers the road network capacity to enable strategic growth in Dunfermline as allocated in SESplan and FIFEplan.	Do all 12 STIMs, as set out in FIFEplan. (Interventions 7, 8 & 9 were subsequently removed). Delivers the road network capacity to enable strategic growth in Dunfermline as allocated in SESplan and FIFEplan. But would result in extra cost at no additional gain.
Service Solution	Upgrade and improve the existing road network for vehicle traffic only. This will not support the scale of housing identified in the development plan. This does not provide for sustainable travel and active travel solutions.	Improve existing network for all road users – vehicular, cycle and pedestrian routes. This will not support the scale of housing identified in the development plan.	Do all 9 STIMs plus additional sustainable transport measures.
Service Delivery Options	Fife Council design and construct through a procured service delivery. This is the agreed policy position. Delivers best value by keeping costs down and retains Council control of project delivery.	Joint delivery vehicle. Joint venture would allow risk sharing but could increase overall costs and does not accord with City Deal terms and conditions.	Transfer delivery of individual components to individual developers. Fife Council loses control of phasing and delivery of works and could increase overall costs.
Implementation Business Case	Deliver STIMs programme over 15/20 years. Delays network improvements and impacts on development delivery which is aligned with developer contributions. It is likely that development will stall due to reaching development triggers that require infrastructure to be delivered.	Deliver STIMs programme over 15 years. Allows delivery of strategic growth within proposed budget envelope. Would deliver planned growth in line with developer contributions, preventing sites stalling.	Deliver STIMs programme over 5 years. This would result in a significant increase in costs. Funding lag would be greater, as fewer developer contributions collected, therefore more City Deal money required. It is also likely that interventions would be delivered before they are required, resulting in additional (and unnecessary) revenue costs.
Funding	Fife Council have limited financial resources available through the Capital Plan, especially when considering the wider Fife Council capital funding of Dunfermline infrastructure (including education). In addition, Fife Council would take on all financial risk and exposure.	Blend of Fife Council and City Deal Grant to cover increased costs. A blended funding approach would be difficult to achieve and likely to require Scottish Government guarantees if the private sector was to be asked to take on funding of infrastructure through loans. Element of significant risk/exposure still sits with Fife Council.	Blend of Fife Council and City Deal/HIF grant capital funding to allow the Council to control delivery of infrastructure interventions, share risk and injects capital into the SDA programme.

Table 4.3: UK Treasury Green Book Appraisal of Delivery Options

Source: Fife Council

4.2 Risk Sharing/Public Sector Collaboration Options Appraisal

4.2.1 Table 4.3 above highlights the results of the appraisal that was undertaken to identify the potential delivery options available to deliver the Dunfermline Strategic Transportation Intervention Measures. The preferred option that is reflected in this business case is coloured green. A risk sharing/public sector collaboration options appraisal has also been undertaken. This was attended by Fife Council, Scottish Futures Trust and the Scottish Government. It reviewed the appraisal of funding options previously undertaken by Fife Council in Table 4.3, sought to highlight any additional options and ascertain if all parties agreed with Fife Council's conclusions. The options considered at the workshop were:

- Financial Transactions
- Risk Share with Private Sector Only
- Scottish Government Guarantee
- Increased Capital Grant Ask

4.2.2 A detailed appraisal of each option can be found within Appendix 8.14: Risk Sharing/Public Sector Collaboration Options Appraisal. The risk sharing/public sector collaboration options appraisal concluded that a capital grant ask would be the most acceptable option to the Scottish Government and so confirmed the approach of the earlier Fife Council appraisal.

Phased Approach

4.2.3 A phased approach of public funding is proposed. The viability of future investment will be kept under review (over and above grant reporting and the monitoring requirements set out in Section 6.6 *Programme and Project Monitoring, Evaluation and Reconciliation*).

4.2.4 Neither the Scottish Government nor Fife Council's current budgets extend far enough into the future to cover the full projected 15 year expenditure of the STIM programme. Fife Council's Capital Plan covers the 10 year period 2021-2031. The additional £15.9m costs are not included within the most recent Capital Plan. An initial 5 year grant funding application will be submitted for initial Scottish Government funding. Further funding applications will be submitted to the Scottish Government in future funding periods. Therefore, it should be noted that the assumption of 15 year Scottish Government grant funding is a significant and uncertain assumption. To reflect this, a series of 3 checkpoints will be built into the programme to agree funding in 5 year blocks. These reflect the grant funding periods which align with the Scottish Parliament Parliamentary periods. It is understood that there is no Scottish Government commitment to grant funding over the full programme. Approval of the Business Case will allow the first grant application to be prepared and submitted.

4.2.5 The proposal in the Dunfermline Business Case comprises a programme of investment in infrastructure from 21/22 to 35/36 and will form the basis of multiple grant applications for Scottish Government funding over the 15-year transport intervention delivery period. Whilst the Dunfermline Business Case covers the wider 15 year programme of expenditure, an initial phase 1 HIF grant application will be prepared for the immediate 5 years of expenditure. Phase 1 will cover the Scottish Parliamentary period 2021/22 - 2025/26 to

align with HIF funding requirements. As the Dunfermline STIM programme is not self-funding after the receipt of a Phase 1 grant, to help further reduce the gap, borrowing costs and negative NPV, future bids shall be made in successive parliamentary periods for HIF monies (or its future equivalent).

SMART Investment Objectives

4.2.6 The investment objectives are listed in Table 4.4 below:

Table 4.4: SMART Investment Objectives
By 2058/59

1.	To increase the supply of housing through the strategic growth of Dunfermline by up to 2,000 affordable units and up to 6,000 private units.
2.	Working in partnership with the private sector developers delivering strategic growth in Dunfermline, leveraging at least £66.8m of private sector investment for off-site strategic transportation intervention measures.
3.	To ensure that the Dunfermline & the Coast Local Housing Strategy Area sustains the projected growth within the Housing Land Audit 2019 and successive annual audits and contributes to delivering the policy objectives of Fife's Local Outcome Improvement Plan (Plan 4 Fife), Local Development Plan (FIFEplan) and the Edinburgh and South East Scotland's City Region Strategic Development Plan (SESplan).

Source: Fife Council

4.3 Risks

- 4.3.1 This section provides an overview of the main risks identified in preparing the business case and the related mitigation strategies and actions. A risk register has been prepared for the purposes of this Business Case outlining the principal risks together with anticipated impact, likelihood and mitigation of those risks. The risk register is included in Appendix 8.10.
- 4.3.2 The overall approach to risk management is to achieve appropriate levels of risk sharing at programme and individual infrastructure intervention project level. This will be key to the successful delivery of the strategic transportation infrastructure intervention projects and to provide sufficient safeguards so that the Council and private sector are not overly exposed financially.
- 4.3.3 The proposals have been based on due consideration of the evidence of housing market demand reflected in the Housing Land Audit (prepared with the industry body Homes for Scotland) and the various transport assessments undertaken.
- 4.3.4 Subject to approval of the business case, the Council would propose to proceed in preparing detailed design proposals for each transportation

intervention. The private sector development interests will continue to secure the necessary consents for the initial phases of their development sites to progress as per the development build out rates/programming reflected in the financial model. It is recognised that as detailed design progresses then the contingency costs will become more accurate.

- 4.3.5 As identified in the Financial Case (Chapter 5) to achieve best value, it is suggested that a degree of flexibility and movement within the infrastructure programme is allowed. Various external factors may require for infrastructure to be brought forward or started later reflecting the priorities determined by the build out programme and its cumulative effect (as per the sensitivity analysis Table 5.5 and Appendix 8.7 - Financial Model). The programme provided, outlining the priority of the infrastructure provision, is indicative. It is based on the build out programme of the latest published Housing Land Audit ([2019](#)), will be updated annually, and will be subject to further change.
- 4.3.6 Fife Council takes a prudent approach to managing its financial risk. Any significant investment is based on a detailed Business Case for each phase of development. This is based on detailed analysis of the costs and benefits of individual projects. Where appropriate, the Council would propose that any significant capital investment be subject to appropriate mitigation measures such as Section 75 legal agreements being entered into with private sector developers.
- 4.3.7 Compliance is monitored through the Council's internal and external audit procedures. Appropriate consent from Scottish Government will be sought where asset and land ownership issues are incompatible with standard prudential borrowing rules.
- 4.3.8 The procurement of works and services will be conducted in full compliance with the Council's procurement regulations and the adoption of the provisions of UK and Scottish legislation. The Council has undertaken significant procurement exercises in relation to the delivery of infrastructure works in the recent years. Any procurement approach will be developed with the Council's Procurement Service, including the most appropriate procurement strategy, and procurement risks in relation to securing any contractor and/or consultants in respect of individual projects.
- 4.3.9 Fundamental to each infrastructure intervention is the delivery of the infrastructure components. Cost variances are included within the financial model sensitivity analysis to reflect the early-stage cost estimates of a number of the proposed infrastructure interventions. Further information of cost maturity can be found in Section 5.7 of Chapter 5 (Financial Case).
- 4.3.10 There is a risk that the cost of the infrastructure interventions is significantly understated or that phases of the project deliver significant cost over-runs due to currently unknown ground conditions. This might increase the level of unsupported borrowing, increase debt costs or the payback period. Contingencies have been built into the intervention costings and a potential cost-over run has been tested. A series of sensitivities have been run which consider the downside of the current financial assumptions. Prior to any investment, detailed design works, and ground investigation works will have been undertaken. It would be proposed in line with the Council's procurement

policies that a fully transparent tendering exercise be undertaken and only fixed sum contracts be entered into with the transfer of risk of any cost over-runs being relocated to the contractor.

- 4.3.11 There is a risk that private sector housing demand does not materialise to the extent anticipated or is significantly delayed as a result of, for example, the EU Exit, changes in government policy, economic instability, legal delays or health & safety issues. Prudence has been an underlying consideration in all the demand assumptions. It is proposed to take a prudent approach to any investment through the strategic transportation infrastructure measures and commitment to such investment will only be made on the basis of a detailed Business Case for individual projects.
- 4.3.12 A build rate for all Dunfermline strategic housing growth is published in the [Housing Land Audit 2019](#). It is assumed new development will proceed largely as programmed due to the strong housing market and high demand as discussed earlier in this chapter and Chapter 3 (Economic Case).

5.0 FINANCIAL CASE

5.0.1 As already identified, there are significant additional costs of £15.9m as well as a mismatch between when infrastructure is required to be delivered to unlock development and when monies from developer contributions will be in a position to fund these infrastructure interventions in their entirety. Due to the strong Dunfermline housing market; many of the Dunfermline housing sites are now being considered through the planning process and programmed to be under construction at the same time. This accelerates the requirement for transportation infrastructure and contributes to a cash flow deficit within the Infrastructure Investment Fund. Fife Council is modelling the Dunfermline Strategic Growth Infrastructure Programme as a self-contained financial model. This will allow the Council to manage this programme diligently and monitor spend and income against that programmed and mitigate as appropriate. It is the best way to drive value for money. There is no prescribed City Deal investment model.

5.0.2 Securing City Deal grant for the Dunfermline STIM Programme will help to allow Fife Council to manage and deliver the growth and infrastructure ambitions in Fife. The financial model within Appendix 8.7 (Financial Model) contains the following source data:

- Programmed build rates of development (based on land owner/developer intelligence from the Fife [Housing Land Audit 2019](#) (HLA)) adjusted for assumed COVID-19 delays
- Programme of transportation interventions (including trigger dates when required based on transport assessments and HLA build out rates);
- Programme of agreed payment triggers (both timing of staged payments and values);
- Programme of assumed payment triggers (for sites which have yet to have an agreed Section 75 in place - both timing of staged payments and values);
- Level of developer contributions already collected and either sitting in the Fife Infrastructure Investment Fund (IIF) or already invested in infrastructure delivery.

5.0.3 This source data allows the financial model (which includes the indexation of costs) to identify the level of capital required based on when developer contributions are programmed to be paid against when the infrastructure interventions are required to unlock development. There is a timing gap within the Strategic Transportation Interventions Measures programme between when the transportation interventions require to be in place and when developer contributions will be received in full. This has always been expected and been estimated and accounted for in the Fife Council capital plan. However, capital costs are projected to be higher than the level that can feasibly be covered from receipt of developer contributions. Housing Infrastructure Fund grant will bridge the projected capital funding gap.

5.0.4 In most cases, infrastructure will be required to unlock development before development has reached the level that will fully pay for the infrastructure

intervention(s). Front-funding is, therefore, required to address the cash flow deficit and bridge this timing lag.

- 5.0.5 The key point of this financial case is that it justifies the rationale for Scottish Government paying grant monies in an efficient manner – The preferred proposal is that the Dunfermline Strategic Transportation Intervention Measures are funded from HIF/City Deal funding to reflect actual expenditure incurred per financial year. The proposed sources of funding are summarised in Table 5.1 below.

Table 5.1: Sources of Funding

Funding Sources - Net Present Value	2019 to 2025/26 £m	Post 25/26 £m	Total £m
Infrastructure Capital Spend (Including Borrowing)	12.16	19.45	31.61
Funded By:			
Section S75 Contributions	7.44	16.74	24.18
Scottish Government Grant Funding	2.68	4.29	6.97
Fife Council Contribution	3.39	(2.94)	0.45
Total Funding	13.51	18.09	31.61

Source: Fife Council

Demonstrates potential funding based on 25% of the total investment post 2025/26. Total investment includes £2.4m interest costs.

- 5.0.6 On a cash basis, the programme generates a £15.22m surplus. However, there is a timing lag in receipt of developer contributions which is funded by the Council. The Net Present Value of the costs is £31.618m and the NPV of developer contributions is £24.18m, creating a gap of £7.42m. The £7.42m gap in funding is met from £6.97m HIF grant and 0.450m Fife Council. This is based on the assumption of the Council receiving 100% of the expected developer contributions. Any change in this would result in a financial risk to the Council.
- 5.0.7 The total cost of the STIMs is valued at £50.055m at 2020 prices. When index linked to date of delivery, the STIMs are valued at £66.8m (£69.1 once borrowing costs are added). Grant funding will part fund the infrastructure required to unlock development before all sites can progress. This upfront funding will unlock private sector investment in the off-site STIMs as in Appendix 8.1 (Strategic Infrastructure Transportation Measures).
- 5.0.8 There is a direct timing relationship between the actual pace of development and the need for the STIM measures on site. Should there be a delay (or acceleration) to the pace of development then the STIM programme can also be reprogrammed accordingly. This will ensure infrastructure is being

delivered at the correct time i.e. not too early to incur unnecessary revenue costs and not too late to result in development hitting triggers and therefore ceasing until infrastructure is delivered. Changes to the STIM programme may lead to reprofiling of the capital plan. However, the principle of the programme being delivered at the pace required by development remains.

5.1 Profile of Funding

- 5.1.1 As previously identified in the Strategic Case (Chapter 2), the [Planning Obligations Framework Supplementary Guidance 2017](#) lists the required transportation interventions (see Appendix 8.1 - Transportation Interventions) and identifies the Strategic Transportation Zones used as a basis to calculate and collect these contributions (see Appendix 8.5 - Dunfermline Transport Zones). The contributions for the Dunfermline Zone will be held in the one of four sections of the Infrastructure Investment Fund (IIF).
- 5.1.2 The phasing and delivery of the interventions have been tested by a number of Transport Assessments (TAs) (see the Strategic Case (Chapter 2) and Appendix 8.8 - Timetable Dunfermline Strategic Transportation Interventions - STIM). Through these TAs there is a strong evidence base to identify when interventions will be required. However, the current scale of developer interest in Dunfermline, which has seen the majority of sites coming forward at the same time, results in forecast build out rates, as seen in the [Housing Land Audit](#), that require earlier interventions.
- 5.1.3 The profiling of the timing lag funding is informed by the phasing and delivery of the interventions as identified above. It is important to note this is based on the proposed build-out rate and programming of the individual development sites and the cumulative effect of this development on strategic transportation infrastructure. This defines the priorities and timescales for the delivery of the strategic transportation intervention measures.
- 5.1.4 A strategic transportation financial model has been developed to provide an overview of the expected planning obligations from unconsented housing sites which will contribute to Dunfermline's Strategic Transport Interventions. This factors in the phasing of development sites (as at 31st March 2019) and cost of the Interventions (2020 STIM estimates index linked to date of delivery) based on Transport Assessments undertaken for the development plan process and subsequently for planning applications.
- 5.1.5 Analysis of the discounted cash flow financial model has identified a funding gap as a result of the increased costs as well as a timing lag funding profile that requires to be met to unlock sites and allow development to proceed. The reason for selecting this particular profile is that it provides the capital funding required to reduce the funding deficit, to allow infrastructure to be delivered timeously, unlock sites and allow affordable housing development to proceed. Other options considered included a flat-line payment profile over different time periods. However, these other options presented an unacceptable stalling and blighting of development (as in the Strategic Case, Section 2.8 – Do Nothing), level of financial risk, and borrowing costs so were not considered feasible. It is considered that the strategic transportation financial

model is the only affordable option that delivers the desired outcome of unlocking affordable housing delivery.

5.2 The Council’s Debt Requirement

- 5.2.1 The financial model combines the infrastructure costs and projected income through developer contributions to estimate the Council’s borrowing requirement. Borrowing is required to cover any deficit outstanding at the end of each financial year.
- 5.2.2 The capital and revenue implications of the Dunfermline transport infrastructure requirement have been modelled using a discounted cash flow (see Appendix 8.7 Financial Model). The capital costs and forecast developer contributions have been indexed using the Building Cost Information Service (BCIS) and include design costs. Developer contributions held within the Infrastructure Fund gains interest at a rate of 0.25%. Revenue costs have been inflated at 2%, reflecting the Bank of England target rate. As highlighted in Table 5.2 below, this resulted in a Net Present Value (NPV) Deficit of £0.4m over the full term of the projected STIM programme, as revenue costs are not funded in this model. This assumes that a Scottish Government grant will be provided for the full 15 years of expenditure.

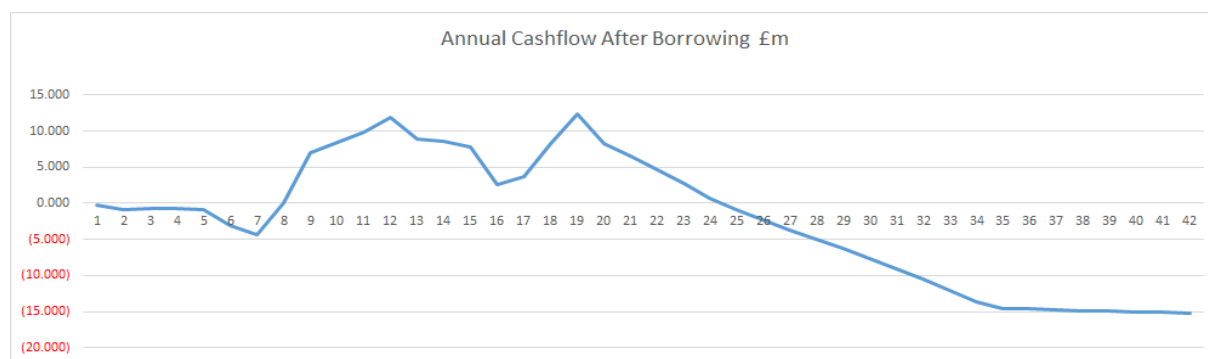
Table 5.2: Cash flow Table

Dunfermline Transport Infrastructure - £m	NPV of (Surplus)/ Deficit	Indexed (Surplus)/ Deficit	Investment	Developer Receipts	Interest
Base Case - Excluding Revenue	0.4	(15.2)	66.8	67.9	2.4
Base Case - Including Revenue	15.1	79.6	66.8	67.9	28.7

Source: Fife Council

- 5.2.3 For the purposes of the capital investment bid to City Deal the revenue costs have been removed from the model and, as Table 5.2 illustrates, this results in a NPV £0.4m Deficit, which would indicate that the capital investment is mostly funded if the Grant is provided for the 15 year period, however there is a timing lag in funding created by the delay in receipt of developer contributions which peaks at £12.4m.
- 5.2.4 The cash flow graph below (Figure 5.1) shows surplus until the capital expenditure exceeds income in 2024/25 and continues into deficit until 2041/42. Thereafter, the cash flow surpluses increase as future developer contributions are collected and capital spend has been fully funded and continues in surplus until the Dunfermline SDA house builds are completed in 2058/59. The total capital requirement to close this funding gap peaks at £12.4m. As identified in Figure 5.1, the capital funding to address this deficit is required from 2024/25 until 2041/42.

Figure 5.1: Dunfermline Strategic Transportation Interventions Discounted Cash Flow



Source: Fife Council

5.3 Affordability

- 5.3.1 As identified above in Figure 5.1, in the first 7 years of the programme there will be a net surplus in the Infrastructure Investment Fund (IIF) which will fund required infrastructure delivery. The financial modelling forecasts that to allow infrastructure to be delivered when required and allow development to proceed, the IIF will go into deficit between years 8-25. Work has been undertaken by Fife Council to model the full revenue cost to the Council of the strategic growth of Dunfermline (i.e. revenue costs which will occur as a result of strategic growth and resulting transport, education and other community infrastructure). In line with the Fife Council Medium-Term Financial Strategy, approved in September 2017, revenue costs associated with growth are to be funded by the respective Service(s). These are indicated at £1.355m p.a. at 2018 prices on the full investment programme.
- 5.3.2 The delivery of around 2,000 new affordable homes, as well as up to an additional 6,000 market homes, and the significant roads and housing infrastructure in the Dunfermline SDA is a major investment in Fife and key to achieving our growth targets. The STIM measures (indexed at £66.8m) to be delivered by the Council are only the off-site aspects of the new roads infrastructure associated with the development. In addition, the on-site aspects that are to be provided by the developers are even greater in financial terms with the overall new road's infrastructure being in the order of £150m. The revenue consequences of this huge investment are significant and grows in time. Immediate costs such as traffic signals, winter maintenance, street lighting energy, routine maintenance such as gully emptying, and road and lighting faults cannot be avoided and in time as the assets age, greater maintenance interventions will be needed with the estimate being around £2.5m pa in 30 years' time including indexation.

5.4 Debt drawdown and repayment profile

- 5.4.1 The financial modelling presented in this section should be considered indicative at this time but is to an appropriate level of detail to support this Business Case.
- 5.4.2 It is assumed that debt repayments will be on an income profile method basis. This method is that any surplus cash collected by the Investment Infrastructure Fund is applied to pay down the remaining principal balance. Early repayment of the principal balance can result in reduced financing costs.
- 5.4.3 For internal accounting purposes in line with the Council's treasury management policy, the Council adopts the Council's long term consolidated pool interest rate (currently 3.61%). The financial modelling undertaken for this bid reflects this pool rate against the Council's contribution.

5.5 Summary financial out-turn

- 5.5.1 The summary outline of the cash-flow is presented in Table 5.3 below.

Table 5.3: Cash-flow

	Cash-Flow (£m)
Infrastructure Capital Spend (Index linked)	66.8
City Deal HIF Funding	(16.5)
Interest Costs	2.4
Developer Contributions	(67.9)
Potential Surplus *	15.2
NPV	0.4

Source: Fife Council

* See paragraph 5.4.2 above.

- 5.5.2 The total off-site transportation infrastructure capital spend is anticipated to be £66.8m. Table 5.3: Cash Flow includes income sources comprising of Fife Council and City Deal funding and anticipated developer contributions. It also includes an estimate of the interest costs. The base case generates a negative Net Present Value (NPV) of £0.4m. In addition, as highlighted in section 6.2, it is proposed that a final reconciliation process is undertaken. This will ensure that, at the end of the Programme, if any surplus in funds exist, this is reinvested in affordable housing projects in Fife.

5.6 Key Assumptions of Base Case

5.6.1 The following assumptions have been used in the financial model:

Table 5.4: Key Assumptions

Cash-flows have been discounted at 7.38% in line with Green Book Guidance.
Development will build out at the rate programmed in the Housing Land Audit 2019 , adjusted for delays in 2020/21 due to the COVID-19 lockdown and the resulting increased construction costs due to adaptations to working practices and disruption to the supply chain in 2020/21 and 2021/22.
The programming of transportation interventions is based upon the programmed build out rate of the Housing Land Audit 2019 as adjusted for COVID-19.
For consented development sites with an agreed Section 75, the timing of staged payments will be as per the programme of the agreed Section 75 and 100% of the agreed Section 75 contributions will be recovered.
For development sites which have yet to have an agreed Section 75 in place, a programme of assumed developer contribution payment triggers and the timing of these has been estimated based on the programmed build out using the Housing Land Audit 2019 .
The level of timing lag funding is based on when developer contributions are programmed to be paid versus when the infrastructure interventions are required.
An assumption on the projected housing market performance is included as it will not mirror 100% of the projected output of the HLA over the STIM programme. Output will be affected by external economic influences such as recession. Assessment of the various scenarios considered can be found in Appendix 8.13 (Growth Scenarios to Project Future Housing Market Performance).

Source: Fife Council

5.7 Cost Maturity of Estimates for Transportation Interventions

- 5.7.1 The costings of the strategic transportation interventions are highlighted in Appendix 8.1 (Strategic Infrastructure Transportation Measures). The costs of the strategic transportation infrastructure are indicative and are based on the 2011 Dunfermline & West Fife Local Plan Transport Assessment which highlighted indicative designs and costs. As Appendix 8.8 (Timetable Dunfermline Strategic Transportation Interventions - STIM) highlights, the 2015 FIFEplan Local Development Plan Transport Appraisal (TA) built upon the 2011 TA and this information has been further updated as information has been received through more detailed specific TAs submitted with individual planning applications.
- 5.7.2 In the case of the Northern Link Road intervention, costs are very high level. The identified route is indicative, and no ground investigation work has been undertaken to date. Once ground investigation works and detailed design works are undertaken the costs for the Northern Link Road will be subject to further change. The degree of change is currently unknown and variations to capital costs have been reflected in the sensitivities tested and base case.
- 5.7.3 It is suggested that a degree of flexibility and movement within the infrastructure programme is allowed. Various external factors may require for

infrastructure to be brought forward or started later reflecting the priorities determined by the build out programme and its cumulative effect (as per the sensitivity analysis highlighted below and in Appendix 8.7 (Financial Model). The programme provided, outlining the priority of the infrastructure provision, is indicative. It is based on the build out programme of the [Housing Land Audit 2019](#), will be updated annually, and will be subject to further change.

- 5.7.4 Whilst this provides the best estimate at this time and has been factored up to include reasonable expectancies and contingencies, assessing cost maturity highlights that the cost of the infrastructure interventions needs to be reviewed on a more detailed project by project basis with the development of more specific cost estimates. As each project progresses into the ground investigation, scheme design and optioneering phase, confidence in budget profiles will improve. There is a risk that the STIM programme could be understated however the intention would be to cost engineer the projects to fit within the existing budget envelope.
- 5.7.5 The COVID assumption assumes the delivery of 25% of the Dunfermline housing completions programmed in 2020/21 (due to construction pausing for 9 months), with recovery over the following 3 years. COVID-19 delays due to adaptations to working practices and disruption to the supply chain are expected to also have an adverse impact on construction costs. A contingency of 15% has been included on construction costs in 2020/21 and 10% in 2021/22.

5.8 Inflation

- 5.8.1 Cost estimates for the transportation infrastructure have been taken from a 2020 base giving a total cost of £50.05m. Further indexation has also been applied in the financial model up to date of delivery for each STIM. The total compounded BCIS indexation as projected through the financial model, based on the programmed build out rate of the Housing Land Audit 2019, creates a total indexed cost of £66.8m. There is a risk that actual costs may increase at a different rate to the BCIS indexation.

5.9 Sensitivity Analysis

- 5.9.1 Sensitivity analysis has been carried out to evaluate some of the key variables and assumptions within the financial model and to determine where the main financial risks and opportunities lie within the project. The positive and negative impacts tested are listed in Table 5.5. The main negative financial risks relate to a recovery rate of less than 100% for developer contributions and an increase in construction costs. A reduced recovery rate of developer contributions has the potential to cause a significant impact due to lost revenue and an increase in construction costs will result in a higher capital cost than that envisaged through the high-level costing estimates undertaken to date.
- 5.9.2 The recovery rate of programmed developer contributions could be affected by a slower, or faster, build out rate than that envisaged through the [Housing](#)

[Land Audit 2019](#). A delay in income from developer contributions would increase interest costs on timing lag borrowing, which is offset by increased indexation being applied. Additionally, a reduction in developer contributions could also result from re-negotiated Section 75 Agreements. Once planning consent had been granted and a Section 75 agreement concluded, applicants can apply to re-negotiate their Section 75 Agreement through a Section 75A application. If successful, this could result in a lower developer contribution(s) being agreed from that of the original agreement.

- 5.9.3 Construction costs could also increase given the current cost maturity of the estimates for transportation interventions as highlighted above in Section 5.7.

Table 5.5 Sensitivity Analysis

Sensitivities - £m	NPV of (Surplus)/ Deficit	Cash (Surplus)/ Deficit	Timing Gap Peak	Investment	Developer Receipts - S75	Interest	Grant Assumed	Change in NPV	Comments
Base case	0.4	(15.2)	12.4	66.8	(67.9)	2.4	(16.5)	0.0	
Positive Impact on Base Case									
2 year delay in construction	(1.6)	(13.9)	(3.7)	69.8	(67.9)	0.7	(16.5)	(2.1)	Benefit Costs Increase due to inflation, allows income to accrue reduces timing gap
2% Increase in BCIS inflation	(1.3)	(34.9)	10.7	78.0	(94.6)	1.1	(19.3)	(1.7)	Benefit increased S75 income in later years Benefit Costs are lower than estimated
10% Decrease in Capital Costs	(1.1)	(19.4)	8.5	62.6	(67.9)	1.4	(15.5)	(1.5)	
Negative Impact on Base Case									
Interest Payable + 2% increase	1.1	(13.6)	13.9	66.8	(67.9)	4.0	(16.5)	0.7	Risk Interest Rates increase
Base Case 5 years	1.9	9.2	4.4	26.9	(13.3)	0.4	(4.8)	1.4	No further development beyond 5 years - gateway decision point
10% Increase in Capital Costs	2.0	(10.8)	16.4	71.0	(67.9)	3.6	(17.6)	1.6	Risk Costs are higher than estimated
2% Decrease in BCIS inflation	2.6	(2.9)	13.3	57.3	(49.7)	3.6	(14.2)	2.1	Risk S75 income reduced in future years less inflation
2 year delay in build out rate	2.9	(18.1)	16.6	66.8	(72.8)	4.4	(16.5)	2.4	Risk Slower build out results in increased income but interest cost on timing gap
Developer Contribution Drop - 10%	3.5	(6.2)	17.8	66.8	(61.1)	4.7	(16.5)	3.1	Risk Developer contribution drops due to legal challenge/methodology
Base case 5 years grant	6.1	1.8	24.0	66.8	(67.9)	7.7	(4.8)	5.6	Risk No Grant available beyond current SG Parliamentary Period
Base Case without SG Grant	9.9	10.9	30.7	66.8	(67.9)	12.0	0.0	9.5	Risk Grant not available – non-compliance with UK Subsidy Controls

Source: Fife Council

Assumptions: HIF/City Deal funding reduces the funding gap for the Council.

The base case assumes 100% of income from developer contributions is received, which does not reflect the risk that developers may default on the payments.

Sensitivity analysis has been carried out to assess the various risks and variables in the business case and are reflected in the risk register. The sensitivity analysis results vary from NPV surplus of £1.6m to NPV deficit of £15.1m. The base case shows a £15.2m surplus, which has a Net

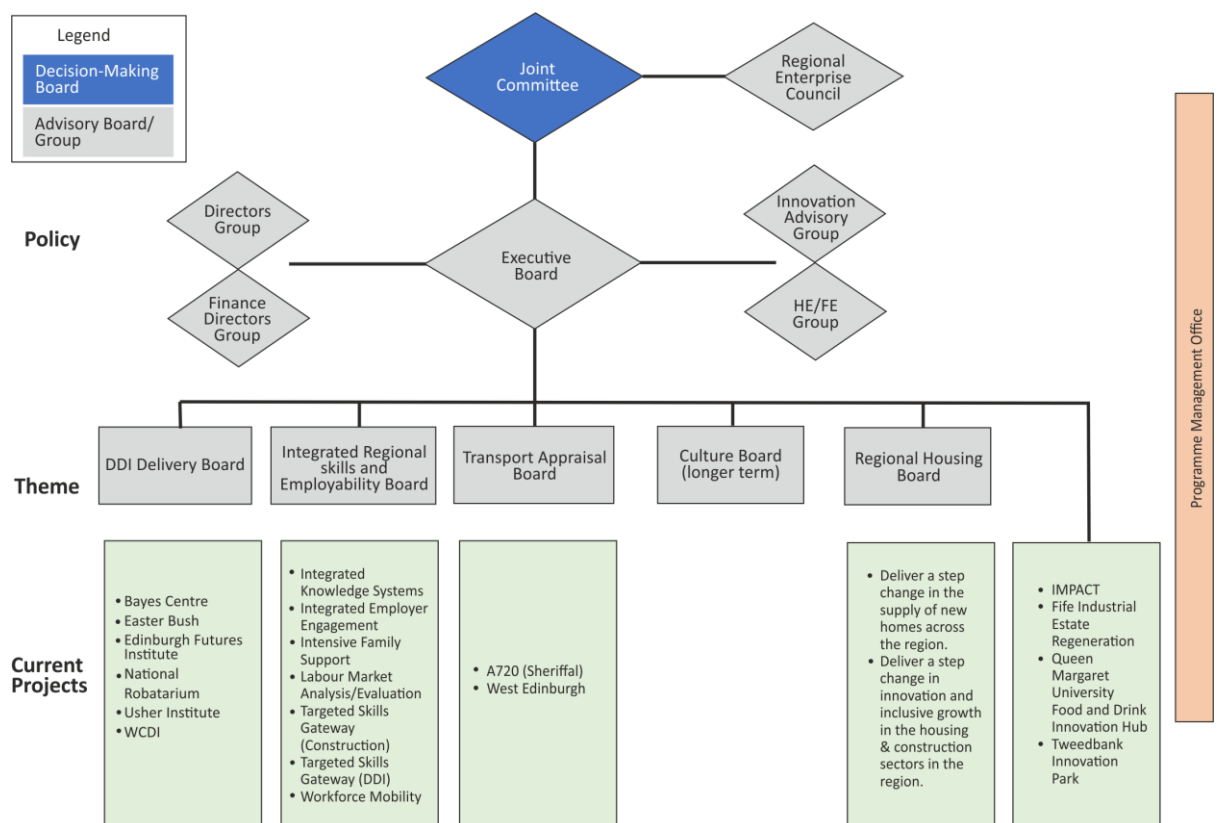
Present Value deficit of £0.4m. Whilst the construction costs are at an indicative stage and include built in contingencies, a 10% decrease and 10% increase in capital costs have been modelled to illustrate the impact of a change in infrastructure costs. As the model highlights, this would affect the capital gap, timing gap and assumed grant. Work will continue through the STIM Programme and the risk register to monitor the likelihood of these outcomes and develop mitigating actions as required.

6.0 MANAGEMENT CASE

6.1 Governance

6.1.1 City Deal funding is sought from the Edinburgh and South East Scotland Region City Deal Programme, although it is acknowledged that funding may be sourced from an alternative Scottish Government budget(s). The overall governance of the delivery of the Dunfermline Strategic Transportation Intervention Measures will be provided through the Edinburgh and South East Scotland City Deal governance structure as illustrated in Figure 6.1. The Dunfermline STIM Programme sits within the projects listed under the remit of the Regional Housing Board.

Figure 6.1: Edinburgh and South East Scotland City Deal regional governance structure



Source: Fife Council

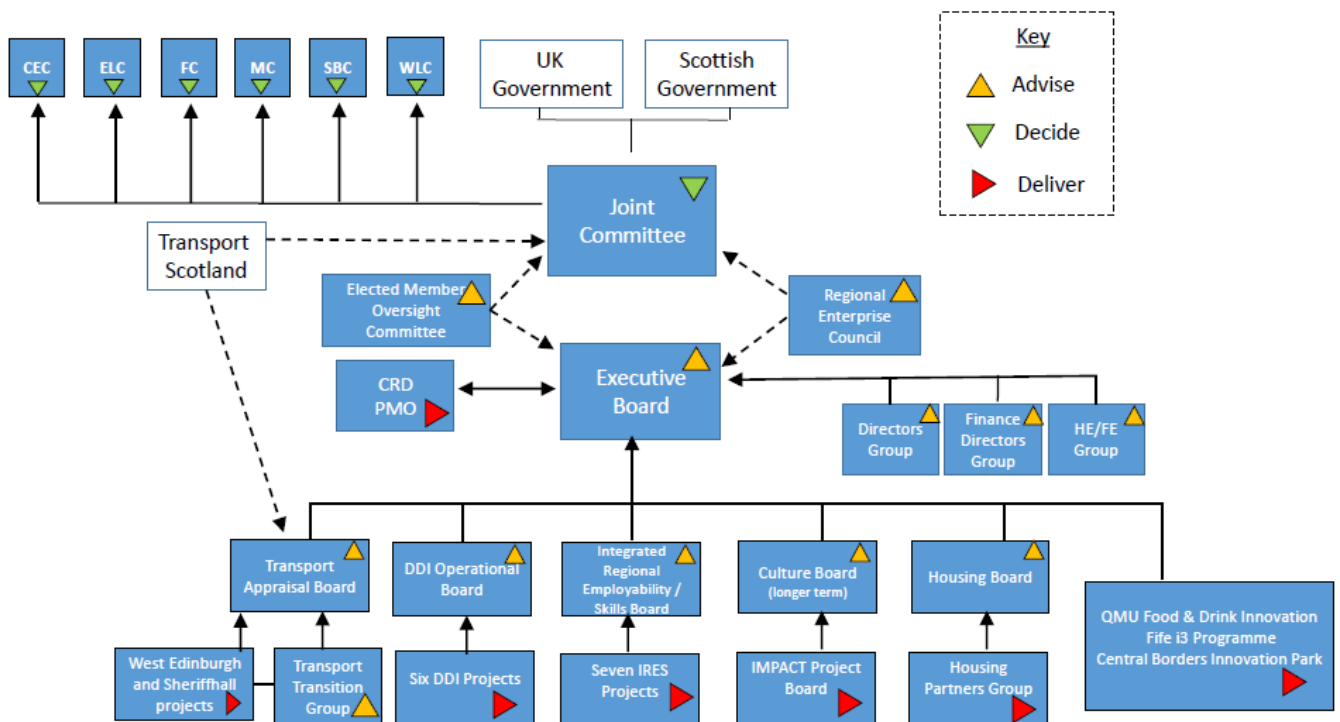
6.1.2 The Dunfermline STIM Programme will report to the Edinburgh and South East Scotland City Region Deal Executive Board and its Joint Committee. Fife Council authorised participation in the Joint Committee and City Deal governance in June 2018. The Dunfermline STIM Programme and the wider Fife Strategic Development Areas Programme is governed within Fife Council by the Council's Sustainable Growth and City Deal Board. The Board was established to provide the internal Fife Council governance for all strategic growth and City Deal matters within Fife. The Fife Strategic Growth and City Deals Board will also integrate the governance relating to both the Edinburgh and South East Scotland Region City and Tay Cities Deals. This will provide

strategic direction and oversee all city deal activities, programmes and projects to ensure inter-dependencies are managed and benefits realised.

6.1.3 Fife Council has established a Sustainable Growth and City Deals Programme Board to provide strategic direction and oversee all city deal activities, programmes and projects. Its remit includes management of the Dunfermline STIMs Programme and all other City Deal projects to ensure their inter-dependencies are managed and benefits realised. The Sustainable Growth and City Deals Programme Board will also integrate the governance relating to both Edinburgh and South East Scotland and Tay Cities Deals. The membership of the Sustainable Growth and City Deal Board consists of senior officers, Heads of Service and Executive Directors from key Council services. Further information on the membership and governance structure can be found in Appendix 8.9 (Strategic Growth and City Deals Programme Governance Structure).

6.1.4 The governance for the delivery of individual strategic transportation interventions will be controlled and overseen by the Council's Strategic Transportation Interventions Delivery (STID) Board. Membership of this Board consists of officers from Transportation, Planning and Finance and is chaired by the Senior Manager for Transportation. The STID Board is directly accountable to the Sustainable Growth and City Deal Board. The individual project and programme management arrangements are shown below:

Figure 6.2: Programme and Project Management Governance Arrangements



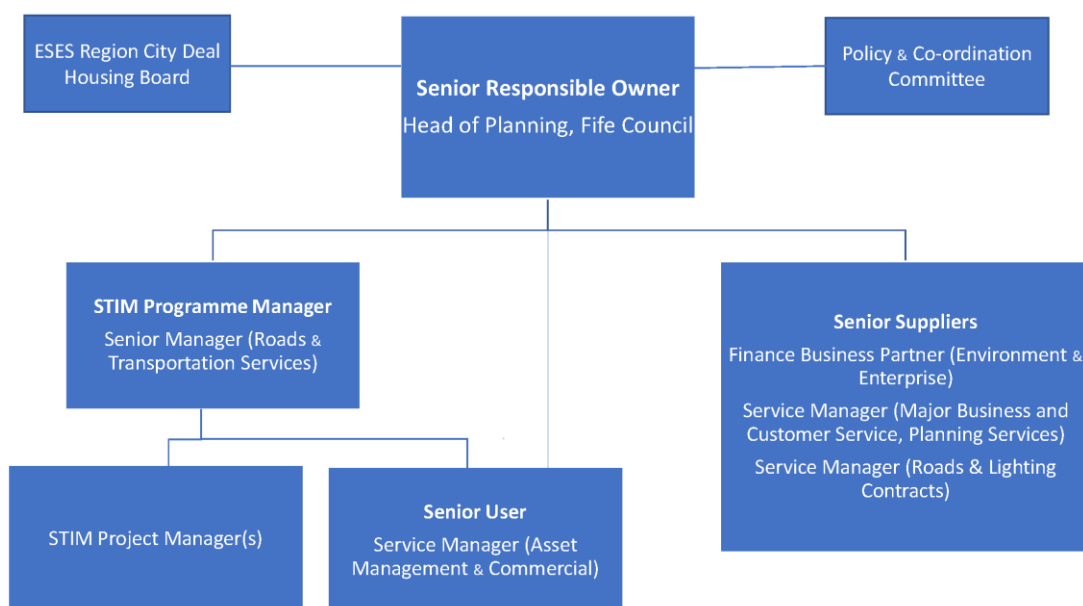
Source: Fife Council

- 6.1.5 As identified in Chapter 4 (Commercial Case), the creation of a delivery partnership between Fife Council and the private sector development interests for Dunfermline SDAs had been considered. However, the risk transference and increased costs associated with the City Deal interest rate created a barrier to the private sector committing to City Deal funding under the current terms and conditions placed on the City Deal Housing Fund.
- 6.1.6 Therefore, Fife Council investigated alternative funding models with the Scottish Futures Trust and the Scottish Government through the preparation of this Business Case. This was required from a governance perspective to allow the Council (rather than the private sector) to deliver the infrastructure interventions and share risk whilst also injecting capital into the SDA programme. As Table 4.3 (UK Treasury Green Book Appraisal of Delivery Options) concludes, the preferred funding option is a Housing Infrastructure Fund grant to part fund the delivery of the strategic transportation infrastructure.

6.2 Managing Change

- 6.2.1 Project and programme tolerances will set out in terms of cost, time, resources, quality, scope, risk and benefits. Tolerances will be agreed by the relevant Board and reviewed between programme/grant phases. The financial management and monitoring system of the programme shall include constantly revising and updating projections as the cost maturity of the programme increases. Where project or programme tolerances are exceeded, exception reports will be triggered and escalated as outlined below:

Figure 6.3: Change Control Process



Source: Fife Council

6.3. Contract Management

6.3.1 As Scotland's third largest local authority, Fife Council's Roads and Transportation Services have a Service turnover of approximately £80m per annum (capital and revenue). All contracts are actively monitored and managed. Contract management will be undertaken by Fife Council through a skilled team within Roads and Transportation Services using Fife Council's Contract Standing Orders – Scheme of Tender Procedures. Quality assurance requirements will be written into all contracts. The Senior Supplier and Project Manager (as identified in Figure 6.2) are Chartered Civil Engineers and are Members of the Institution of Civil Engineers and the Engineering Council, each with over 20 years' experience in the industry. Appendix 8.15 outlines further details of the contract management team.

6.4 Benefits Realisation

6.4.1 The Benefits Realisation Register is set out in Appendix 8.16. The benefits relate to the outcomes of delivering the STIMS as identified in this business case and the Economic Appraisal set out in Section 3.6. These will be managed and reviewed through the governance and change management processes.

6.5 Approach to Risk Management

6.5.1 The programme risks relate to delivery and viability; finance; and legal. A copy of the risk register is set out in Appendix 8.10. Plans to mitigate risk have been developed. Risks within the control of Fife Council, (staff capacity and appropriate governance arrangements) are being actively managed. Mitigation strategies relating to the wider economic environment (economic instability, interest rates) have been developed and will be deployed in response to changes or developments. All risks will be regularly reviewed and reported to the Strategic Transportations Intervention Delivery Board.

6.6 Programme and Project Monitoring, Evaluation and Reconciliation

6.6.1 Each project (transportation intervention) will require Fife Council approval to progress to design, procurement and delivery phases. Further reviews will be carried out after the procurement is completed for each project; and when each project is delivered. Benefit Realisation Reviews will also be conducted.

6.6.2 In order to monitor the outputs from the HIF grant funding, linked to City Deal, it is proposed that there be an annual monitoring process. The process will include:

- The preparation and submission of an annual report to the Scottish Government; and
- an annual meeting between Fife Council and Scottish Government officials to discuss the annual report, infrastructure

and housing delivery progress (programmed versus actual output) and any emerging trends.

- 6.6.3 The annual monitoring reports, prepared for the delivery of the Dunfermline Strategic Transportation Intervention Measures programme, will monitor programmed versus actual for a range of measures:
- Developer contributions received and spent (operation of the Infrastructure Investment Fund);
 - Housing completions (houses built);
 - Programmed completions (houses proposed to be built in future years as per the latest annual [Housing Land Audit](#));
 - Trigger dates for individual transportation interventions;
 - Intervention costs; and
 - Market led intelligence on delivery trends
- 6.6.4 Regular reporting to meetings of the City Deal Housing Theme Strategic Sites group, the Regional Housing Partners and Housing Board will ensure that lessons learned through the delivery of the Dunfermline strategic transportation infrastructure can help inform and improve other business cases being prepared, and programmes delivered, through the ESES City Deal Housing Theme.
- 6.6.5 In addition, it is proposed that a final reconciliation process is undertaken. This will ensure that, at the end of the Programme, if any surplus in funds generated by Scottish Government/City Deal funding exist, this is reinvested in affordable housing projects in Fife. Such projects would require the prior agreement of the Scottish Government.

7.0 CONCLUSIONS & RECOMMENDATION

7.1 Conclusions

- 7.1.1 The proposal contained in this Business Case is to part fund the delivery of the Dunfermline Strategic Growth Programme STIMs from the Edinburgh and South East Scotland Region City Deal. This will assist in addressing the funding deficit within the programme and reflects the aspiration to deliver strategic growth in Dunfermline. This proposal will provide a means to unlock and accelerate investment in essential transportation infrastructure in the Dunfermline Area. It will facilitate the unlocking and delivery of the strategic growth programme in Dunfermline, thereby providing up to 2,000 affordable homes, 6,000 private homes, large scale mixed use development and investment in the Dunfermline economy.
- 7.1.2 The Business Case for Dunfermline shows a commitment to place-based investment. The STIM programme displays a co-ordinated approach to housing investment through the delivery of essential infrastructure investment first, that will ensure private sector investment, whilst supporting regional growth.
- 7.1.3 The vision is that this programme will have a transformative effect on Dunfermline, in terms of place making and inclusive and economic growth and contributes to national, regional and local policy objectives. This vision, therefore, supports not just the ambitions of the Edinburgh and South East Scotland City Deal, but the strategic ambitions outlined throughout this business case. The investment in up to 2,000 new affordable homes, additionally up to 6,000 new market homes, new schools, employment opportunities and the creation of new sustainable communities will play a crucial contribution to Scotland's economic recovery.
- 7.1.4 There is a capital shortfall due to increased costs. In addition, there is a timing difference between when infrastructure is required to be delivered to allow development to proceed and when monies accrued from developer contributions will be in a position to fund these infrastructure interventions in their entirety. The financial model identifies the level of funding required based on when developer contributions are programmed to be paid against when the infrastructure interventions are required to unlock development. In general, infrastructure will be required to unlock development before development has reached the level that will fully pay for the infrastructure intervention(s).
- 7.1.5 The private sector has the potential to deliver major mixed-use strategic growth in Dunfermline thereby meeting policy objectives. The policy of the Local Development Plan requires developers to fund the strategic transportation interventions required as a result of the cumulative development impact. The development industry is committed to investing in the Dunfermline market and is already delivering units on the ground. To continue to secure strategic growth in the area infrastructure requires to be delivered timeously so as not to stall development.
- 7.1.6 Without public sector intervention to fund the capital shortfall and timing gap, the strategic growth of Dunfermline as proposed through [SESplan](#) and

[FIFEplan](#), and the outcomes of the [Plan 4 Fife](#) (Fife's Local Outcome Improvement Plan) will not be able to be delivered. It is considered essential that public sector intervention is secured to realise the potential economic benefits in this Business Case that would be expected to be accrued through the provision of new jobs and homes. The SDA Programme will only be able to meet the national, regional and local policy objectives if infrastructure can be front-funded to kick-start and unlock development.

7.1.7 This document presents the Business Case for a proposal to part fund the Dunfermline Strategic Growth Programme, by means of HIF grant funding, as part of the Edinburgh and South East Scotland Region City Deal. This proposal will provide a means to unlock and accelerate investment in essential transportation infrastructure in the Dunfermline Strategic Growth Area to facilitate affordable housing delivery as part of large-scale mixed-use development and investment in the Dunfermline economy.

7.1.8 The advantage of HIF City Deal Funding is that this funding solution allows a package of support to be delivered rather than individual HIF applications for each intervention. The primary risk of individual applications would be no certainty that all applications would all be successful, thus creating a lack of confidence. Packaging all interventions within this Business Case, which covers the full STIM programme and provides detail for the first grant phase, provides confidence and certainty in the STIM delivery programme to the market to enable private sector investment.

7.1.9 HIF grant funding to assist with the delivery of strategic transportation infrastructure in Dunfermline would: -

- enable housing and infrastructure delivery; support quality of life by promoting quality of place and the public interest in Dunfermline in line with A Plan for Scotland', the Scottish Government's Programme for Government; A National Mission with Local Impact Infrastructure Investment Plan for Scotland 2021-22 to 2025-2026; and the Place Principle;
- enable the delivery of up to 2,000 new affordable homes supporting the Scottish Government's Housing to 2040 vision;
- enable the delivery of up to 8,000 new homes, supporting the SESplan 19,000 target;
- enable the delivery of sustainable place making and new homes supporting Fife Council's Local Outcome Improvement Plan;
- enable Fife Council to maintain an effective 5-year housing land supply and fulfil its statutory requirement to deliver the adopted Local Development Plan;
- enable the collection of over £67m in transportation contributions (required to improve the local transportation network), and the equivalent of over £100m in education contributions; to sustain the growth from not only the strategic sites but the other 20 or so housing sites allocated in the Local Development Plan, in line with Fife Council's Planning Obligations Supplementary Guidance; and

- enable further economic growth in the Dunfermline area through the creation of construction jobs and the delivery of employment land, and local community infrastructure.

In summary the Dunfermline Business Case: -

- is seeking grant funding of £4.85m over the next Scottish Parliament parliamentary period (2021/22 – 2025/26), to unlock affordable housing - covering 25% of construction costs (to align with 25% affordable housing provision) (see Table 7.1); and
- sets out plans for future phases of the Programme which will require financial support after 2025/26 (see Table 7.1).

Table 7.1: Total Investment

Funding Source	2021/22 – 2025/26 Investment (£m)	Post 2026/27 Investment (£m)	Total Investment (£m)
Fife Council Investment	£22.5	£30.1	£52.6
City Deal Investment	£4.8	£11.7*	£16.5
Total Investment	£27.3	£41.8	£69.1

Source: Fife Council

* Demonstrates potential funding based on 25% of the total investment post 2025/26. Total investment includes £2.4m interest costs.

7.1.10 The benefits that the full £16.5m grant funding will unlock are highlighted in Figure 7.1.

Figure 7.1: Benefits of City Deal Funding



7.2 Recommendation

It is recommended that the Full Business Case for the Dunfermline Strategic Transportation Intervention Measures is approved to support Housing Infrastructure Fund grant applications.

Signed:

Date:

Senior Responsible Owner:

Programme:

8.0 APPENDICES

- 8.1 Strategic Infrastructure Transportation Measures
- 8.2 Network Rail Joint Working Agreement
- 8.3 Dunfermline Housing Market Report
- 8.4 Dunfermline Strategic Growth Development Overview
- 8.5 Transport Zones
- 8.6 Local Outcome Improvement Plan Extract
- 8.7 Financial Model
- 8.8 Dunfermline Strategic Transportation Intervention Measures – Policy Process Timeline
- 8.9 Governance Structures
- 8.10 Programme Risk Register Extract
- 8.11 Fife Economic Model 2018
- 8.12 Assessment for Economic Impact
- 8.13 Growth Scenarios to Project Future Housing Market Performance
- 8.14 Risk Sharing/Public Sector Collaboration Options Appraisal
- 8.15 Contract Management Team
- 8.16 Benefits Realisation Register

Appendix 8.1 Strategic Infrastructure Transportation Measures

Transportation Intervention Measure	Estimated Cost (2020)
1. Pitreavie Roundabout Signalisation & Additional Southbound Lane on A823	£650,000
2. Kings Road/Admiralty Road junction signalisation	£1,456,000
3. Bothwell Gardens Roundabout Signalisation	£1,028,000
4. Northern Link Road (NLR) - East End	£11,500,000
5. Western Distributor Road (WDR) - Grange Drive	£10,308,000
6. NLR - A823 - Whitefield Road	£8,470,000
7. WDR - Coal Road including bridge crossing of Dunfermline - Alloa Railway	£12,333,000
8. WDR - William Street/Rumblingwell junction upgrade	£1,493,000
9. WDR - William Street	£2,817,000
	£50,055,000 (£66.8m indexed)

Notes:

1. Costs stated are subject to verification in costed TAs.
2. Cost updates have been updated to 2020 and index linked to date of delivery BCIS. The total compounded BCIS indexation as projected through the financial model, based on the programmed build out rate of the 2019 Housing Land Audit, creates a total indexed cost of £66.8m.

Appendix 8.2 Network Rail Joint Working Agreement

JOINT WORKING AGREEMENT

Heads of Terms

Between

1.0 Project Partners

1.1 Network Rail, 151-155 St Vincent Street, Glasgow, G2 5NW

and;

Fife Council, Fife House, North Street, Glenrothes, Fife, KY7 5

1.2 Fife Council will include representatives from Planning Services (PS) and Roads and Transportation Services (RTS).

2.0 Project Objectives

2.1 To implement the adopted FIFEplan Local Development Plan 2017 which promotes strategic growth in Dunfermline.

2.2 To reduce the risk to members of the public from injury at Kingseat Road level crossing on the Fife Circular, Dunfermline by reducing interface between road and rail users at this at-grade intersection; and

2.3 To deliver an alternative crossing in the form of a new vehicular and pedestrian bridge at Halbeath, Dunfermline; and

2.4 To provide significant improvement to transport infrastructure in Dunfermline by removal of delays to rail services, and vehicle, cycle and pedestrian trips. Reducing risk to rail passengers; performance benefit for NR; and environmental improvements – air quality.

2.5 To provide an alternative route between the NLR & Kingseat Road (via Pleasance Road).

3.0 Project Outcomes

3.1 To jointly secure the statutory closure of the Kingseat Road level crossing (to both vehicles and pedestrians);

3.2 To jointly secure the design and delivery of a new vehicular and pedestrian bridge and associated footpath links over the railway at Halbeath, Dunfermline; and

3.3 To jointly deliver the first part of the Northern Link Road.

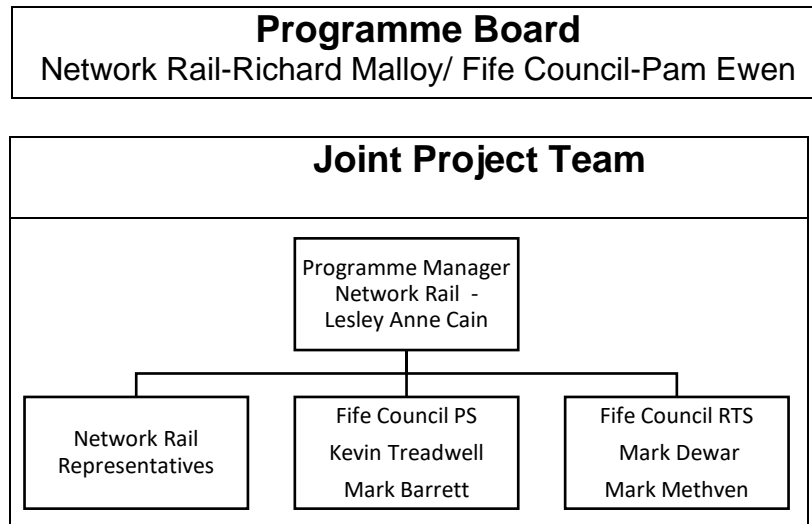
Planning

- 3.4** The Strategic Transport Projects Review 2 (STPR2) with regard to further electrification of the rail network notes (A.49) “in the longer term, extending into the period beyond STPR, this would include...Phase 3 – Electrification of routes between Edinburgh, Perth and Dundee including the Fife Circle.”
- 3.5** The Kingseat Level Crossing sits on the Fife Circle Route. The line between Alloa and Dunfermline is not currently signalled to passenger carrying standards. The Fife Circle is a priority for present investment in new rolling stock ***NR. Its morning peak services can be overcrowded. Failure at the level crossing signals can result in significant delays for both road and rail traffic.
- 3.6** The adopted Local Development Plan promotes strategic growth in Dunfermline. Development proposals include the Dunfermline N/W/SW Strategic Land Allocation and the North Dunfermline Strategic Development Area. The SLA/ SDA sites are capable of delivering over 7000 houses, 25% of which will be affordable. In addition, over 80 hectares of employment land are proposed. The proposed development will require a minimum of £35m of transportation infrastructure. This will include the delivery of a Northern Relief Road (NLR) and a Western Distributor Road (WDR). Fife Council will manage the delivery of off-site infrastructure, through the Infrastructure Investment Fund. The Fund will accrue as developer contributions are collected.
- 3.7** The Northern Link Road will run from Swallowdrum (A907) in the west to the Halbeath Bypass (A907) in the east via the new vehicular and pedestrian bridge crossing of the Fife Circle.
- 3.8** There is considerable developer interest in Dunfermline. With a significant number of live and approved applications across the north of Dunfermline which have the potential to unlock investment, realise regeneration potential, and deliver strategic infrastructure (see 4.3 above).

4.0 Project Structure/Governance

- 4.1** A Programme Board, to be chaired jointly by Network Rail and Fife Council, will be established (indicative names included).
- 4.2** A Joint Project Team made up of representatives of Network Rail and Fife Council will be established and run by a Programme Manager (indicative names included).

4.3



5.0 Project Tasks/Roles

5.1 The attached Programme Plan identifies key tasks; lead and support; as well as indicative timescales. The key tasks will include:-

Land Acquisition – to be led by Fife Council

Statutory Closure Order – to be led by Network Rail, supported by FC

Community Engagement – to be led by Fife Council, supported by NR

Committee Approval – to be led by Fife Council

Bridge Design, Road Design & Option Appraisal – jointly by Network Rail & FC

Delivery of Bridge (Bridge Construction Contract) – jointly by Network Rail & FC

6.0 Funding (Indicative at this stage for further discussion)

6.1 Land acquisition will be funded by Fife Council.

6.2 The closure of the level crossing and the delivery of the bridge will be jointly funded.

7.0 Timescales

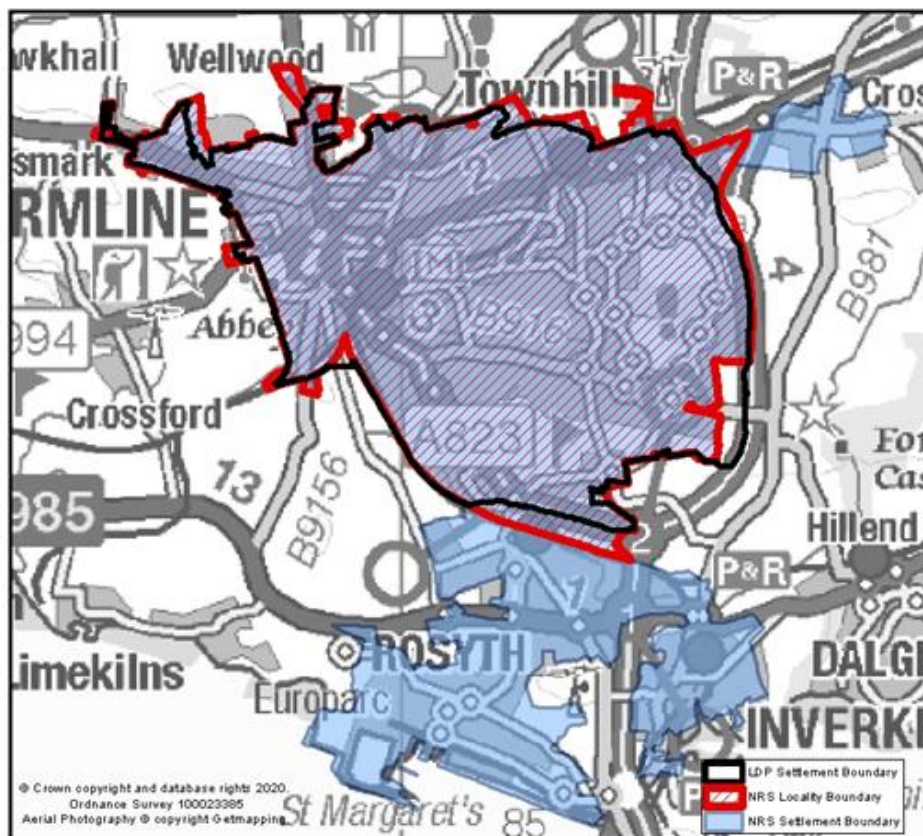
7.1 It is anticipated that delivery of this joint project may take 3 to 5 years. The community engagement and statutory notice procedure can take x months. There are also a number of tasks of a complex nature from land acquisition to design and construction of the new bridge.

Appendix 8.3 Dunfermline Housing Market Report

1. Introduction

1.1 This report assesses the strength of the housing market in the locality of Dunfermline (as defined by the NRS - National Records of Scotland). Both locality and settlement boundaries are assessed in determining mid-year population estimates by National Records of Scotland (NRS). Whilst the locality boundary for Dunfermline is a fair approximation of the settlement boundary delineated in FIFEplan – Fife’s Local Development Plan – the settlement boundary assessed by NRS includes Rosyth, Inverkeithing and Crossgates. Throughout this report, NRS locality boundaries are used. Map 1 illustrates the difference between the FifePlan Dunfermline settlement, NRS Dunfermline Settlement and NRS Dunfermline locality boundaries. Please note that all tables are ordered by population size and Dunfermline is highlighted for ease of reference.

Map 1: Local Development Plan settlement and NRS locality/settlement boundaries



Source: National Records of Scotland and FifePlan

1.2 Rather than focus solely on Dunfermline in attempting to assess the strengths of its housing market, this report assesses the Dunfermline locality against

comparator localities and looks at population; new house building activity; house sales activity; and house price increase.

2. Comparator localities

2.1 Dunfermline is the 9th largest locality in Scotland (source National Records of Scotland <https://www.nrscotland.gov.uk/statistics-and-data/statistics/statistics-by-theme/population/population-estimates/settlements-and-localities/mid-2016/list-of-tables>).

Table 1: 12 most populous localities in Scotland

Locality	Population Estimate 2016	Population Index (Dunfermline = 100%)
Glasgow	612,040	1,153%
Edinburgh	488,050	919%
Aberdeen	200,680	378%
Dundee	148,280	279%
Paisley	77,220	145%
East Kilbride	75,120	141%
Livingston	57,030	107%
Hamilton	54,080	102%
Dunfermline	53,100	100%
Cumbernauld	50,920	96%
Kirkcaldy and Dysart	50,010	94%
Perth	47,430	89%

Source: National Records of Scotland

2.2 Table 1 shows the 12 most populous localities in Scotland and indexes their populations against Dunfermline i.e. Dundee's population is 2.79 times that of Dunfermline. These indices are used to normalise subsequent statistics.

2.3 From these localities, 5 were selected as house building comparators to Dunfermline: Dundee, East Kilbride, Hamilton, Kirkcaldy and Dysart, and Perth (shaded blue in Table 1.2).

Dundee

2.4 Dundee was selected as the smallest city which is the centre of a city region. It is nearly 3 times the size of Dunfermline and is also the major service and employment centre for north Fife and Angus. Dundee is on the East Coast Main Line and has reasonable road and bus links.

East Kilbride

2.5 East Kilbride was selected for comparison as the first and largest of Scotland's New Towns. Like Dunfermline, East Kilbride is served by two railway stations.

Hamilton

2.6 Hamilton has almost the same population as Dunfermline being within 2%. It is served by the motorway network and has a bus station and three railway stations. Hamilton also has further advantages in that it is the administrative centre for South Lanarkshire Council.

Kirkcaldy and Dysart

2.7 Kirkcaldy and Dysart were selected as a Fife comparator. The combined locality was once the most populous in Fife but was overtaken by Dunfermline sometime after the turn of the millennium.

Perth

2.8 Perth is Scotland's newest city but is of similar historical importance to Dunfermline. Perth also has planned strategic development which could deliver 6,000 - 8,000 homes and, as such, shares similar characteristics with Dunfermline.

3. Housing completions

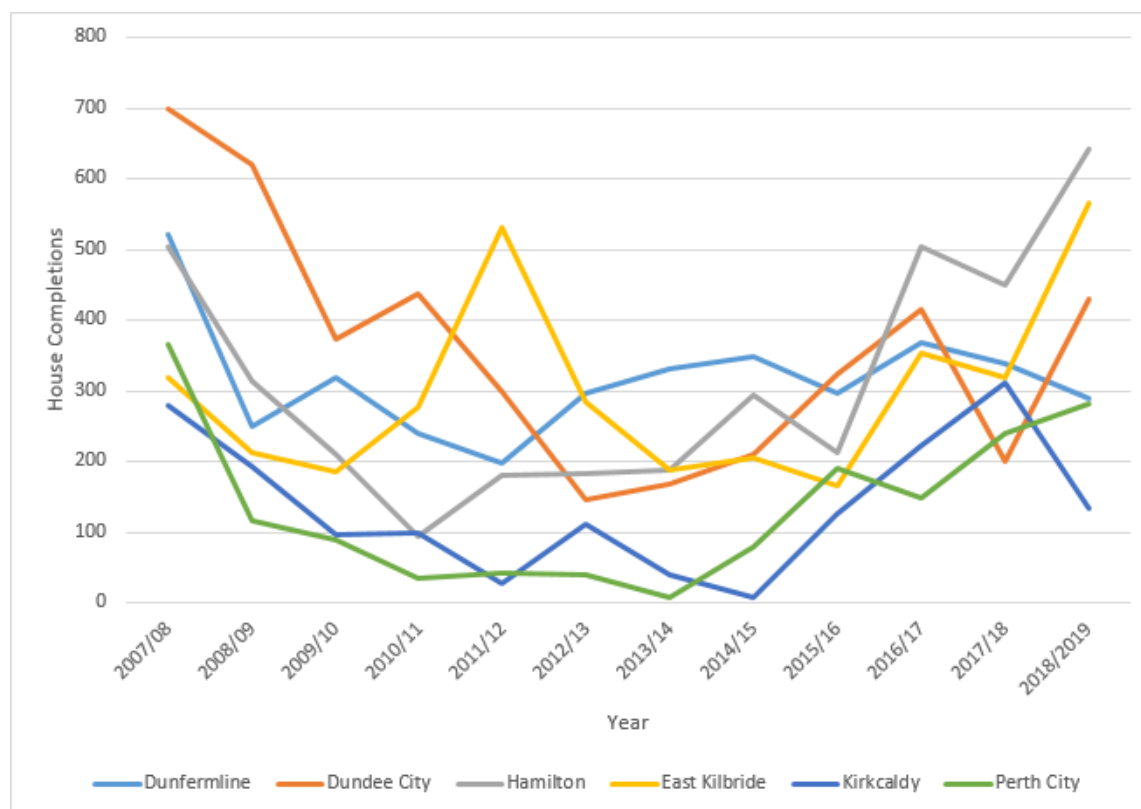
3.1 New house building is adopted as a measure of the attractiveness of a locality to house builders. Completions figures were collected for each of the localities by year from 2007/08 to 2018/19. This period has one year before the start of the recession in 2008 and stretches to the partial recovery which is beginning to become apparent.

Table 2: Housing completions by locality 2007/08 – 2018/19

	2007 /08	2008 /09	2009 /10	2010 /11	2011 /12	2012 /13	2013 /14	2014 /15	2015 /16	2016 /17	2017 /18	2018 /19
Dunfermline	522	250	320	240	199	297	332	348	296	368	338	290
Dundee City	700	621	372	437	299	147	168	210	323	416	201	430
Hamilton	503	313	210	94	180	183	188	293	213	503	449	642
East Kilbride	320	213	185	278	532	285	188	206	166	354	320	567
Kirkcaldy	279	193	96	99	28	112	40	8	125	222	311	133
Perth City	365	117	88	34	43	40	7	79	191	148	239	282

Table 2 & Chart 1 Sources: Dundee Housing Land Audit; South Lanarkshire Council; Fife Housing Land Audit; Perth and Kinross Housing Land Audit

Chart 1: Housing completions by locality 2007/08 – 2018/19



3.2 As can be seen from Table 2 and Chart 1, all localities underwent a significant reduction in new housing completions following the credit crunch and onset of the recession in 2008. Of all the comparator localities, Dunfermline shows the most consistency from year to year demonstrating its resilience and its attractiveness to developers.

3.3 To further explore the relationship between house completions and locality size, Table 3 takes the mean of completions from 2009/10 – 2018/19 and indexes them by the population index in Table 1.

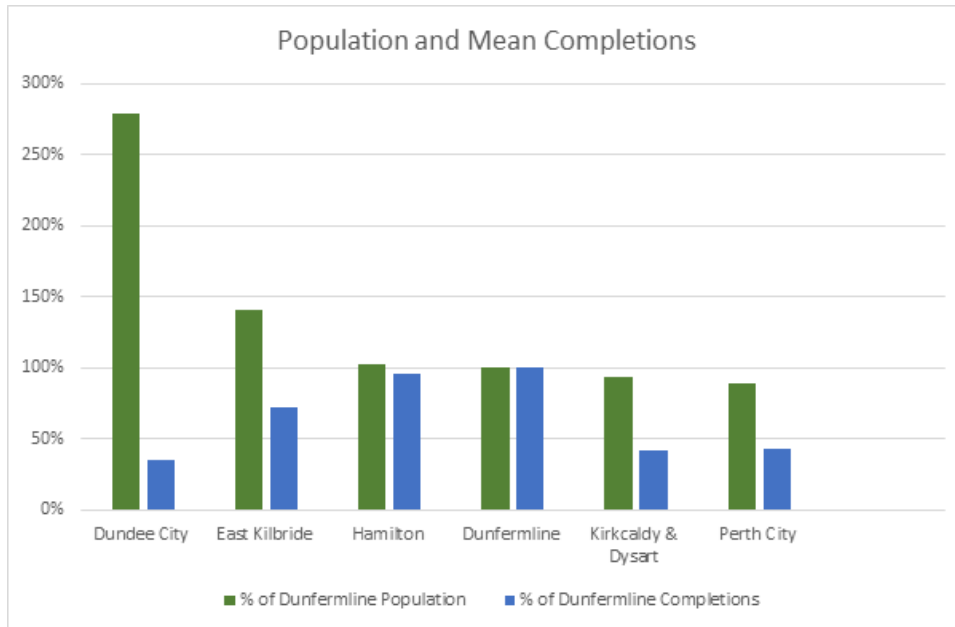
Table 3: Average and indexed completions by locality 2009/10 – 2018/19

Locality	Mean Completions 2009/10-2018/2019	Population Index from Table 1 (Dunfermline = 100%)	Mean completions normalised by population index
Dundee City	300	279	108
East Kilbride	308	141	219
Hamilton	296	102	290
Dunfermline	303	100	303
Kirkcaldy & Dysart	117	94	125
Perth City	115	89	129

Sources: Tables 1 & 2

3.4 As Table 3 shows, Dunfermline is nearly 3 times as successful in attracting new development as its nearest neighbour, Kirkcaldy. If the mean completions figures were to be normalised by the population index, i.e. mean completions ÷ population index, in order to remove locality size as a factor in attracting and delivering new build housing, Dunfermline is the most successful of the comparator localities in attracting new build housing.

Chart 2: Population and completions index

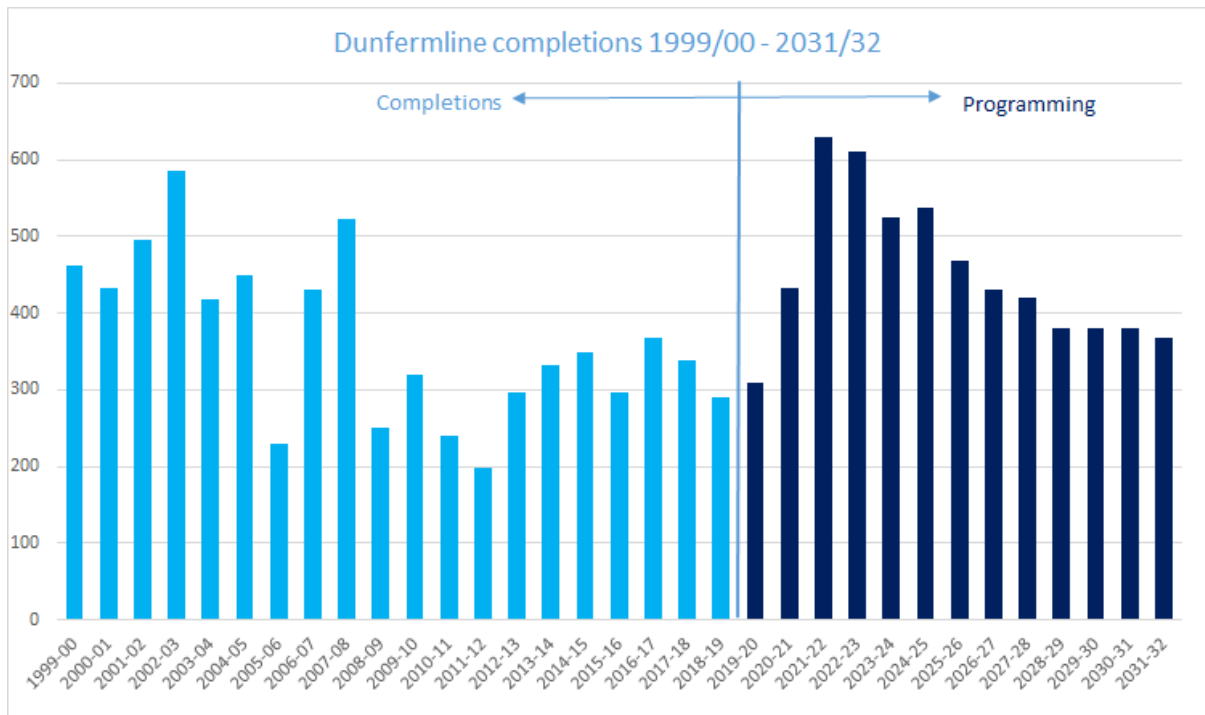


Sources: *Tables 1 & 2*

3.5 Chart 2 combines population of locality (2016 estimate) with mean completions by locality (2009/10-2018/2019) and indexes each comparator locality against Dunfermline (Dunfermline = 100%) and orders the chart by comparative population. As Dunfermline represents the 100% index in both population and mean completions, any comparator locality which outperformed Dunfermline in these measures would have the % of Dunfermline Completions higher than % of Dunfermline Population.

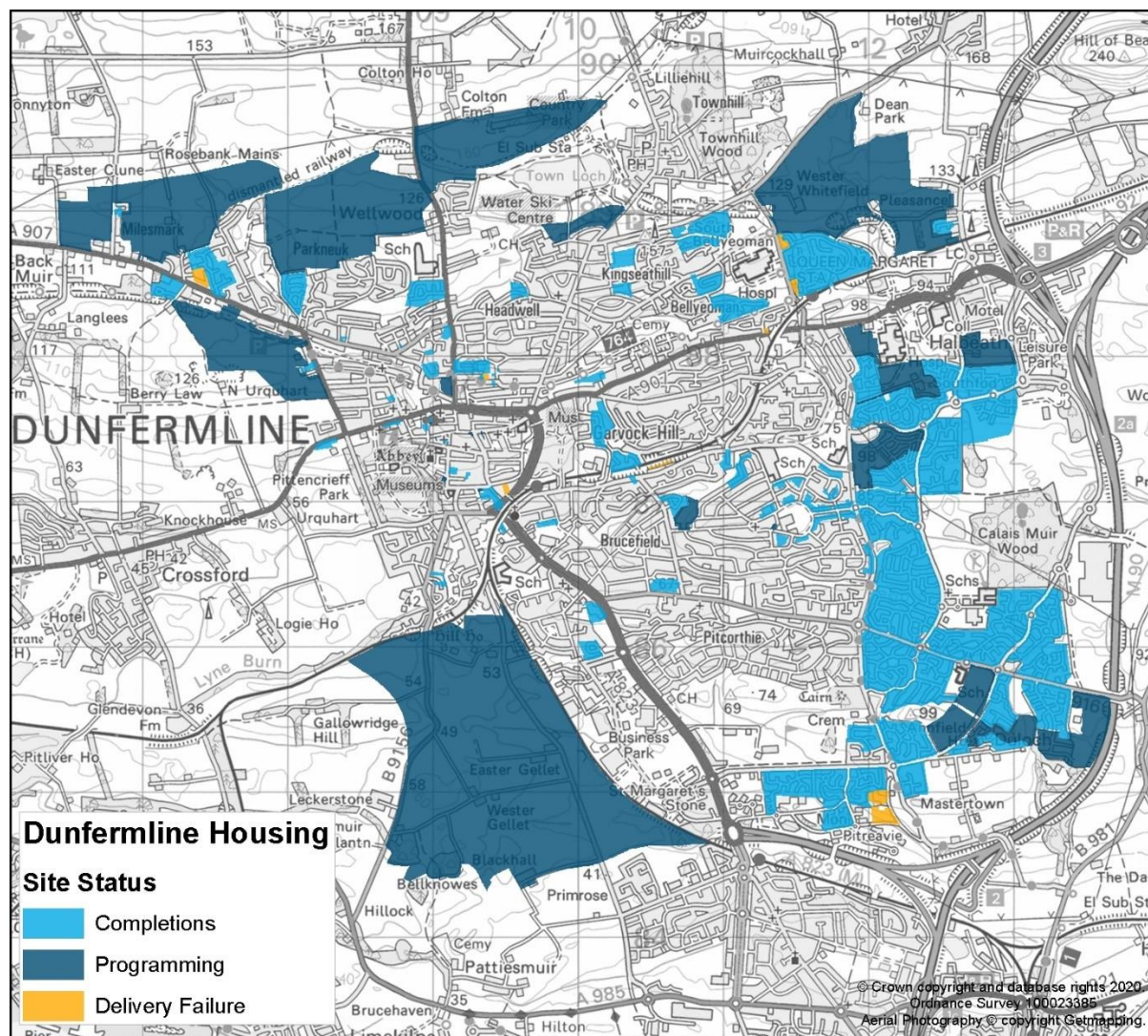
3.6 Data on programmed development is available for Dunfermline and is given in Chart 3. This shows that Dunfermline has sufficient land to maintain, and improve on, its delivery of new housing.

Chart 3: Dunfermline completions and programming 1999/00 – 2031/32



Source: Fife Housing Land Database

Map 2: Dunfermline completions and programming 1999/00 – 2031/32



Source: Fife Housing Land Database

Note: Not all the land shown is programmed to be developed by 2032 and some of the larger sites have a projected lifespan beyond this timescale.

3.7 Map 2 is a mapped representation of the data in Chart 3 and shows the distribution of completed and programmed housing in Dunfermline from 1999 to 2032. Of particular interest is the small number and area of sites which have failed to deliver housing completions and are no longer programmed. This is a further indication of the strength of the market in Dunfermline.

3.8 In conclusion, Dunfermline has weathered the recession better than localities of a similar size. When indexed by population, Dunfermline has delivered significantly more new housing than all comparators and has sufficient land allocated and programmed as effective to maintain, and improve on, new housing delivery.

4. House sales

4.1 Localities which have good employment opportunities, good access to these opportunities and are attractive as places to live, learn, work and take leisure tend to have a high number of house sales as a result. Indeed, the number of house sales can be seen as a measure of the attractiveness of the locality as, not only a place to live, but a place to invest in new development.

4.2 Statistics on house sales have been taken from Zoopla over a ten-year period. Although this ten-year period is not exactly the same period as was used for new home completions in section 3, the period is sufficiently long to smooth out any anomalies and spikes which may exist in the data.

Table 4: House sales by locality in the last 10 years

Locality	10-year sales
Dundee City	20,425
East Kilbride	12,627
Hamilton	7,774
Dunfermline	14,829
Kirkcaldy and Dysart	7,902
Perth	11,522

Source: <https://www.zoopla.co.uk/> as at 14/09/2020

4.3 Table 4 shows that Dunfermline had the second highest number of house sales of all the comparator localities over the last 10 years. However, the more homes there are in a locality, the more there are to bring to market. Although, strictly speaking, these statistics should be normalised by the number of homes in each locality, this data is not available and the 2016 mid-year population estimates are used as a proxy for number of homes. Table 5 normalises the data using the population index in Table 1.

Table 5: House sales by locality in the last 10 years normalised by population index

Locality	10 year sales	% of Dunfermline Population	10 year sales normalised by population index
Dundee City	20,425	279	7,321
East Kilbride	12,627	141	8,955
Hamilton	7,774	102	7,622
Dunfermline	14,829	100	14,829
Kirkcaldy and Dysart	7,902	94	8,406
Perth	11,522	89	12,946

Sources: Tables 1 & 4

4.4 Table 5 shows that, when the house sales data is normalised using the population index, Dunfermline has, proportionally, the greatest number of house sales over the last 10 years.

4.5 Another indicator of attractiveness is the proportion of house sales which were of new build homes. As stated in paragraph 4.2 the house sales data and the new build completions data do not cover the same period and data which covers the same period is not available. However, both datasets cover 10-year blocks which is of a sufficient sample size to be a reasonable indication of the proportion of new home sales to all sales. Whilst this data should be treated with some caution, the same data has been used for each comparator locality and, barring a significant event which exists in one period but not in another, is sufficient to rank the localities by proportion of new build sales to all sales.

Table 6: Localities ranked by new build completions ÷ 10-year house sales

Locality	10 year sales	Completions 2008-2017	Completions/ Sales %	Rank
Dundee City	20,425	3,003	14.7%	5
East Kilbride	12,627	3,081	24.4%	2
Hamilton	7,774	2,955	38.0%	1
Dunfermline	14,829	3,028	20.4%	3
Kirkcaldy and Dysart	7,902	1,174	14.9%	4
Perth	11,522	1,151	10.0%	6

Sources: Tables 2 & 4

5. House prices

5.1 House prices are an indicator of the attractiveness of a locality as they reflect what the market is prepared to pay. Table 7 may be seen to represent a vindication of the selection process by which the comparator localities were chosen – all average house prices are within ± £25,000 of the mean of means. Dunfermline has a relatively high house price, surpassed only by Perth. However, looking at the longer term, including the worst years of the recession, Dunfermline has the highest overall price increase over the last 10 years of all the comparators. This indicates resilience and return on investment which is likely to be attractive to new housing developers.

Table 7: House prices and house price changes over time periods

Locality	Average Price over last 12 months	% Price change over last 12 months	% Price paid increase over 10 years
Dundee City	158,343	-1478	27,651
East Kilbride	138,732	-1296	31,705
Hamilton	146,601	5,858	36,297
Dunfermline	170,172	-3071	40,982
Kirkcaldy	137,941	4340	30,242
Perth	184,694	3475	33,983

Source: <https://www.zoopla.co.uk/> as at 21/09/2020

6. Conclusions

6.1 This report, having assessed the strength of the housing market in the locality of Dunfermline, concludes that Dunfermline compares favourably with the selected comparator localities in terms of:

- Historic housing completions
- House sales
- House prices
- House price growth

6.2 Dunfermline has weathered the recession better than localities of a similar size and, when indexed by population, Dunfermline has delivered more new housing than all comparators. In addition, Dunfermline has sufficient programmed land to maintain, and improve on, housing delivery in the locality well beyond 2032. Dunfermline has only a small number and area of sites which have failed to deliver housing completions and are no longer programmed. This is a further indication of the strength of the market in Dunfermline.

6.3 Dunfermline has the second highest number of house sales of all the comparator localities over the last 10 years (Table 6). However, when the house sales data is normalised using the population index ranks 3 ahead of both Dundee and Perth.

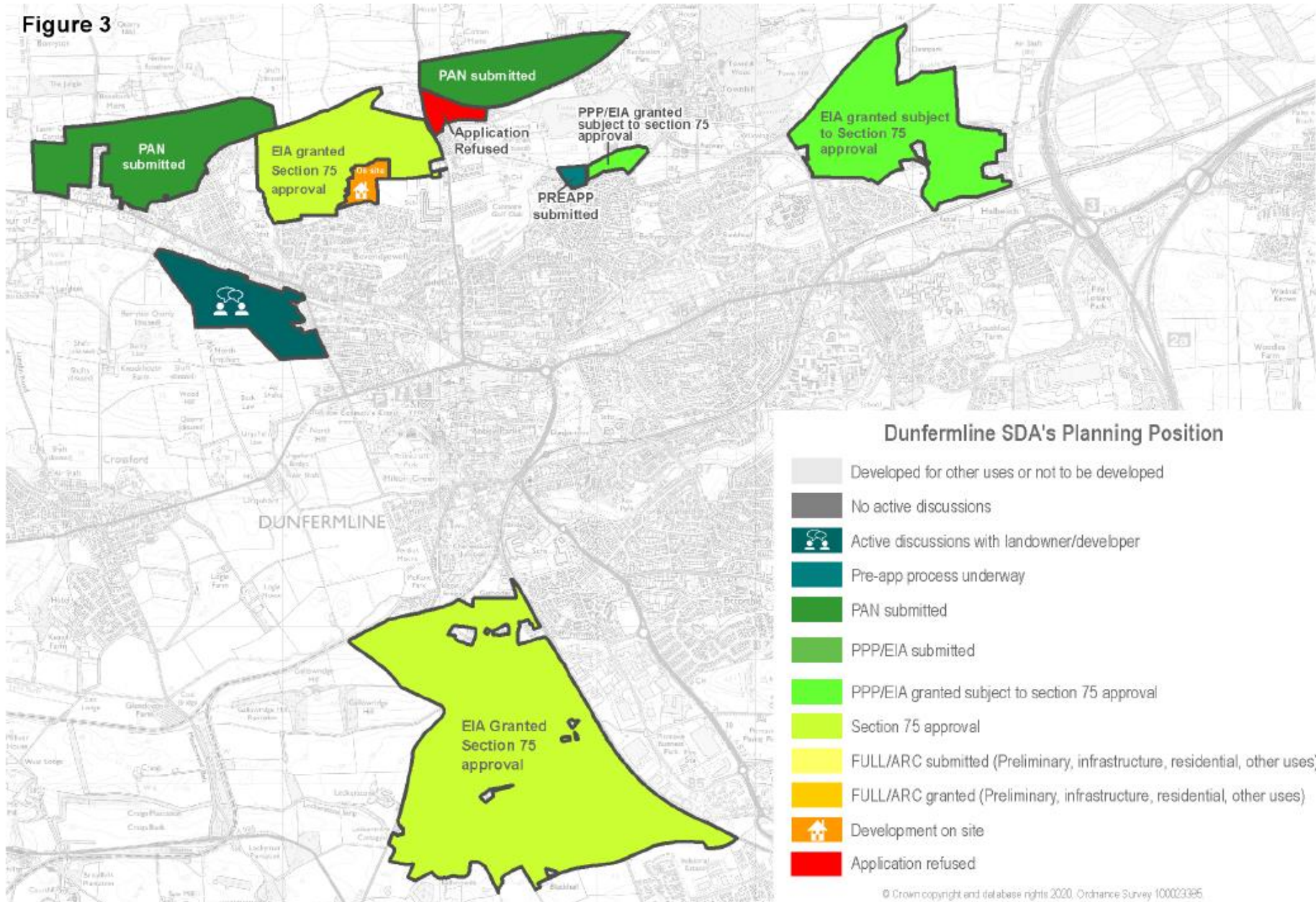
6.4 Dunfermline has the highest overall price increase over the last 10 years of all the comparators. This indicates resilience and return on investment which is likely to be attractive to new housing developers.

6.5 This report, having assessed the strength of the housing market in the locality of Dunfermline, concludes that Dunfermline shows the most consistency from year to year demonstrating its resilience and that it is well placed to continue to deliver house completions.

Appendix 8.4 Dunfermline Strategic Growth Development Overview

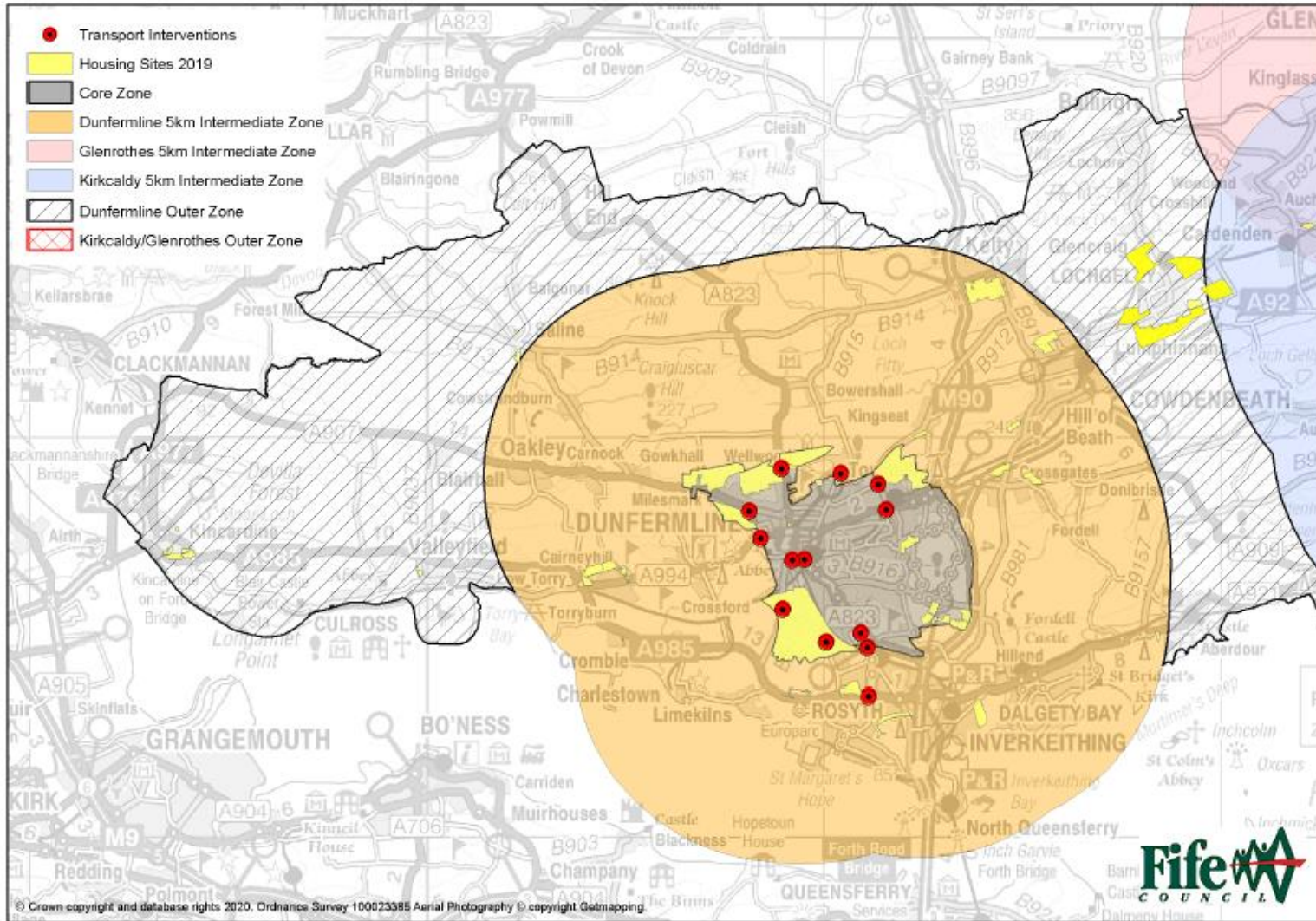
Strategic Location (SDA/SLA)	Planning Status (Oct. 2020)	Homes/ Jobs	Estimated Site Value
Dunfermline N-W-SW (Wellwood)	Approved and under construction – 1100 homes	Up to 8,000, (inc. 2,000 affordable) 80ha employment land	£947M
Dunfermline N-W-SW (Berrylaw)	Application awaited		
Dunfermline N-W-SW (Broomhall)	Approved – minimum 2150 homes		
North Dunfermline (Halbeath)	Approved subject to Section 75 - 1400 homes		
North Dunfermline (Kent Street)	Application approved – 92 units		
North Dunfermline (Chamberfield)	PRE APP commenced		
North Dunfermline (Colton)	Application under consideration – 450 homes		
North Dunfermline (N.of Wellwood)	Refused– 140 homes		
North Dunfermline (Swallowdrum)	PAN submitted		
North Dunfermline (Carnock Road)	PAN submitted		
Total Investment Value of Fife-wide SDA Programme			£3 Billion

Figure 3



Appendix 8.5 Transport Zones

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Appendix 8.6 Local Outcome Improvement Plan Extract

Plan for Fife 2017-2027

Thriving Places Theme

Our Focus	Lead	Expected Changes	Actions for 2017-2020
<ul style="list-style-type: none"> Increase the supply of housing, improve conditions in the private rented sector and improve access to information on housing choices. 	Micheal Enston	<ul style="list-style-type: none"> 3,500 additional affordable rented houses. Adequate infrastructure availability. Reductions in homelessness, and sub-standard private sector housing. 	<ul style="list-style-type: none"> Promote investment and align public sector capital investment to unlock developer funding for transport and education infrastructure. Deliver an integrated approach to support the delivery of strategic housing across Fife's nine identified "strategic development areas". Deliver a Phase 3 affordable housing programme of 3,500 homes by 2022. Implement robust measures to improve private sector housing conditions. Prevent homelessness by providing more housing options and supporting households to sustain their accommodation. Deliver energy efficiency measures to reduce fuel poverty and improve health and wellbeing across all housing tenures.

Extract from Page 18

Appendix 8.7 Financial Model

Dunfermline Transport Infrastructure SDA CASHFLOW - 42 years

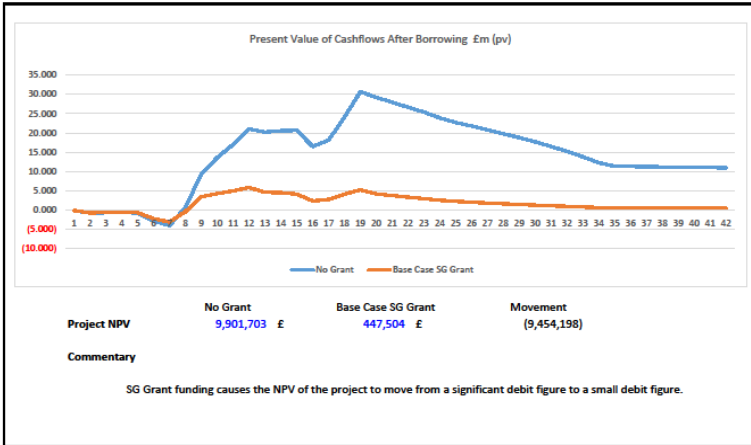
	Total	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35	2035/36	2036/37...	2057/58		
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20....	Year 41			
Capital Expenditure	Em	Inflation	Em	Em	Em	Em	Em	Em	Em	Em	Em	Em	Em	Em	Em	Em	Em	Em	Em	Em	Em	Em		
2020 Prices																								
1. Pitreavie Roundabout Signalisation & Additional Southbound L	0.650	BCIS	0.650		0.125	0.525																		
2. Kings Road/Admiralty Road junction signalisation	1.456	BCIS	1.750																					
3. Bothwell Gardens Roundabout Signalisation	1.028	BCIS	1.173				0.235	0.469	0.469			0.350	0.700	0.700										
4. Northern Link Road (NLR) - East End	11.500	BCIS	13.957				0.052	0.054	0.112	1.738	5.890	6.111	0.000											
5. Western Distributor Road (WDR) - Grange Drive	10.308	BCIS	13.338															6.669						
6. NLR - A823 - Whitefield Road	8.470	BCIS	10.027				0.052	0.108	0.558	5.248	4.062	0.000												
10. WDR - Coal Road including bridge crossing of Dunfermline - AI	12.333	BCIS	19.903																					
11. WDR - William Street/Rumblingwell junction upgrade	1.493	BCIS	2.080																	0.416	0.832	0.832		
12. WDR - William Street	2.817	BCIS	3.923																	0.785	1.569	1.569		
Total Capital Expenditure	50.055		66.802	0.000	0.000	0.125	0.525	0.338	0.631	1.139	6.986	10.302	6.811	7.369	6.669	1.201	2.401	2.401	0.000	3.981	7.961	7.961	0.000	
Income	Per unit	25%																						
Scottish Government Grant	2017 Prices		(16.538)				0.000	(0.085)	(0.158)	(0.285)	(1.746)	(2.576)	(1.703)	(1.842)	(1.667)	(0.300)	(0.600)	(0.600)	0.000	(0.995)	(1.990)	(1.990)		
Dunfermline Core Zone	(0.005)	BCIS	(55.479)	(0.033)	(0.215)	(0.558)	(0.292)	(1.043)	(2.357)	(1.912)	(1.392)	(2.427)	(4.045)	(2.818)	(2.364)	(2.452)	(2.544)	(2.549)	(2.220)	(2.303)	(1.912)	(2.003)	0	
Dunfermline Intermediate Skm Zone	(0.002)	BCIS	(2.896)	(0.021)	(0.151)	(0.262)	(0.074)	(0.254)	(0.273)	(0.383)	(0.308)	(0.211)	(0.211)	(0.150)	(0.127)	0.000	(0.137)	(0.142)	(0.146)	(0.054)	0.000	0.000	0	
Dunfermline Intermediate Skm Zone	(0.002)	BCIS	(6.310)	(0.163)	(0.204)	(0.240)	(0.037)	(0.085)	(0.160)	(0.181)	(0.203)	(0.321)	(0.347)	(0.346)	(0.365)	(0.275)	(0.286)	(0.297)	(0.308)	(0.216)	(0.179)	(0.186)	0	
Dunfermline Outer Zone	(0.000)	BCIS	(0.116)	(0.002)	(0.002)	(0.000)	(0.004)	(0.009)	(0.010)	(0.041)	(0.016)	(0.016)	(0.017)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0	
Dunfermline Outer Zone	(0.000)	BCIS	(2.982)	0.000	0.000	0.000	(0.009)	(0.047)	(0.053)	(0.164)	(0.164)	(0.145)	(0.131)	(0.136)	(0.142)	(0.147)	(0.152)	(0.158)	(0.164)	(0.105)	(0.095)	(0.084)	(56.667)	
Variance of Existing S75 to Supplementary Guidance - reduction and profile			(0.173)	(0.204)	(0.401)	0.500	0.641	(0.078)	(1.303)	0.579	0.326	0.112	0.116	0.187	0.194	0.201	0.209	0.216	(1.466)	0.000	0.000	0.000	0.000	
Total Income	Totals Indexed		(84.404)	(0.204)	(0.620)	(0.072)	(0.420)	(0.494)	(2.827)	(2.430)	(2.640)	(3.616)	(5.580)	(6.267)	(5.099)	(4.364)	(2.966)	(3.504)	(5.213)	(2.839)	(3.674)	(4.176)	(4.262)	(0.057)
Net Annual Cashflow			(17.602)	(0.204)	(0.620)	0.053	0.105	(0.156)	(2.196)	(1.290)	4.345	6.686	1.232	1.103	1.570	(3.164)	(0.565)	(1.102)	(5.213)	1.141	4.287	3.785	(4.262)	(0.057)
Cumulative Cashflow for borrowing cost			(0.204)	(0.823)	(0.770)	(0.665)	(0.821)	(3.016)	(4.307)	0.039	6.725	7.956	9.059	10.629	7.465	6.900	5.798	0.585	1.727	6.014	9.799	5.537	(17.553)	
Borrowing cost on gap																								
Interest Receivable	0.25%		(0.630)	(0.001)	(0.002)	(0.002)	(0.002)	(0.002)	(0.008)	(0.011)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(0.044)
Interest Cost	3.61%		3.011	0.000	0.000	0.000	0.000	0.000	0.000	0.001	0.243	0.287	0.327	0.384	0.269	0.249	0.209	0.021	0.062	0.217	0.354	0.200	0.000	
Net Annual Cashflow			(15.222)	(0.204)	(0.622)	0.051	0.104	(0.158)	(2.203)	(1.301)	4.347	6.929	1.519	1.430	1.954	(2.894)	(0.316)	(0.893)	(5.192)	1.204	4.505	4.139	(4.062)	(0.101)
Cumulative Cashflow after borrowing costs			(0.204)	(0.826)	(0.775)	(0.671)	(0.829)	(3.032)	(4.333)	0.013	6.942	8.461	9.891	11.845	8.950	8.635	7.742	2.550	3.754	8.258	12.397	8.334	(15.129)	
Discount Factor	NPV																							
Net Present Value	7.38%																						0.448	

Assumptions

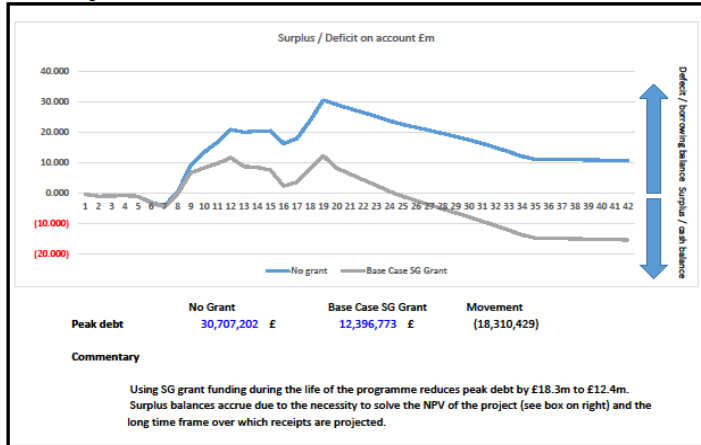
Optimism Bias in HLA 2019 varied for Slow Burn Scenario
 Based on HLA 2019
 Cost of Transport Solutions indexed from 2020 Prices
 S75 income received 12 months following build, with initial deferred payments
 Capital costs include abnormal costs, contingency, design fees and land cost
 COVID 19 Lockdown 9 months delay in build rate
 Modelled S75 income adjusted for existing agreements

Dunfermline Transport Project SG Funding Ask

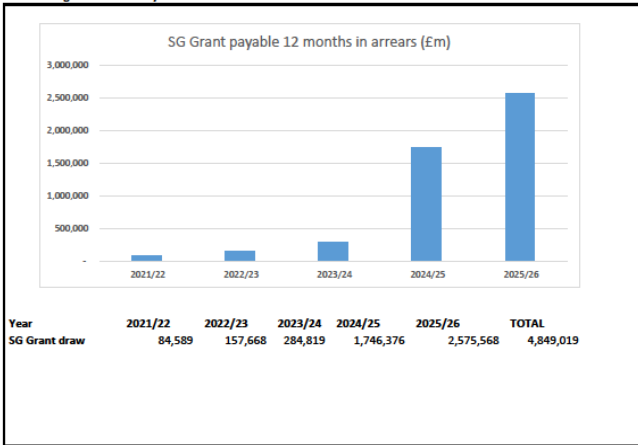
Net Present Value



Peak Borrowing



SG Drawings - Parliamentary Period



Assumptions and Inputs

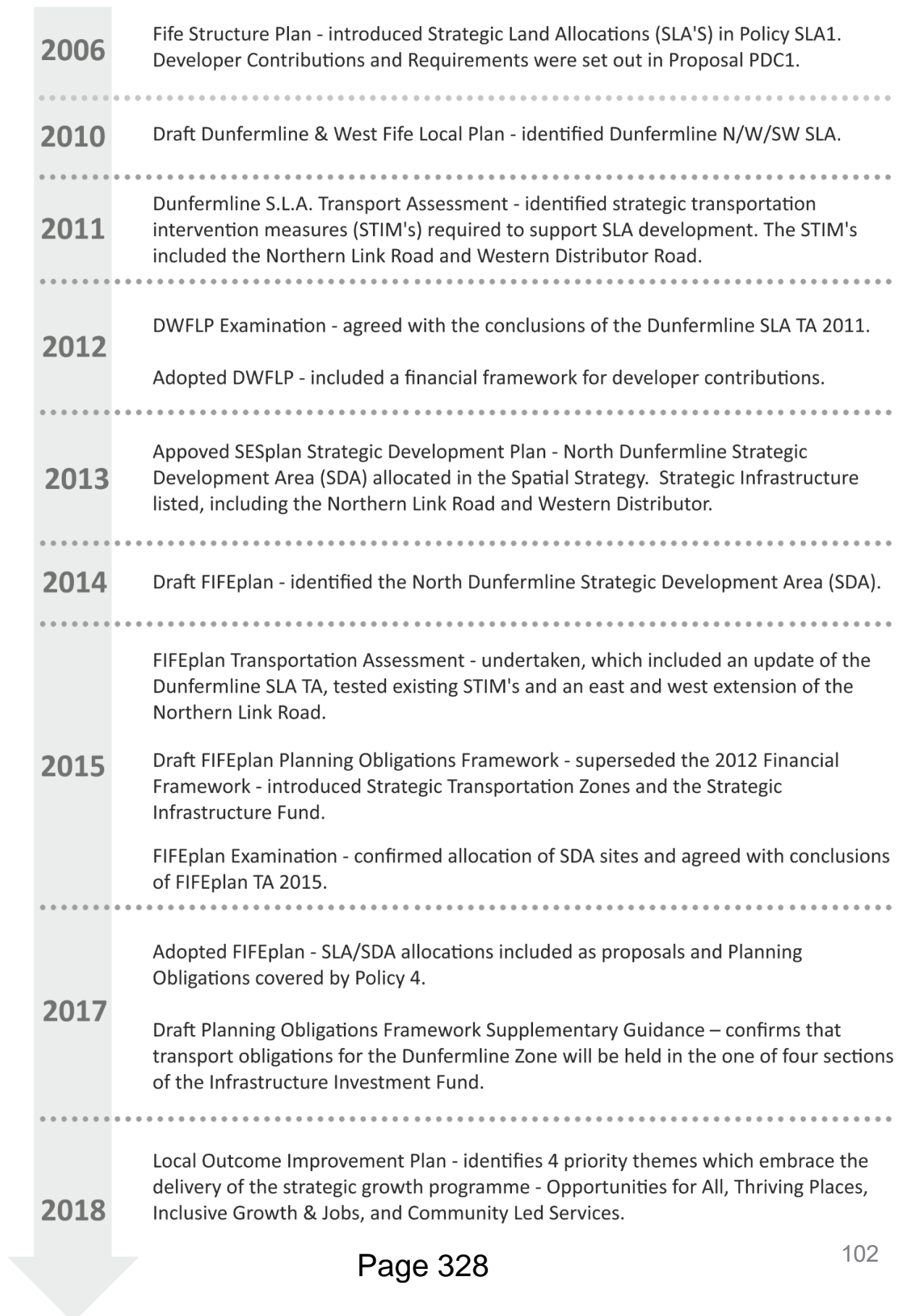
Real Discount Rate	3.5%
Inflation	3.75%
Nominal Discount Rate	7.38%
SG Grant proportion	25%

Notes

Model uses credits (income, funding, etc) as negative numbers and debits (expenditure) as positive numbers; therefore a positive balance on the charts represents a net debit position for the project which has had to be funded from borrowing.
NPV and surplus/deficit chart are related but distinct. The NPV chart has been created by applying discount factors to the cash flows shown in the surplus/deficit chart

Appendix 8.8 Dunfermline Strategic Transportation Intervention Measures – Policy Process Timeline

Dunfermline Strategic Transportation Intervention Measures - Policy Process Timeline



Appendix 8.9 Governance Structures

The figure below illustrates the governance structure for the Fife Strategic Development Area Programme.

Appendix 2: Fife Strategic Development Areas Governance Structure



Senior Suppliers:

Shelagh Mclean, Head of Education & Children's Services
 Alan Paul, Senior Manager, Property Services
 Morag Ferguson, Head of Legal Services
 Ken Gourlay, Head of Assets, Transportation & Environment
 Elaine Muir, Head of Finance
 William Shand, Strategic Development Manager, Planning Services

Suppliers:

Finance - Jackie Johnstone, Accountant (capital & revenue financial modelling)

Education - Louise Playford, Service Manager, Property Services; Avril Graham, Sustainable Estate Officer; Gary Scott, Research Consultant (School role forecasting & infrastructure modelling); Diarmid McLachlan, Lead Professional, Architect (infrastructure design)

Planning - Major Business & Customer Service

Transportation - Mark Barrett & Richard Simmons, Lead Officers, Development Management Transportation (transportation infrastructure requirements); John Mitchell, Service Manager, Sustainable Transport & Parking and Mark Dewar, Service Manager, Roads Design & Construction (transportation infrastructure design)

Legal - Mary Mclean, Legal Team Manager; June Barrie, Legal Services Manager & Steven Patterson & Laura Lamb, Solicitor (Legal advice & Section 75 agreements)

Economic Development - Pamela Stevenson, Service Manager, Economic Development; Ronnie Hair, Property Investment & Development Manager and Anne Rennie (Employment land requirements & delivery)

Housing - Helen Wilkie, Service Manager, Housing Condition and Supply, (Affordable housing) requirements & delivery

Property - Michael McArdle (Land acquisition)

Health & Social - Fiona McKay, Head of Strategic Planning Performance & Commissioning (Health & social care partnership)

Developers & land owning interests - various (development promotion & delivery)

Appendix 8.10 Programme Risk Register Extract

Risk Matrix:

Risk	Impact				
	None (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Almost certain (5)	5	10	15	20	25
Likely (4)	4	8	12	16	20
Possible (3)	3	6	9	12	15
Unlikely (2)	2	4	6	8	10
Remote (1)	1	2	3	4	5

Key

Risk	Insignificant	Low	Medium	High
------	---------------	-----	--------	------

Risk	Potential Impact	Likelihood	Suggested Mitigation	Managed Risk Score
Financial and Viability Risk				
As a result of rising interest rates there is a risk that debt costs could increase which may result in higher borrowing costs.	Moderate. Increase the level of potentially unsupported borrowing and increase in debt cost.	Unlikely. Interest rates are likely to rise as rates are historically low. However, the Council use a pool rate which limits the risk.	Sensitivity of base case to confirm affordability of debt pricing movements.	Medium
As a result of COVID-19 there is a risk that work practices will require to change which may result in increased construction costs.	Minor. Short-term loss of productivity due to social distancing and revised work practices.	Almost Certain. However, it is assumed this will be short-term due to the vaccine roll-out and that revised work practices will have become the 'new normal'/standard work practice.	The financial model reflects a 15% increase in construction costs for financial year 20/21 and a 10% increase for financial year 21/22, to be applied to base case of financial model. The model assumes costs will return to normal financial year 22/23 onwards.	Medium
As a result of a delay in the infrastructure delivery from that programmed in the base case (e.g. transportation or education provision) there is a risk that infrastructure may not be delivered by when it is	Major. Stalled sites through effectively constraining and halting house building once Section 75 triggers are reached for individual sites, until infrastructure is delivered which allows sites to restart construction and progress. This is a risk not just for the delivery of transportation infrastructure. A	Possible. Although risks are largely controllable by the Council, timescales are indicative requiring further design work and may rely on CPO powers if land acquisition cannot be successfully negotiated.	Effective contract management and programming of all infrastructure required to support the strategic growth of Dunfermline. Transportation infrastructure delivery is programmed just before it is required based on the Section 75 triggers for each site and the programmed build rate for each site (using the 2019 Housing Land Audit). This ensures that infrastructure is not delivered until required, maximises the cashflow available through Section 75 income and that revenue costs are not being incurred earlier than required.	Medium

Risk	Potential Impact	Likelihood	Suggested Mitigation	Managed Risk Score
<p>required, which may result in sites stalling until infrastructure is delivered.</p>	<p>delay in education provision could stall sites and result in the revised projected build out of sites, therefore potentially impacting on the timing of transportation infrastructure.</p> <p>This would have significant implications for the delivery of new homes in Dunfermline, 25% of which will be affordable (2,000 units).</p> <p>Potential increase in level of unsupported borrowing (dependant on where occurs in programme).</p> <p>This could create a reputational impact for Fife Council.</p>		<p>Where land assembly is required and it is unclear if an agreement will be reached, a twin track approach of negotiation and progressing a CPO is being undertaken. This will ensure that if a CPO is required, the preparatory work has been undertaken. Agreement in principle has been gained from Council committee regarding use of CPOs.</p> <p>Regular dialogue with the house building industry (including through the annual Fife Housing Land Audit process) and with government decision makers.</p> <p>Prudent revenue assumptions.</p> <p>Manage the funding drawdown with effective debt management strategy.</p>	<p></p>
<p>As a result of an accelerated rate of house building from that programmed in the base case there is a risk that infrastructure may not be delivered by when it is required, which may result in sites stalling until infrastructure is delivered.</p>	<p>Major. Stalled sites through effectively constraining and halting house building once Section 75 triggers are reached for individual sites, until infrastructure is delivered which allows sites to restart construction and progress.</p> <p>This would have significant implications for the delivery of new homes in Dunfermline, 25% of which will be affordable (2,000 units).</p> <p>This could create a reputational impact for Fife Council.</p>	<p>Possible. If developers accelerate output beyond that proposed in the Housing Land Audit and the base case, this could result in sites reaching their Section 75 triggers before infrastructure is delivered, thus stalling development/sites. This is unlikely in the short term given that programmed output has been pushed back due to the effect of Covid-19 on the construction industry and the period of lockdown when construction temporarily halted. Housing market analysis has also identified a strong correlation between proposed and actual house building.</p>	<p>Effective contract management and programming of all infrastructure required to support the strategic growth of Dunfermline.</p> <p>Regular dialogue with the house building industry (including through the annual Fife Housing Land Audit process) and with government decision makers.</p> <p>Revise infrastructure delivery programme to respond to changes in projected house building as documented in the Housing Land Audit.</p>	<p>Medium</p>
<p>As a result of an under estimation of costs there is a risk that costs may be higher which may result in a cost over-run.</p>	<p>Major (recorded as major although level of impact is dependent on level cost increase). Increased capital costs would create a level of unsupported borrowing and therefore increase in debt costs as cost increases cannot be</p>	<p>Possible. Impact of Covid-19 increases this risk.</p> <p>Costs are very high level. The identified routes are indicative, and no ground investigation work has been undertaken to date.</p>	<p>Whilst this business case provides the best estimate at this time and costs have been factored up to include reasonable expectancies and contingencies, assessing cost maturity highlights that the cost of the infrastructure interventions needs to be reviewed on a more detailed project by project basis with the development of more specific cost estimates. As each project progresses into the ground</p>	<p>Medium</p>

Risk	Potential Impact	Likelihood	Suggested Mitigation	Managed Risk Score
	<p>funded by Section 75 contributions. Section 75 agreements cannot be revisited once they have been signed by all parties.</p> <p>This could create a reputational impact for Fife Council.</p>	<p>Once ground investigation works and detailed design works are undertaken the costs will be subject to further change. The degree of change is currently unknown and variations to capital costs have been reflected in the sensitivities tested and base case.</p> <p>Future legislative requirements could result in increased construction costs to assist in achieving net zero carbon targets.</p>	<p>investigation, scheme design and optioneering phase, confidence in budget profiles will improve. There is a risk that the Strategic Transport Intervention Measures (STIM) programme could be understated however the intention would be to cost engineer the projects to fit within the existing budget envelope and remain within the principle of being self-funded by developer contributions.</p> <p>Detailed design and costings will be undertaken before Fife Council commits to undertaking and delivering all the (STIMs).</p> <p>Detailed technical appraisal and costings. The briefs for all STIMs detailed design work include investigating opportunities to deliver the requirements of the transportation interventions (infrastructure) through alternative, more cost effective, solutions.</p> <p>Index linking of all costs.</p> <p>Effective contract management and programming.</p> <p>Fixed price contracts to contain costs.</p> <p>Contingencies in the financial modelling to take account of unplanned cost increases.</p> <p>Updated existing cost assumptions (undertaken in 2020).</p>	
<p>As a result of house building delivering slower than programmed in the base case there is a risk that timescale for private sector payments through developer obligations could increase, which may result in a larger timing gap and thus increased borrowing costs.</p>	<p>Minor if slow down before infrastructure delivered.</p> <p>Moderate if slow down after infrastructure delivered due to delay in projected revenues.</p>	<p>Possible. However, Dunfermline house market is performing well and traditionally has been strong, outperforming comparable settlements of a similar size. There is significant demand for housing at February 2021 (although the impact of Covid, and the resulting economic recession, is unclear in the longer term). If a developer was to walk away from a site, given the strong market interest, another developer would take on the housing site.</p> <p>Once Fife Council has delivered the required strategic transport measures, a development site(s) is significantly de-risked for the developer, making it less likely they will</p>	<p>If slow down before infrastructure delivered, delivery can be reprogrammed to reflect revised house building rate/timescales.</p> <p>Ensure regular dialogue with development industry to consider the latest programming information for each site. Modelling assumptions prudent and based on a realistic scale of build out.</p> <p>Early engagement with infrastructure project partners (e.g. Network Rail) and prepare development agreements.</p>	Insignificant

Risk	Potential Impact	Likelihood	Suggested Mitigation	Managed Risk Score
		relinquish their interest in the site.		
As a result of a change in Planning Obligations Supplementary Guidance Methodology there is a risk that developer contribution levels could change which may result in reducing the value of developer contributions.	Major. Increase the level of unsupported borrowing and therefore increase in debt costs. Increased capital funding gap if construction costs cannot be funded by Section 75 contributions.	Unlikely. Planning obligations costs are directly related to the impact(s) of the SDA development and the delivery cost.	In any review in methodology of the supplementary guidance, the objective of the guidance would not change - to ensure that the costs of addressing the impact of the SDA development are met by the development industry. Any review would be subject to its own risk analysis.	Medium
As a result of a reduction in the BCIS rate after infrastructure is delivered there is a risk that developer contribution levels could change which may result in reducing the value of developer contributions.	Major. Increase the level of unsupported borrowing and therefore increase in debt costs. Increased capital funding gap if construction costs cannot be funded by Section 75 contributions.	Possible. BCIS rates do change over time.	Re-run the financial model if the BCIS rate changes to quantify the level of impact and examine options to fund any resulting unsupported borrowing.	Medium
Legal risk				
As a result of non-compliance with UK Subsidy Controls (replacement for EU State Aid regulations there is a risk that the legality of the programme is called into question which may result in City Deal funding not being available.	Major if legality of the programme called into question. This would create a reputational risk for Fife Council along with potential delays and uncertainty.	Unlikely. The City Deal funding will help unlock affordable housing delivery across all sites. Funding will not benefit a single developer.	Legal due diligence prior to any investment. A high level 'in principle' discussion has already taken place within the Scottish Government and no initial concerns have been highlighted.	Insignificant
As a result of non-compliance with UK procurement legislation there is a risk that the procurement practices of the programme are called into question which	Major. Potential legal challenge, delays in letting construction contract.	Remote. Fife Council procurement procedures will be followed which accord with UK requirements.	Legal due diligence will support the approach to procurement.	Low

Risk	Potential Impact	Likelihood	Suggested Mitigation	Managed Risk Score
may result in City Deal funding not being available				
As a result of land not being available or uncertainties over land ownership there is a risk that uncertainty and legal challenges may result in delay in infrastructure delivery.	Moderate. Potential legal challenge, delays and uncertainty.	Possible. Although, most land in developer control. Potential issues regarding need to CPO.	Title search/due diligence. Legal agreements between land owners and developers. Agreement in principle has been gained from Council committee regarding use of CPOs. Where land assembly is required and it is unclear if an agreement will be reached, a twin track approach of negotiation and progressing a CPO is being undertaken. This will ensure that if a CPO is required, the preparatory work has been undertaken. Agreement in principle has been gained from Council committee regarding use of CPOs.	Medium
As a result of a failure to ensure an effective governance structure there is a risk that decisions may be challenged which may result in legal challenges.	Moderate. Reputational, political and legal impact of poor governance.	Remote. A governance structure exists within Fife Council to approve the delivery programme and investment. This consists of the: Strategic Transportation Interventions Delivery Board; Sustainable Growth and City Deal Board; Investment Strategy Group; and Policy and Co-ordination Committee.	Ensure appropriate governance structure is in place. Ensure key stakeholders are engaged.	Insignificant
As a result of a lack of funding to deliver key infrastructure there is a risk that planning applications could be refused which may result in those refusals being appealed.	Major. A lack of funding to deliver key infrastructure could risk planning applications being refused. If that were to happen for development supported by the Development Plan, applicants may appeal planning refusals and planning permission could be granted on appeal leaving the Council to find funding solutions to deliver infrastructure. The impact of planning by appeal is a significantly reduced ability to secure the most positive outcomes and to co-ordinate growth with infrastructure delivery and mitigation. There is also a reputational risk to the Council if it is unable to deliver its own approved	Almost certain if a funding solution is not found through City Deal. Without City Deal funding, a funding gap exists that cannot be bridged by Section 75 contributions.	The funding solution proposed in the Business Case being agreed through the Edinburgh & South East Scotland City Deal.	High

Risk	Potential Impact	Likelihood	Suggested Mitigation	Managed Risk Score
	development strategy.			
As a result of a legal challenge to the developer obligations there is a risk that the value of contributions could reduce which may result in the Council being unable to deliver the full programme of required transport interventions.	<p>Major. If successful in reducing the value of contributions, this would increase the level of unsupported borrowing and therefore increase in debt costs.</p> <p>Increased capital funding gap if construction cost increases cannot be funded by Section 75 contributions.</p> <p>Reputational risk to Fife Council.</p>	<p>Possible. However, Planning Obligations Supplementary Guidance was widely consulted upon before Council approval.</p> <p>Many sites now have a signed Section 75 agreement in place or are currently engaged in preparing a Section 75 agreement with the Council.</p>	<p>The cost estimates provide the best estimate at this time and has been factored up to include reasonable expectancies and contingencies. Assessing cost maturity highlights that the cost of the infrastructure interventions needs to be reviewed on a more detailed project by project basis with the development of more specific cost estimates. As each project progresses into the ground investigation, scheme design and optioneering phase, confidence in budget profiles will improve.</p> <p>The briefs for all STIMs detailed design work include investigating opportunities to deliver the requirements of the transportation interventions (infrastructure) through alternative, more cost effective, solutions to keep Planning Obligation costs low.</p> <p>Monitor and review the Planning Obligations Supplementary Guidance at regular intervals to ensure it remains up to date.</p>	Medium
Strategic Risk				
As a result of the strategic growth of Dunfermline not being achieved there is a risk that the ambitions of the Local Development Plan (LDP) and Local Outcome Improvement Plan (LOIP) will not be met which may result in the projected increased GVA and place making not being delivered.	Major. The planned strategic growth of Dunfermline would not be realised. The planned sustainable urban expansion would be replaced by piecemeal, unplanned development without the same level of place making and economic benefits accrued from a planned sustainable expansion.	Unlikely. The sustainable urban expansion of Dunfermline is Council policy and is reflected in the LOIP, LDP, Strategic Development Plan (SESplan) and the Edinburgh and South East Scotland City Deal.	Ensure the delivery of the proposed strategic growth of Dunfermline as proposed in the LDP through the use of masterplans and continued dialogue with land owners and the development industry. Address the funding gap through the preparation of a business case for City Deal funding.	Medium
Reputational Risk				
As a result of a funding gap there is a risk that Fife Council is unable to deliver the required transport interventions and as a result private sector	Major. Stalled sites through effectively constraining and halting house building once Section 75 triggers are reached for individual sites, until infrastructure is delivered which allows sites to restart construction and progress.	Possible. Although risks are largely controllable by the use of Housing Infrastructure Fund grant.	<p>City Deal Business Case to access Housing Infrastructure Fund grant.</p> <p>Manage the funding drawdown with effective debt management strategy.</p>	Medium

Risk	Potential Impact	Likelihood	Suggested Mitigation	Managed Risk Score
investment slows/stops.	<p>This would have significant implications for the delivery of new homes in Dunfermline, 25% of which will be affordable (2,000 units).</p> <p>Potential increase in level of unsupported borrowing (dependant on where occurs in programme).</p> <p>This could create a reputational impact for Fife Council.</p>			

Appendix 8.11 Fife Economic Model 2018

Appendix 8.11 is available on request.

INTRODUCTION

This appendix sets out the methodology for the calculation of employment associated with the strategic transport interventions in terms of:

- The long-term / permanent effect from employment land unlocked (circa 80 Ha); and
- The short-term / temporary effect from construction investment in the transport interventions themselves, and the associated construction of homes and schools

The assessment is made over a 30 year time horizon, and also estimates the indirect and induced employment effects generated by these directly created jobs.

JOBS CREATED ON EMPLOYMENT LAND**Summary of Approach**

The expected amount of employment generated is based on the total land area. The gross site area is reduced by 64% to give an estimate of the net developable area (this allows for roads, gradient, embankments and landscaping, SUDS areas, stand-off areas, parking, etc). It is assumed that each Ha of developable land can support 70 jobs¹.

However, this 80 Ha land allocation is of significant scale, and is unlikely to be developed in full during a 30-year period. The employment has therefore been reduced by a further 75% to allow for an expected rate of build out and the risk that constraints render some sites undevelopable in the short to medium-term.

Type 1 and Type 2 multipliers from the Scottish Input-Output Tables (2017) were then used to estimate the associated indirect (or supply-chain), and induced employment². These are based on an unweighted average across SIC sectors 10 - 32.

The expected jobs will build up over the course of the 30 year period as sites are developed out and occupied. They will continue beyond the 30-year period as these are permanent effects of the investment.

Modelling Results

The results of the modelling are summarised below:

Economic Impact	Gross Area (Ha)	Net developable area (Ha)	Gross direct jobs	Direct jobs reduced to reflect risk & demand	Total employment *
Employment Land in SDA area	80	28.8	2,016	504	1,044

* including direct, indirect and induced effects (at year 30)

CONSTRUCTION JOBS

Summary of Approach

The jobs associated with the transport interventions themselves, and the housing and school investment that they are expected to unlock have each been estimated separately. These can be combined to give a total figure for employment, and the average annual employment level.

The estimates are based on 2020 prices over a 30-year timeframe and use data from the most recent (2017) Scottish Input-Output tables (see <https://www.gov.scot/publications/input-output-latest/>).

This approach estimates jobs in Scotland but does not provide a regional breakdown.

Expected levels of investment are based on the following information:

- Immediate Housing – 8,000 units in the immediate SDA area, at £140,000 average development cost per unit (2018 prices)
- Additional Housing – an additional 875 units in the wider SDA area (at the same assumed average development cost as indicated above)
- Transport – £80m of investment (2020 prices, source Table 2.1 of business case)
- Schools – £161m investment (2020 prices, source p. 6 of business case)

The HM Treasury GDP Deflator was applied to express all investment consistently in 2020 prices.

The employment effect and the employment multiplier for the construction sector in the Scottish Input-Output Tables (2017) were used to estimate that each £10m invested in construction generates circa 87 construction jobs. Type 1 and Type 2 multipliers were then used to estimate the associated indirect (or supply-chain), and induced employment.

The above ratio was based on the 2017 Input-Output tables. This was adjusted using the HM Treasury GDP Deflator. This reduced the expected jobs by approximately 6%.

Beyond the 30-year timeframe of this analysis the construction jobs will fall to zero because the construction activity will be complete.

Modelling Results

The results of the modelling are summarised below:

Construction Investment	£m at 2020 prices	Direct Employment	Indirect Employment	Induced Employment	Total employment	Average employment p.a.
Housing in immediate area	1,167	9,523	5,211	1,972	16,706	557
Housing unlocked in wider area	875	7,142	3,909	1,479	12,529	418
Transport	80	653	357	135	1145	38
Schools	161	1,314	719	272	2305	77
Total	2,283	18,631	10,196	3,857	32,685	1,089

Expected Impact of COVID-19

There is no comprehensive data available about the impact of COVID on employment effects or multipliers and this has therefore not been modelled. It would be reasonable to assume that, overall, COVID-19 will not significantly affect the total number of jobs created by each £1m invested by the construction sector. However, it may affect the balance between direct and indirect jobs as it could effectively push activity out to the supply chain and away from construction sites e.g., construction firms may seek products that minimise on-site assembly. It is not clear at this stage the extent to which this will happen and whether any changes will revert to pre-COVID approaches or endure as part of a new normal.

Regional approaches to off-site construction will have a bearing on the extent to which this shift will constitute leakage from the region (and indeed Scotland) and to what extent it will simply redistribute impacts between different sectors and geographies within the region.

Expected Impact of the EU Exit

There is no comprehensive data available about the impact of the EU Exit on employment effects or multipliers and this has not been modelled. There is some evidence of increases in the cost of imported raw materials, and rising wages as labour supply for the sector contracts due to fewer migrant workers. Both of these affects are likely to result in an overall reduction in the number of jobs created per £1m invested.

Future trade deals, migration and innovation in the sector will influence the number of jobs sustained by construction investment.

Appendix 8.13 Growth Scenarios to Project Future Housing Market Performance

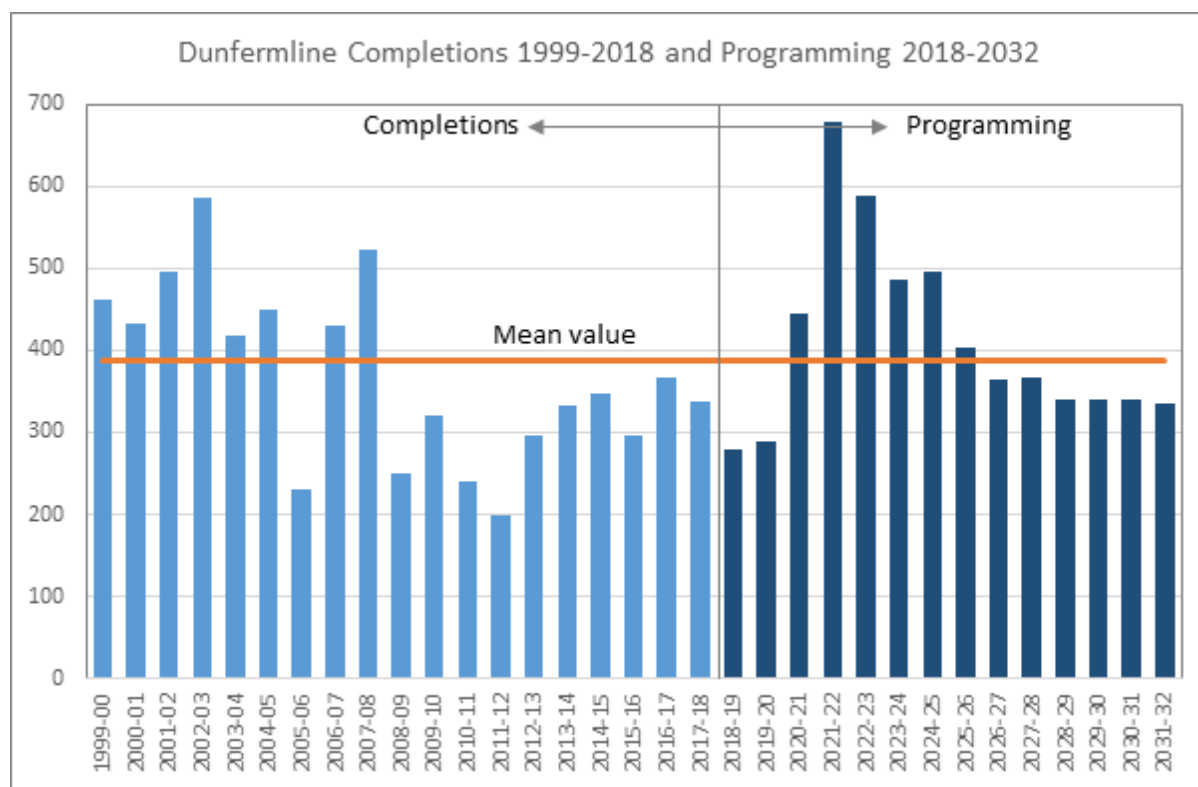
In developing the base case, it is important to consider the future performance and behaviour of the Dunfermline housing market. The operation of the Dunfermline housing market is the greatest sensitivity upon which costs and timescales could deviate from that programmed in the Housing Land Audit (HLA). In conjunction with the Scottish Futures Trust, 4 scenarios have been developed to test the effect of housing market performance on the STIM programme. These were initially based on the scenarios developed for the E&SES City Deal Winchburgh model. To reflect the strength of the Dunfermline housing market (including during the last recession) the short term under performance scenario has been altered from that of Winchburgh to include shorter and shallower dips/troughs which reflects the market strength of Dunfermline.

A fifth scenario has also been developed to examine developer optimism bias in the programming of housing completions within the Housing Land Audit.

The OBC and financial model recognises that the Dunfermline SDA programme has potential to provide up to 8,000 homes (including a minimum of 25% affordable – approximately 2,000 units); 80 ha of employment land; 5 new primary schools; £36m in developer contributions to secondary education facilities in the Dunfermline area; as well as other community facilities; all integrated with new strategic transport infrastructure. There will also be additional benefits to the wider Dunfermline Strategic Transportation Zone where a total of 14,000 houses are programmed. All of the above infrastructure will be 100% funded by developers, with either direct provision on site or via Section 75 contributions. In the case of the off-site strategic transportation infrastructure, Section 75 contributions will be collected in a Strategic Infrastructure Fund to be managed by Fife Council.

The Dunfermline housing market has traditionally performed well, as evidenced in the graph below and Appendix 8.3. Dunfermline has weathered the last economic recession better than many similar sized towns. However, the more recent impacts of COVID-19 and the resulting economic recession are largely as yet unknown. The longer-term impacts of the COVID-19 pandemic are harder to predict but it is plausible to assume that sites in Dunfermline may not build out as quickly as currently programmed. As a result, a COVID assumption has been developed. This has reprogrammed the housing output for 20/21 to 25% of the 2019 HLA to reflect the period of lockdown and when housing sites temporarily stopped construction. Within this COVID assumption, it is programmed that the market recovers over the following 3 years. The future phasing of sites will be kept under review.

Dunfermline completions and programming 1999/00 – 2031/32



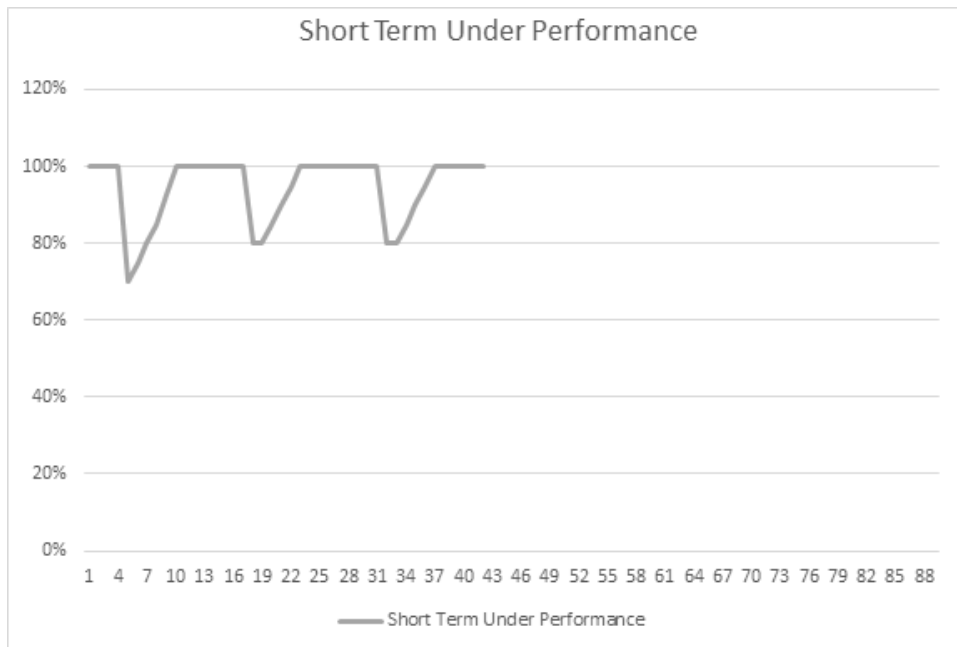
Scenarios

As previous housing completions illustrate, the market does not produce a constant level of completions year on year. External influences, that are not reflected in the HLA, will affect the behaviour of the housing market, such as recession. Therefore, it is important to reflect this in the base case. In projecting the future performance of the Dunfermline housing market, a total of 5 scenarios were modelled:

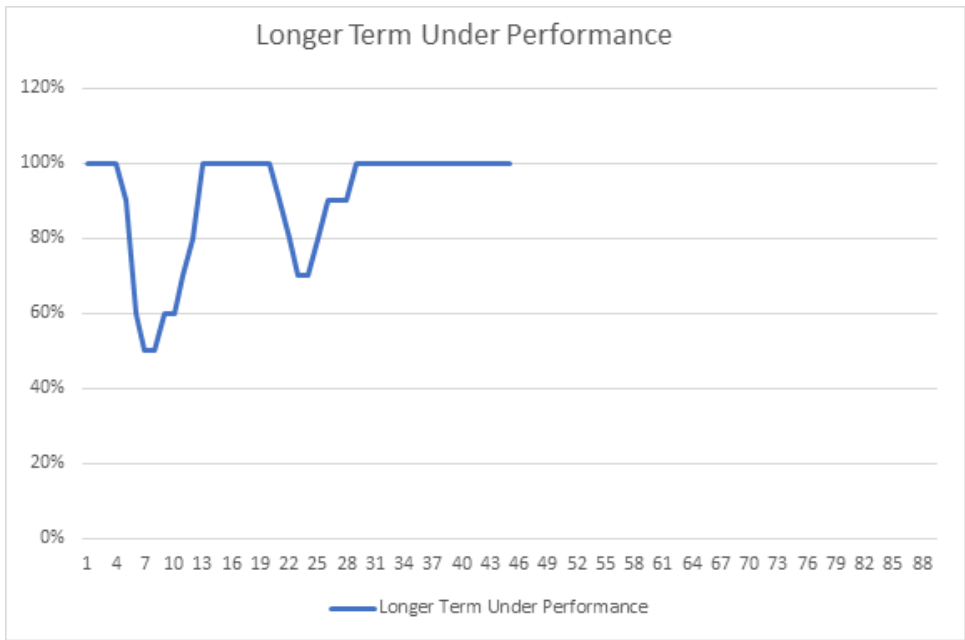
1. Short Term Under Performance
2. Longer Term Under Performance
3. Extreme Market Failure
4. Modest Over Performance
5. HLA Optimism Bias 10%

These scenarios have been applied to the 2019 HLA and COVID assumption and modelled to highlight different growth scenarios against different market positions/behaviours. The output from each scenario has been assessed and the most likely future behaviour of the Dunfermline housing market selected as an input into the base case. It is important to note that the scenarios don't all stop in the same year. This is due to the different scenarios resulting in different build out rates. All scenarios continue until all units are built out and therefore each has a different term. Each scenario is presented below.

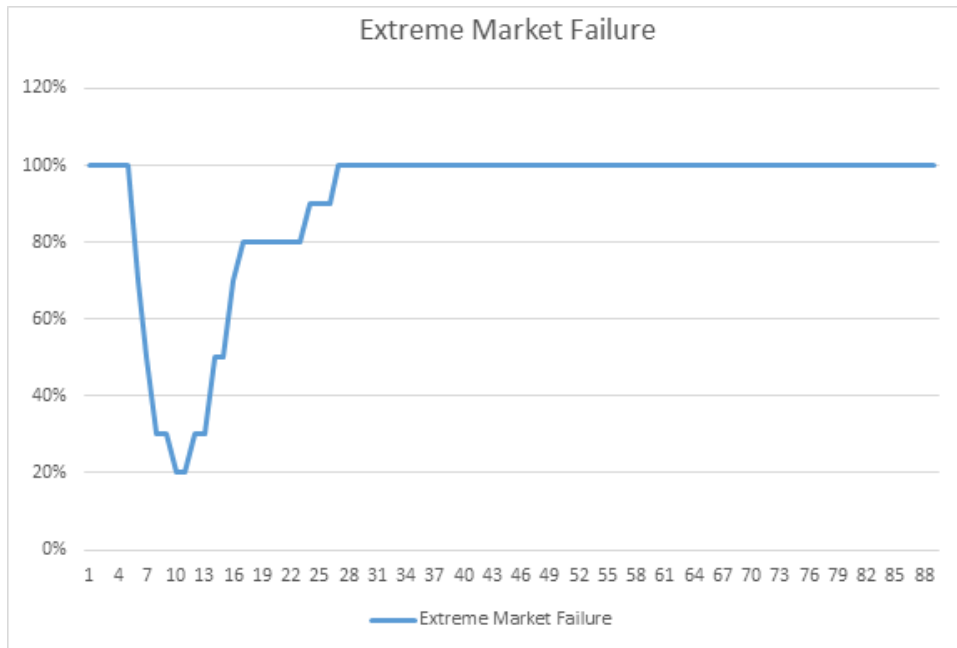
Short Term Under Performance assumes a cyclical slowing of market and then recovery throughout the build out period. It does not assume an enhanced performance relative to the business case as in the earlier period, housing output is dictated by the infrastructure delivery programme and in the later years of the programme, output already reflects a strong market. The shallow slowing of the market within this scenario reflects the strength of the Dunfermline housing market. All units are built out and income recovered by the end of the programming.



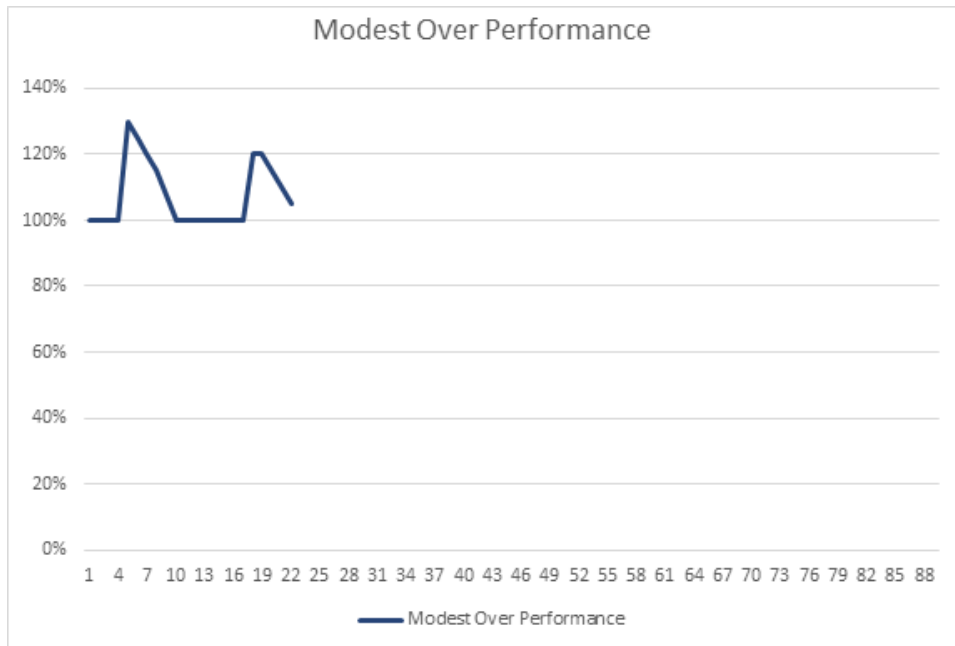
Longer Term Under Performance assumes income, via Section 75s, is as projected in the initial years before a decline in the housing market. The market recovers and then experiences another, lesser decline, later in the build out period. All units are built out and income recovered by the end of the programming.



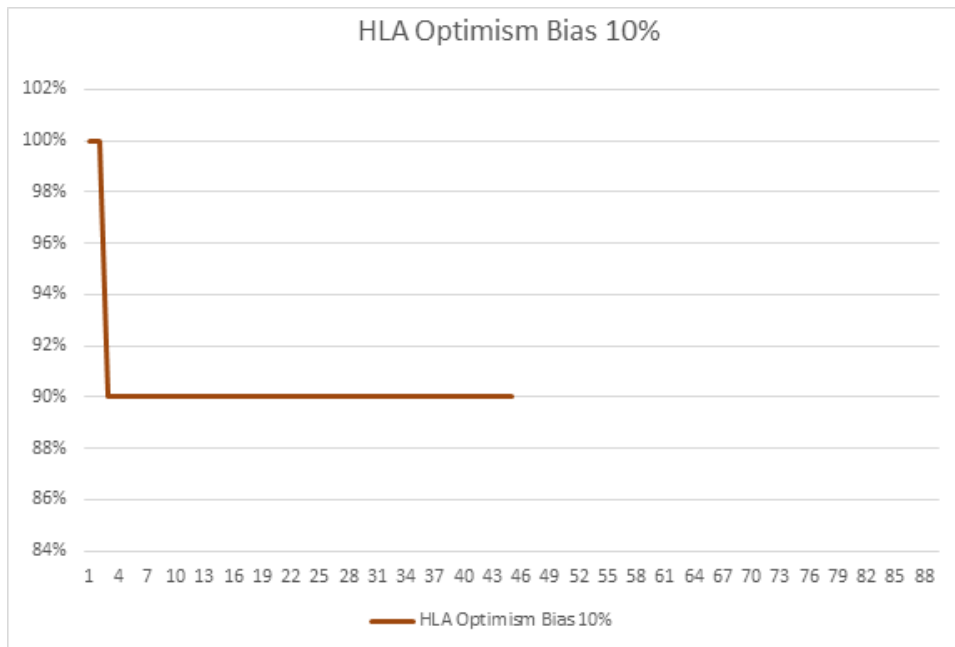
Extreme Market Failure assumes an extreme downturn in the market in a scenario which represents a deep recession. Development will stop and/or sites will stall, resulting in no Section 75 income in certain years before recovery. All units are built out and income recovered by the end of the programming.



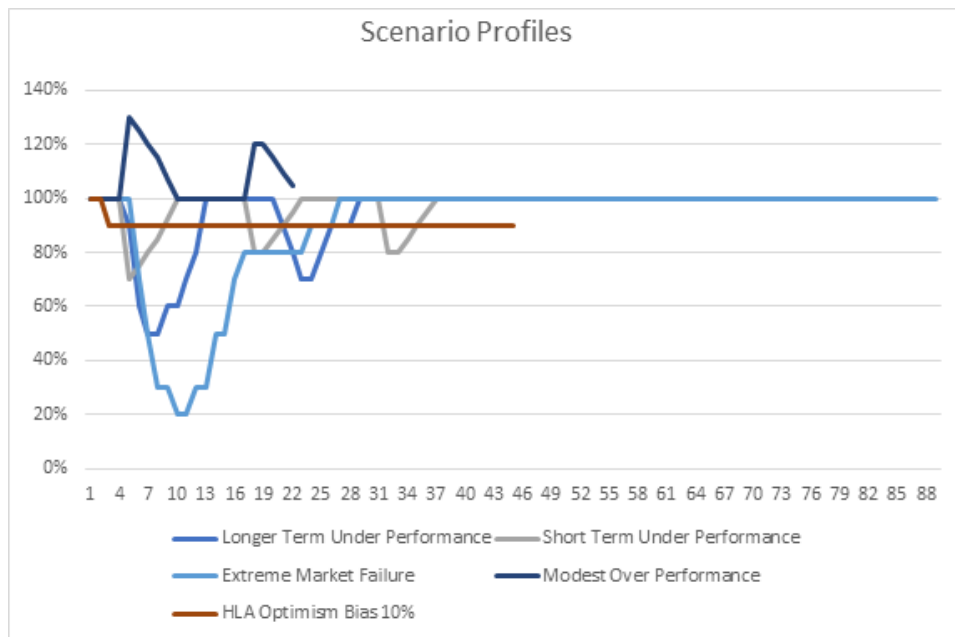
Modest Over Performance assumes a cyclical upturn in the market before returning to the projected in the HLA. The Modest Over Performance reflects a cyclical boom in the housing market. All units are built out and income recovered by the end of the programming.



Housing Land Audit Optimism Bias 10% assumes all sites have over estimated annual completions by 10% and adjusts downwards accordingly. The HLA is agreed annually with the house building industry and this scenario assumes that projected completions (versus actual completions) are 10% more optimistic with housebuilders only delivering 90% of the units programmed. All units are built out and income recovered by the end of the programming. As the first 2 years (2017/18 and 2018/19) of this scenario reflect actual site completions rather than 90% of projected completions, they are modelled at 100%.



All Scenario Profiles



Conclusion

Past completions data for Dunfermline during the last economic recession indicates that Dunfermline continued to perform well. Whilst sites slowed, they continued to deliver. Local developers post lockdown are currently indicating a positive outlook, possibly in part due to committed sales and pent up demand. However, this will be more difficult to predict longer term. While Dunfermline is not immune to the effects of recession, the extent of the dip in performance is relative to the strength of the housing market. This suggests the shallow dip of the Short Term Under Performance scenario is the most appropriate scenario to apply in the base case. It is not considered that the Extreme Market Failure scenario, reflecting a deep recession, is appropriate and similarly it is considered that the Longer Term Under Performance scenario (while not as severe as Extreme Market Failure) reflects deeper recession/market dips than is likely to be experienced in Dunfermline given the strength of the market.

With the current global pandemic and the signs of the country going into recession, it is unlikely that the housing market is going to experience an increase in output. Furthermore, as housing output in Dunfermline is directly controlled by infrastructure delivery (and the associated triggers) it is unlikely that the market can increase beyond the completions programmed in the base case as the infrastructure will not have been delivered to support/release the increase in units. On this basis, the Modest Over Performance scenario is not considered appropriate.

In the case of Dunfermline, the Housing Land Audit has proven to be accurate with any optimism bias being, on average, less than 10%. This suggests the optimism bias

scenario would model a slowing of the market to a greater extent than would be expected for Dunfermline. The Short Term Under Performance scenario, while also slowing the market, is the most appropriate scenario to apply in the base case to model projected performance. The rate of market slowing compared to the HLA 2019 over the length of the project is considerably less for the Short Term Under Performance scenario than the optimism bias scenario, or the deeper dips of the Extreme Market Failure or Longer Term Under Performance scenarios. This reflects the strength of the Dunfermline housing market.

It is therefore considered that a Short Term Under Performance scenario is the most likely to reflect the future performance of the Dunfermline Housing Market. This scenario is identified as one of the inputs to the base and is reflected in the key assumptions (section 5.6 of the OBC).

Appendix 8.14 Risk Sharing/Public Sector Collaboration Options Appraisal

Background/Context

Fife Council have been working with the Scottish Futures Trust (SFT) and the Scottish Government's More Homes Team for some time to establish if, and how, a collaborative approach between these organisations can resolve a funding barrier to the delivery of Strategic Transport Intervention Measures (STIMs) in and around Dunfermline.

This collaborative approach, through a series of workshops and meetings, has further refined and developed the ask of the Business Case. This has focussed on identifying an innovative funding solution that looks beyond City Deal funding to unlock the delivery of housing within Dunfermline. This is discussed in more detail below.

In total, £34.1m investment is required across nine individual projects to enable the delivery of the development sites that comprise the Dunfermline Strategic Development Area (SDA). In total the Dunfermline SDA has the capacity to deliver more than 8,000 homes in addition to commercial development. This investment will also unlock housing sites in the wider area, by removing constraints on the local and regional transport network.

Investment in education provision at primary and secondary level is also required to enable the sites' build out. However, the resolution of this constraint is being taken through a separate process.

Dunfermline SDA is included among the strategic sites listed in the Edinburgh and South East Scotland City Region Deal. The relevant section of the deal document states:

*“Collaboratively regional partners and Government will work together on:
[...]*

- *Developing risk-sharing guarantees on a site-by-site basis to support local authority borrowing and share the financing risk of infrastructure delivery required across strategic sites, starting with Winchburgh in 2018, where West Lothian Council has agreed guarantees for up to £150m of infrastructure investment with the Scottish Government. These will be repaid by developer contributions as set out in a complementary tripartite agreement between West Lothian Council, the lead developer and the Scottish Government.*
- *Seven strategic sites have been identified in SESplan as key areas of change and growth (Blindwells, Calderwood, Dunfermline, Edinburgh's Waterfront, Shawfair, Tweedbank and Winchburgh). Business cases will be developed within the 15-year period of the City Region Deal, of which Winchburgh is likely to be the first. Taken together these sites will deliver over 41,000 new homes, create 7,800 jobs and contribute over £10 billion*

to the wider economy. The Scottish Government and city region commit to work together on each of these strategic housing sites recognising the long-term nature of these proposals with most new homes being delivered over a 15-year period.

To support this, the Scottish Government will commit at least £50 million. City Region partners will explore, with the Scottish Government, innovative solutions to stimulate creative ideas, fresh thinking and innovation in the provision of housing. This collaboration will consider the evolving financial landscape with the Scottish Government's proposals to establish the Building Scotland Fund and Scottish National Investment Bank."

Risk Sharing Workshop

SFT has participated in a series of workshops and meetings to support Fife Council as they refine and develop their ask of Scottish Government in relation to unlocking the delivery of Dunfermline.

This appendix reflects the discussion and conclusions of the risk appraisal workshop that took place at SFT's offices on 3rd February 2020 and further discussion after the workshop. Therefore, the costs quoted do not reflect the September 2020 cost estimates.

Baseline Conditions & Key Considerations

1. There are three key principal parties that control the land to be built on in the northern and western expansion of Dunfermline. These are Taylor Wimpey, Stirling Developments and I&H Brown.
2. I&H Brown own some of the land they will develop and they, along with the other developers, have options in place with landowners for the remaining land to be developed.
3. Contributions towards STIM is just one cost faced by developers. The others include (inter alia) primary education, secondary education, transport infrastructure within their sites and the cost association with the ground conditions in the area due to previous undermining, which is requiring significant grouting to be carried out before development can commence.
4. Fife Council has made a commitment in policy to undertake the STIM projects that lie outwith developers' sites. These STIM projects comprise of nine projects, all established through transport appraisal work. It is the means of funding and delivering these nine STIM projects that this paper is concerned with.
5. The £34.1m cost of these projects will be recouped over time through developer contributions.
6. Most of the planning consents and Section 75 agreements around the SDA have already been granted/agreed. This means that the level of income Fife

Council will secure from developer contributions is – for the most part - already fixed.

7. The amount Fife Council can receive from developer contribution to fund STIM has also been set in supplementary guidance. This amount is reflected in existing and emerging Section 75 agreements.
8. The £34.1m cost of the STIM projects has been determined by Fife Council through high level design and costing. The real cost of the project may be higher. However, Fife Council cannot increase the level of developer contributions, if indeed the cost rises, as (as above) the amount to be paid by developers has already been agreed. The agreed level of developer contributions was based on the estimated £34.1m cost (2017 cost which is index linked in the financial model).
9. The requirement for Fife Council to lead the project and the multiplicity of sites are key factors in determining the most effective and most appropriate way forward. It is approved Fife Council policy that Section 75 contributions for off-site transportation interventions in Dunfermline will be collected, held within the Fife Infrastructure Investment Fund, and the funds drawn down as required for Fife Council to deliver the required infrastructure interventions
10. It was agreed that, given the number of sites and range of developers and landowners involved in Dunfermline SDA, the likelihood of the sites being delivered in line with how they are currently profiled in the financial model – which reflects the contents of the most recent Housing Land Audit – is low.
11. It was also highlighted at the workshop that previous high levels of housing delivery – even through the global downturn after 2008 – was positively influenced by the fact that key infrastructure such as roads and schools were already in place. The northern and western expansion of Dunfermline will be more vulnerable to any downturn at the early stages of its build out if that infrastructure is not in place.
12. Finally, there is work being undertaken in parallel with Fife Council to address the other infrastructure barrier to delivery of the Dunfermline SDA, which is the need to create additional education capacity. While a solution has been agreed with the private sector, this is currently being re-examined due to difficulties associated with delivery. Therefore, resolving the STIMS project will not unlock Dunfermline SDA unless a solution to education provision is found in parallel.

Options Appraisal

The four options previously assessed by Fife Council were reviewed. No additional options were suggested by any party at the workshop.

1. Financial Transactions

Finance is available to developers through Financial Transactions monies. This can be offered to the private sector by the public sector through funds such as the Housing Infrastructure Fund (HIF) and the Building Scotland Fund (BSF). Finance must be offered on commercial terms, to ensure State Aid² compliance.

This can be a useful source of finance where a developer does not have access to a good commercial rate through the market due to the nature of the developer (e.g. SME) or the nature of the work (not all banks offer finance for enabling infrastructure as investment is required ahead of returns in the form of housing sales).

How Financial Transitions Could Work

The Developer(s) undertakes and forward funds works up front and accesses finance for works through existing mechanisms (HIF and BSF).

Benefits

- Developer borrows and assumes risk.
- No impact on public sector balance sheet.

Disbenefits

- Fife Council has given policy commitment to lead project due to the multiplicity of sites and Fife Council cannot apply for financial transactions monies.
- Cumulative impacts – 8 projects with multiple developers contributing to each.
- Would require a lead developer/consortium with legal agreements for repayment.
- Less certainty on delivery.

Option for Dunfermline SDA?

Financial transactions monies (the option currently on the table for City Deal) is not an option for Dunfermline as this is only available to the private sector. Developers are already funding works within their sites in Dunfermline. The STIM projects must be led by Fife Council. Due to conditions on the Housing Infrastructure Fund and/or Building

² This risk appraisal workshop took place in February 2020. Since then, EU State Aid has been replaced by the UK Subsidy Control Regime, reflecting the EU Exit.

Scotland's Future fund, Fife Council is unlikely to be able to access these for the delivery of market (non-affordable) housing projects. Therefore, financial transactions monies are not a viable option.

2. Risk Share with Private Sector Only

As part of the Winchburgh tripartite risk sharing arrangement under the E&SES City Deal, Winchburgh Developments Ltd (WDL) entered into a legal agreement whereby they guaranteed a baseline payment equivalent to one year's developer contributions (based on 350 unit per annum) for the first three years of construction. Thereafter, WDL agreed to make available the equivalent of one year's developer contributions (£850,000), which could be drawn down by West Lothian Council in the event there was a shortfall in developer contributions due to a slowdown in development below the baseline of 350 units per annum.

In effect, WDL guaranteed that West Lothian Council's debt repayments for the delivery of a new high school would be covered for the first three years of construction and provided a stand-by facility that guaranteed up to £850,000 to make up any shortfall going forward. This was sufficient to cover potential shortfalls in contributions in all but the most extreme of circumstances (e.g. occupancy of homes dropping below 350 homes per annum sharply and for a prolonged period).

How the Private Sector Could Risk Share

Fife Council would act as lead developer for STIM, funding all capital works. The Council would put in place legal contracts with private sectors partners who agree to risk share through the provision of facilities as described above to reduce risk of underpayment of developer contributions. No Scottish Government role would be required.

Benefits

- Fife Council – private sector share some of the risk around funding the development of STIMs.

Disbenefits

- Deliverability - Private sector have no rationale to enter into risk share agreements as most site owners/operators have signed Section 75 agreements already that did not include this and Fife Council has agreed to fund STIM through agreed Section 75 payments. Not possible to revisit these retrospectively unless the private sector initiates this.
- Complexity – there are three major landowners, therefore requiring multiple contractual arrangements.

- Sufficiency – scenarios around under-delivery of homes have been run by Fife Council, however the quantum of contributions that would be generated by each developer annually and the potential requirement regarding a stand-by facility has not been tested.

Option for Dunfermline SDA?

Any scope for a developer led risk share is very limited in Dunfermline. The only strategic site within the SDA that does not yet have a signed Section 75 agreement in place is Halbeath (Taylor Wimpey), although this is in its final stage of conclusion. Therefore, a risk share with the private sector is not considered to be a viable option and another solution is sought which would allow investment to address the timing lag across all SDA sites.

3. Scottish Government Guarantee

Within the Edinburgh and South East Scotland City Region Deal, the Scottish Government undertook to develop risk-sharing guarantees on a site by site basis to support local authority borrowing and share the financing risk of infrastructure delivery required across strategic sites, starting with Winchburgh in 2018, where West Lothian Council has agreed guarantees for up to £150m of infrastructure investment with the Scottish Government. These will be repaid by developer contributions as set out in a complementary tripartite agreement between West Lothian Council, the lead developer and the Scottish Government.

How a Scottish Government Guarantee Could Work

Fife Council would fund all capital works, including the cash flow gap currently identified and act as lead developer. If a guarantee was made available, the Scottish Government would cover some/all (yet to be determined) of the cost of Fife Council's debt repayments in the event of a shortfall in developer contributions.

On the basis of the Winchburgh guarantee, this form of risk share with the Scottish Government would be made available subject to a range of conditions including but not limited to:

- Only utilised in event of shortfall in developer contributions and where all other means of making up the deficit are exhausted.
- Guarantee is provided on commercial basis to ensure State Aid² compliance – this would involve a facility fee and interest rate on sums drawn down to cover shortfalls.
- Support/risk share for the guarantee is provided via securities over land to the Scottish Government.
- The maximum/cumulative risk exposure would need to be calculated to establish how much of this Scottish Government would be able/willing to cover and how long the guarantee might be made available for.

Benefits

- Fife Council – remains lead developer, undertakes all borrowing but with less risk associated with it.
- Scottish Government – no impact on capital budget.

Disbenefits

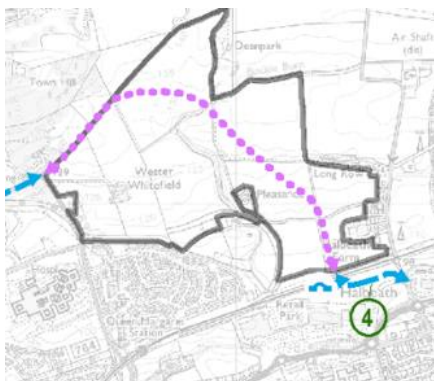
- Complexity of setting up a guarantee, with significant time and resources involved, particularly if the sum of money to be covered by the guarantee is relatively small.
- Impact on Scottish Government contingent liability, which means a guarantee must go through a parliamentary approval process.
- Making guarantee available may not unlock this site on its own. This may be a deterrent from investing resources in this approach, unless a solution to education provision is agreed in advance.

Option for Dunfermline SDA?

Scottish Government officers have indicated that entering into a guarantee to enable the strategic growth of Dunfermline is unlikely to be an option. The reasoning for this being the large amount of work for the relatively small sums of money involved and the concern that any guarantee would run over a long-time frame, require Parliamentary approval and span multiple Parliamentary periods.

4. Increased Capital Grant Ask

One option discussed at the workshop was the scope for the Scottish Government to make a contribution to the capital cost of the STIM programme. The most critical project, which occurs relatively early in the programme and is therefore a higher risk element for Fife Council to fund, is the Northern Link Road (east end), which comprises a bridge over the railway to serve Halbeath (project 4 below highlighted in blue).



How an Increased Capital Grant Ask Council Work

Rather than seek funding for the cashflow gap identified through the business case financial model, Fife Council would make a business case to seek funding for a specific element of the STIM programme. Fife Council would then need to borrow less, and this removes the requirement for risk sharing or a guarantee.

25% of housing across the Dunfermline SDA will comprise of affordable housing. On that basis, one option to explore further is the utilisation of the Housing Infrastructure Fund to make a contribution towards the overall cost of the project that reflects the proportion of affordable housing to be delivered.

Benefits

- Fife Council – Lower borrowing requirement/lower impact on revenue budget. May result in lower developer contribution ask (Fife Council would need to establish if developers would need to be refunded if a surplus was generated by the programme with the additional of capital funding from Scottish Government).
- Scottish Government – avoids complexity/costs of guarantee while unlocking a critical element of the STIM programme.
- Northern Link Road may result in benefits to Network Rail and Transport Scotland.
- There may be scope for the City Deal funding to be repayable once developer contributions received.
- If it is repayable, there may be scope for this fund to be recycled, echoing how Highland Council has deployed its Evergreen Fund.³

Disbenefits

- Scottish Government – impact on capital budget.
- When this was assessed in more detail, the proposal to fund a specific element of the STIM programme was not supported by the Scottish Government as it would favour specific developers/sites and therefore fail the test of State Aid² compliance.

Option for Dunfermline SDA?

Not under the initial proposal of funding a specific element of the STIM programme due to failing the test of State Aid² compliance.

However, through further discussion and informal feedback the State Aid² unit has been provided on the basis of the provision of funding towards enabling infrastructure generally for the strategic growth of Dunfermline i.e. not a specific intervention. Such

³ Since the workshop, the Evergreen funding approach has been further investigated. When assessing the timing of the STIM intervention delivery, the programme does not allow for the recycling of funding (a key component of Evergreen Funding) and therefore has been discounted by Fife Council and the Scottish Government as a viable funding option.

funding would be compliant as long as infrastructure was to benefit the whole of the Dunfermline area i.e. funding was directed generally to the STIMS/public works and not directed to a specific intervention(s)/developer(s).

This revised option of funding towards enabling infrastructure generally for the strategic growth of Dunfermline offers the greatest potential to provide a funding solution to the cashflow deficit of the STIM programme.

Conclusions

It was concluded through the options appraisal that a capital grant ask would be the most acceptable option to the Scottish Government and so confirmed the approach of the draft Business Case. In assessing a potential risk share with the Scottish Government, their position appears clear; there is no appetite for a guarantee. Therefore, another approach was required to be explored to share the risk of the strategic growth of Dunfermline between the Council and the Scottish Government. It was agreed this should be progressed through the option of an increased capital grant as identified in Option 4 above.

No funding options in addition to those already highlighted in the draft Business Case were identified.

Appendix 8.15 Contract Management Team

Senior Supplier

BEng (Hons) in Civil Engineering

Chartered Civil Engineer Member of the Institution of Civil Engineers

Over 20 years' experience in the industry

Project Manager

BEng (Hons) in Civil & Transportation Engineering

Chartered Civil Engineer Member of the Institution of Civil Engineers

Accredited NEC Project Manager since 2014.

Over 20 years' experience in the industry

Construction projects the Project Manager has delivered valued at over £1M to date include:

- Roads Maintenance Contract – The City of Edinburgh Council (2004 – 2006) £2M
- Chapel Level Dualling, Kirkcaldy – Fife Council (2012) £3.8M
- Halbeath Park & Ride – Fife Council (2013) £10M
- The Cross, Cupar – Fife Council (2014) £1.6M
- Dunfermline Flood Prevention Scheme Phase 2 – Fife Council (2015) £2.5M
- Methil Low Carbon – Site Servicing – Fife Council (2015) £1.1M
- Kirkcaldy High Street Ph3 & Charlotte Street – Fife Council (2016) £1.1M
- Shorehead Leven Streetscape Improvements – Fife Council (2017) £1.3M
- Cowdenbeath High Street – Fife Council (2018) £1.6M
- The Waterfront, Kirkcaldy – Fife Council (current) £1.6M

Appendix 8.16

Benefits Realisation Register

Benefit ID	Benefit Title and Description	Link to Dunfermline Strategic Growth Transportation Infrastructure Programme Objectives	Owner	Planned Outcome	Stakeholders and Beneficiaries	Measure Description & Expected Result	Baseline Measure	Frequency
BEN 001	Number of affordable homes	Enable the delivery of up to 2,000 affordable housing units in Dunfermline.	Head of Planning	Sustainable placemaking; Inclusive growth.	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measures number of affordable homes provided. Expected to increase.	25% of housing constructed. (Fife Housing Land Audit 2019)	Annual
BEN 002	Number of new homes	Enable the delivery of up to 8,000 new homes in Dunfermline.	Head of Planning	Sustainable placemaking; Inclusive growth	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measures number of new homes provided. Expected to increase.	Affordable and market house completions (Fife Housing Land Audit 2019)	Annual
BEN 003	Effective housing land supply	Enable Fife Council to maintain an effective 5-year housing land supply.	Head of Planning	Sustainable placemaking; Inclusive growth	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measures amount of effective housing land. Expected to be maintained.	5 year effective housing land supply (Fife Housing Land Audit 2019)	Annual
BEN 004	Resilient and sustainable place making	Support quality of life by promoting quality of place and applying the investment first principle in Dunfermline.	Head of Planning	Sustainable placemaking; Inclusive growth	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measure new community infrastructure provision (including new primary & early years provision; open space and urban parks; local shops, and land for health care provision. Expected to increase.	Project delivery. (FIFEplan Action Programme 2020)	Annual

Benefit ID	Benefit Title and Description	Link to Dunfermline Strategic Growth Transportation Infrastructure Programme Objectives	Owner	Planned Outcome	Stakeholders and Beneficiaries	Measure Description & Expected Result	Baseline Measure	Frequency
BEN 005	Transportation improvements	Deliver strategic and local transportation interventions, including active travel, required to improve the Dunfermline transportation network.	Head of Planning/ Senior Manager, Roads & Transportation	Sustainable placemaking; Inclusive growth	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measure the number of interventions delivered and monitor the capital spend on interventions. Expected to increase.	Project delivery. (FIFEplan Action Programme 2020) Monies spent. (Fife Council Capital Plan and the Dunfermline City Deal Business Case Financial Model)	Annual
BEN 006	Secure the statutory closure of the Kingseat Road level crossing (to both vehicles and pedestrians).	Improve transport infrastructure in Dunfermline by removal of delays to rail services, and vehicle, cycle and pedestrian trips. Reducing risk to pedestrian, road and rail passengers.	Head of Planning/ Senior Manager, Roads & Transportation / Network Rail	Sustainable placemaking; Inclusive growth.	Scottish Government; ESES City Region; Fife Council; Fife Residents; Network Rail	Measure delivery of intervention – NLR East End. Time taken on vehicle, cycle and pedestrian trips will decrease (an improvement). Risk of accident on the railway line will decrease (an improvement).	Project delivery. (FIFEplan Action Programme 2020) Monies spent. (Fife Council Capital Plan and the Dunfermline City Deal Business Case Financial Model)	Annual
BEN 007	Net zero emissions	Deliver active travel routes for pedestrians and cyclists and provide for sustainable transport modes (bus and rail). Develop walkable neighbourhoods.	Head of Planning/ Senior Manager, Roads & Transportation	Sustainable placemaking; Inclusive growth.	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measure the air quality hot spot on Halbeath corridor, Dunfermline for nitrogen oxide (NO2) and fine particles (PM10).	Air quality (Appin Crescent, Dunfermline automatic air quality monitoring station and Fife Air Quality Progress Report 2020)	Annual

Benefit ID	Benefit Title and Description	Link to Dunfermline Strategic Growth Transportation Infrastructure Programme Objectives	Owner	Planned Outcome	Stakeholders and Beneficiaries	Measure Description & Expected Result	Baseline Measure	Frequency
						Air quality expected to improve.		
BEN 008	Additional economic growth in the Dunfermline area	Creation of direct and indirect jobs.	Head of Planning/ Head of Business & Employability	Economic growth is resilient, sustainable and inclusive.	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measure total employment resulting (direct and indirect) Expected to increase.	Jobs created. (Fife Economic Model 2018 and the Dunfermline City Deal Economic Impact Modelling 2020)	Annual
BEN 009	Employment land supply	Enable the delivery of up to 80ha of employment land in Dunfermline.	Head of Planning/ Head of Business & Employability	Economic growth is resilient, sustainable and inclusive.	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measures amount of effective employment land. Expected to increase.	Employment land delivery. (Fife Employment Land Audit/ Register and FIFEplan Action Programme 2020)	Annual
BEN 010	Additional investment in the Dunfermline area	Unlocking investment in other on and off-site infrastructure.	Head of Planning	Economic growth is resilient, sustainable and inclusive.	Scottish Government; ESES City Region; Fife Council; Fife Residents	Measure the number of interventions delivered and monitor the capital spend on interventions. Expected to increase.	Project Delivery (FIFEplan Action Programme 2020) Monies spent. (Fife Council Capital Plan)	Annual



June 2021

APPENDIX 4 - PROGRAMME RISK LOG

Risk description	Threat / Opportunity	Date raised	Raised by	Risk Owner	Original risk score			Proximity	Escalation to issue required?	Action(s) required	Cost Implications	Outcome	Current status	Managed risk score			Score difference	Date last reviewed
					Likelihood	Impact	Overall score							Likelihood	Impact	Overall score		
Financial and Viability Risks																		
As a result of rising interest rates there is a risk that debt costs could increase which may result in higher borrowing costs.	Threat	15/04/21	FBC Risk	Finance	2	4	8	Ongoing	No	Sensitivity of base case to confirm affordability of debt pricing movements.	Increased borrowing costs	Continue to monitor interest rates and borrowing costs. If increase, affordability of borrowing for the Council will require to be reviewed and built into future borrowing projections.	Open - being monitored	2	4	8	No change	27/04/21
As a result of COVID-19 there is a risk that work practices will require to change which may result in increased construction costs.	Threat	15/04/21	FBC Risk	Programme Manager	5	3	15	Live	No	Short-term loss of productivity due to social distancing and revised work practices and projected cost increases to be reflected in Programme Base Case.	Increased Capital Cost	The financial model reflects a 15% increase in construction costs for financial year 20/21 and a 10% increase for financial year 21/22, to be applied to base case of financial model. The model assumes costs will return to normal financial year 22/23 onwards	Open - being actioned	5	2	10	Decrease	27/04/21
As a result of a delay in the infrastructure delivery from that programmed in the base case (e.g. transportation or education provision) there is a risk that infrastructure may not be delivered by when it is required, which may result in sites stalling until infrastructure is delivered.	Threat	15/04/21	FBC Risk	Programme Manager	3	4	12	Not soon	No	Effective contract management and programming of all infrastructure required to support the strategic growth of Dunfermline.	Potential increase in level of unsupported borrowing (dependant on where occurs in programme).	Infrastructure delivery is programmed just before it is required based on the Section 75 triggers for each site and the programmed build rate for each site (using the 2019 Housing Land Audit). This ensures that infrastructure is not delivered until required, maximises the cashflow available through Section 75 income and that revenue costs are not being incurred earlier than required. Where land assembly is required and it is unclear if an agreement will be	Open - being monitored	2	4	8	Decrease	27/04/21
As a result of an accelerated rate of house building from that programmed in the base case there is a risk that infrastructure may not be delivered by when it is required, which may result in sites stalling until infrastructure is delivered.	Threat	15/04/21	FBC Risk	Programme Manager	3	4	12	Not soon	No	Effective contract management and programming of all infrastructure required to support the strategic growth of Dunfermline. Regular dialogue with the house building industry (including through the annual Fife Housing Land Audit process) and with government decision makers. Revise infrastructure delivery programme to respond to changes in projected house building as documented in the Housing Land Audit.	Funding not available when required.	Continued dialogue with the house building industry (including through the annual Fife Housing Land Audit process) and with individual developers through regular SDA update meetings.	Open - being monitored	2	4	8	Decrease	27/04/21
As a result of an under estimation of costs there is a risk that costs may be higher which may result in a cost over-run.	Threat	15/04/21	FBC Risk	Programme Manager	4	4	16	Live	No	Revised costing exercise of all STIMs.	Increased capital cost. Level of impact is dependant on level cost increase.	Revised costing exercise increased costs by £15.9m. It is proposed that this will be mitigated against by HIF funding, therefore reducing the impact. Business Case to be submitted to City Deal Joint Committee in June 2021.	Open - being actioned	4	3	12	Decrease	27/04/21
As a result of house building delivering slower than programmed in the base case there is a risk that timescale for private sector payments through developer obligations could increase, which may result in a larger timing gap and thus increased borrowing costs.	Threat	15/04/21	FBC Risk	Programme Manager	3	3	9	Not soon	No	Ensure regular dialogue with development industry to consider the latest programming information for each site. Modelling assumptions prudent and based on a realistic scale of build out. Early engagement with infrastructure project partners (e.g. Network Rail) and prepare development agreements.	Could result in a larger timing gap and thus increased borrowing costs. Impact dependant on if slow down occurs before or after infrastructure delivery.	Latest market intelligence shows a strong and confident housing market with no slowing over what programmed in the HLA.	Open - being monitored	2	3	6	Decrease	27/04/21
As a result of a change in Planning Obligations Supplementary Guidance Methodology there is a risk that developer contribution levels could change which may result in reducing the value of developer contributions.	Threat	15/04/21	FBC Risk	Head of Planning Service	2	4	8	Not soon	No	For any review in methodology, ensure planning obligations costs are directly related to the impact(s) of the SDA development and the delivery cost.	Increased capital funding gap if construction costs cannot be funded by Section 75 contributions.	No methodology review undertaken to date. In any review in methodology of the supplementary guidance, the objective of the guidance would not change - to ensure that the costs of addressing the impact of the SDA development are met by the development industry. Any review would be subject to its own risk analysis.	Open - to be actioned	2	4	8	No change	27/04/21
As a result of a reduction in the BCIS rate after infrastructure is delivered there is a risk that developer contribution levels could change which may result in reducing the value of developer contributions.	Threat	15/04/21	FBC Risk	Programme Manager	3	4	12	Not soon	No	If BCIS rate reduces, re-run the financial model if the BCIS rate changes to quantify the level of impact and examine options to fund any resulting unsupported borrowing.	Funding gap	Agreed to monitor BCIS rate.	Open - being monitored	3	3	12	No change	27/04/21
Legal Risks																		
As a result of non-compliance with UK Subsidy Controls (replacement for EU State Aid Regulations) there is a risk that the legality of the programme is called into question which may result in City Deal funding not being available.	Threat	15/04/21	FBC Risk	Programme Manager	1	4	4	Not soon	No	Legal due diligence to support the approach to procurement.	City Deal funding not available.	Fife Council procurement procedures to followed which accord with UK requirements.	Open - to be actioned	1	4	4	No change	27/04/21
As a result of land not being available or uncertainties over land ownership there is a risk that uncertainty and legal challenges may result in delay in infrastructure delivery.	Threat	15/04/21	FBC Risk	Programme Manager	3	4	12	Ongoing	No	Although, most land in developer control. Potential issues regarding need to CPO. Title search/due diligence. Legal agreements between land owners and developers. Agreement in principle has been gained from Council committee regarding use of CPOs. Where land assembly is required and it is unclear if an agreement will be reached, a twin track approach of negotiation and progressing a CPO is being undertaken.	Potential CPO/land acquisition costs.	Agreement in principle has been gained from Council committee regarding use of CPOs.	Open - being actioned	3	3	9	Decrease	27/04/21
As a result of a failure to ensure an effective governance structure there is a risk that decisions may be challenged which may result in legal challenges.	Threat	15/04/21	FBC Risk	Programme Manager	1	3	3	Not soon	No	Follow agreed governance structure for the STIM Programme o approve the delivery programme and investment. This consists of the Strategic Transportation Interventions Delivery Board; Sustainable Growth and City Deal Board; Investment Strategy Group; and Policy and Co-ordination Committee.	Legal costs	Agreed governance structure followed.	Open - being monitored	1	3	3	No change	27/04/21
As a result of a lack of funding to deliver key infrastructure there is a risk that planning applications could be refused which may result in those refusals being appealed.	Threat	15/04/21	FBC Risk	Head of Planning Service	4	5	20	Not soon	No	Funding solution to be found through City Deal. Without City Deal funding, a funding gap exists that cannot be bridged by Section 75 contributions.	Legal costs	Proposed outcome - The funding solution proposed in the Business Case being agreed through the Edinburgh & South East Scotland City Deal. (managed score risk will reduce significantly on agreement of grant)	Open - being monitored	4	5	20	No change	27/04/21
As a result of a legal challenge to the developer obligations there is a risk that the value of contributions could reduce which may result in the Council being unable to deliver the full programme of required transport interventions.	Threat	15/04/21	FBC Risk	Head of Planning Service	3	4	12	Not soon	No	No legal challenge envisaged. Planning Obligations Supplementary Guidance was widely consulted upon before Council approval. Many sites now have a signed Section 75 agreement in place or are currently engaged in preparing a Section 75 agreement with the Council.	Funding gap	Propose to review Planning Obligations Supplementary Guidance through preparation to LDP2.	Open - to be actioned	3	4	12	No change	27/04/21
Strategic Risks																		
As a result of the strategic growth of Dunfermline not being achieved there is a risk that the ambitions of the Local Development Plan (LDP) and Local Outcome Improvement Plan (LOIP) will not be met which may result in the projected increased GVA and place making not being delivered.	Threat	15/04/21	FBC Risk	Head of Planning Service	2	4	8	Not soon	No	Ensure the delivery of the proposed strategic growth of Dunfermline as proposed in the LDP through the use of masterplans and continued dialogue with land owners and the development industry. Address the funding gap through the preparation of a business case for City Deal funding.	Funding gap	The funding solution proposed in the Business Case being agreed through the Edinburgh & South East Scotland City Deal.	Open - being actioned	2	4	8	No change	27/04/21
Reputational Risks																		
As a result of a funding gap there is a risk that Fife Council is unable to deliver the required transport interventions and as a result private sector investment slows/stops.	Threat	15/04/21	FBC Risk	Programme Manager	3	4	12	Not soon	No	Effective contract management and programming. Business case for use of Housing Infrastructure Fund grant.	Potential increase in level of unsupported borrowing (dependant on where occurs in programme).	City Deal Business Case to access Housing Infrastructure Fund grant. Manage the funding drawdown with effective debt management strategy.	Open - being monitored	2	4	8	Decrease	27/04/21

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Edinburgh and South East Scotland City Region Deal Joint Committee

10am, Friday 4 June 2021

Regional Prosperity Framework – Consultation Draft

Item number 5.5

Executive Summary

This paper seeks approval for the Regional Prosperity Framework Consultation, and the associated Consultation Engagement Plan. Feedback gathered during the consultation will be used to create a final agreed Regional Prosperity Framework later in 2021.

The Framework is intended to be a document that articulates the long-term aspirational goals for Edinburgh and South East Scotland to guide the future direction of regional economic and wider policy across stakeholders. It seeks to set an ambitious 20-year vision for the regional economy, up to 2041.

Steve Grimmond

Chief Officer, Edinburgh and South East Scotland City Region Deal

Contact: Andy Nichol, Programme Manager, Edinburgh and South East Scotland City Region Deal

E-mail: andy.nichol@edinburgh.gov.uk | Tel: 0131 529 4461

Regional Prosperity Framework – Consultation Draft

1. Recommendations

- 1.1 Approve the Consultation Draft ‘Regional Prosperity Framework’ (previously the ‘Regional Growth Framework’) at Appendix 1.
- 1.2 Note that, given its status as a consultation document, there is no expectation or requirement for partner ratification at this stage. Partners are encouraged to provide comment and input as part of the consultation process.
- 1.3 Note that, if approved, the formal consultation will begin on Monday 14 June and run for six weeks, closing on Monday 26 July.
- 1.4 Agree that the Convener of the Edinburgh and South East Scotland City Region Deal Joint Committee should write to the Cabinet Secretary for Finance and the Economy seeking an early meeting to discuss the RPF and future ways of working with the Scottish Government and national agencies.
- 1.5 Approve the Engagement Approach at Appendix 2, noting that there remains flexibility throughout the consultation process to ensure appropriate coverage of consultees.
- 1.6 Note the emerging stakeholder list at Appendix 3 – this will be the starting point for stakeholder engagement with all stakeholders and partners encouraged to share the consultation with others wherever relevant;
- 1.7 Note the overview of governance arrangements at Appendix 4. The Elected Member Oversight Committee will continue to receive updates, as appropriate, during the consultation process.
- 1.8 Note that the Final Draft ‘Regional Prosperity Framework’ will be brought to the Edinburgh and South East Scotland City Region Deal Joint Committee for agreement, and subsequently to partners, as appropriate, for ratification.

2. Background

- 2.1 Through the Edinburgh and South East Scotland City Region Deal, the Scottish and UK Governments committed to embarking on a new relationship. The Deal has demonstrated that partners can collaborate effectively to deliver cross-regional projects, create future regional infrastructure and strategically co-ordinate transport, housing and economic development. The Edinburgh and South East city region is Scotland's greatest economic asset. For our local, regional and national wellbeing, Scotland must maximise the potential and opportunities that exist in Edinburgh and South East Scotland.
- 2.2 The decision to prepare a 'Regional Growth Framework' was taken [in September 2019](#), prior to COVID-19 and the United Kingdom's exit from the European Union. Ambitions and action on climate change have also intensified and come more to the fore, with COP26 also due to take place later this year. In a very short period of time there has been significant change in the world that has impacted, and will continue to impact, our regional economy and our way of life in an unprecedented way.
- 2.3 Our response to these factors is ongoing, and the timeline for recovery and nature of renewal is still uncertain. Developing a Regional Framework in this context is challenging. The direction of all strategic planning, policy and associated interventions is adapting to, and is rapidly being shaped by, these wider circumstances. Our regional ambitions now need to address pre-existing issues as well as current and future challenges and opportunities. We need to be flexible in how we collaborate and plan for the future, recognising that our circumstances may rapidly change again.

3. Main report

Overview

- 3.1 The Consultation Draft 'Regional Prosperity Framework' (RPF) has been developed in a consultative and collaborative way with strategic input from the Regional Enterprise Council and Elected Member Oversight Committee. At this stage, it aims to provide a framework for wider stakeholders to reflect on where the region has come from, to discuss where it is now, and to envision where it should go in future. It also sets out the new ways of working required to deliver regional prosperity
- 3.2 The Consultation Draft RPF signposts, but does not present a fixed view of, the region's future priorities. It sets out to engage people and to stimulate thoughts, ideas, opinions and, importantly, consultation responses, on how the main challenges and opportunities should be addressed.
- 3.3 Following the consultation, the final version of the document will change as a result of responses received. It will also be shaped by the strategic context as it evolves over time, to ensure a strategic fit is achieved, including with the upcoming Programme for Government.

- 3.4 In the circumstances, this approach is considered the most appropriate, timeous and productive way to seek to secure broad alignment on the ‘what, why, who, how, where and when’ that will be needed in order to realise the region’s full potential.
- 3.5 In the context of the above, Members are invited to consider the Consultation Draft RPF at Annex 1 and approve this ahead of the formal launch of the consultation process.

Approach to Consultation

- 3.6 It is proposed that a six-week public consultation take place, with the online publication of the document and associated consultation questions going live on the 14 June 2021 and closing on 26 July 2021.
- 3.7 The Consultation RPF will be published on one of the local authority partners e-consult platforms with links to the City Region Deal website and partner websites.
- 3.8 A summary of proposed activity is provided below:
- Online document with questions and space for answers;
 - Press release;
 - Website and social media activity, coordinated across partners;
 - Email communication asking partners, key stakeholders and the Regional Enterprise Council to engage and promote the consultation amongst networks (a stakeholder list is available in Appendix 3, although there may be further additions to this and should not be viewed as a “closed list”);
 - Email to those signed up for City Region Deal news;
 - Targeted events with representative bodies throughout the consultation period, as required and subject to resources; and
 - Introductory video (using images and a captions) to explain the background and key content and consultation questions.
- 3.9 Consultation feedback will be captured, and the RPF updated to reflect this input. It is expected that the final version will be presented to the Joint Committee on 3 September 2021. It will then be subsequently ratified by each of the six local authority partners at an appropriate Committee. Other partners who wish to formally ratify the document are encouraged to do so.

4. Financial impact

- 4.1 Work has been undertaken to date by the Thematic Leads Officer Group.
- 4.2 Consultancy support has been procured and will be paid for by monies received from Scottish Government and £30k SESplan rebate carried over into this financial year.

5. Alignment with Sustainable, Inclusive Growth Ambitions

- 5.1 The Regional Prosperity Framework builds on the City Region Deal ambitions of delivering inclusive growth and seeks to deliver a holistic economic framework that will provide the basis for economic recovery post-pandemic and future direction for major projects and investment that support inclusive growth and transition to a net zero carbon economy over the next 20 years.

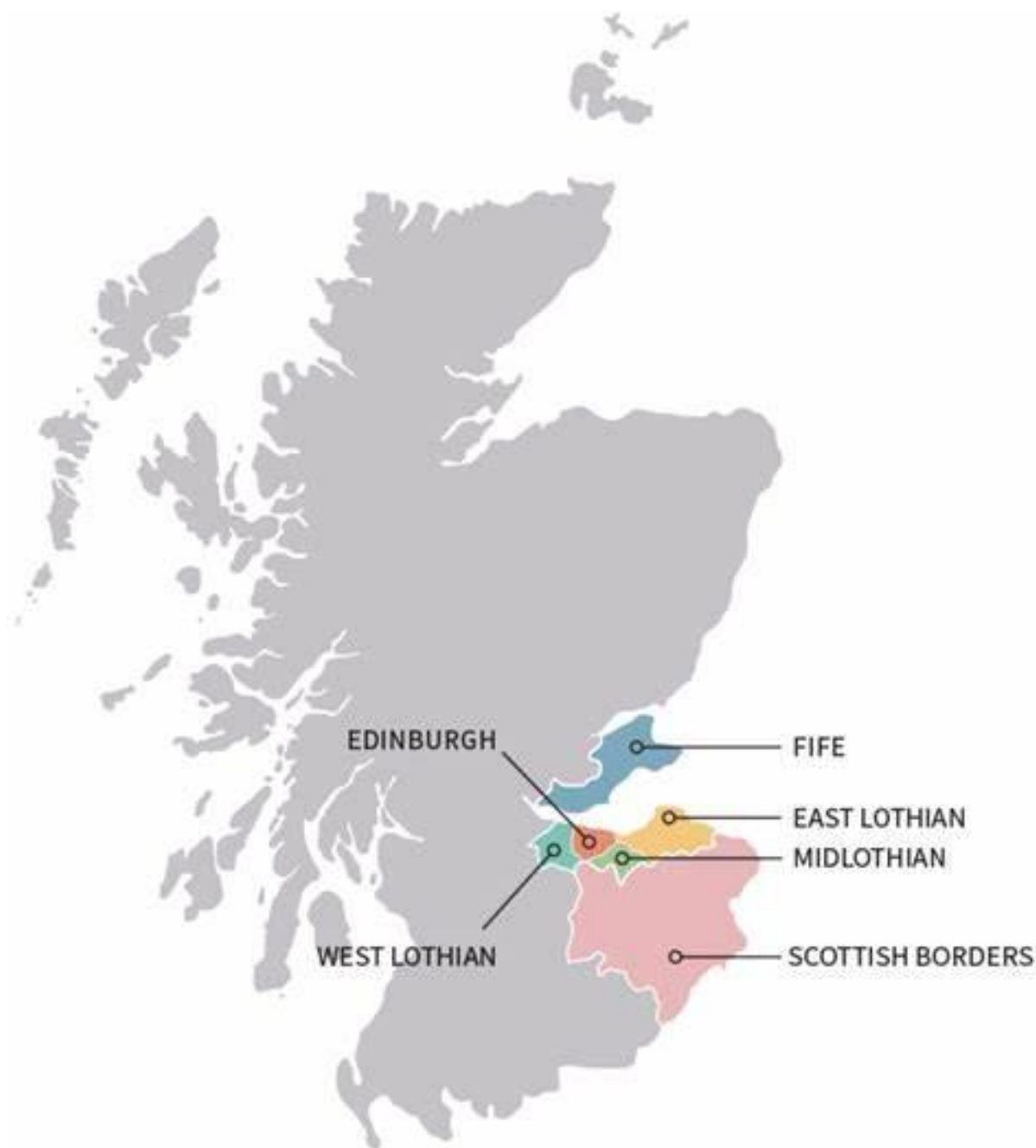
6. Background reading/external references

- 6.1 [Regional Growth Framework Update](#) – Elected Member Oversight Committee – 16 April 2021.
- 6.2 [Regional Prosperity Framework – Draft for Consultation](#) – Elected Member Oversight Committee – 21 May 2021

7. Appendices

- 7.1 Appendix 1 – Regional Prosperity Framework – Final Consultation Draft (for approval)
- 7.2 Appendix 2 – Engagement Approach for the Regional Prosperity Framework Consultation (for approval)
- 7.3 Appendix 3 – Stakeholder List (for noting, and subject to further supplementation)
- 7.4 Appendix 4 – RPF Governance Arrangements (for noting)

Edinburgh and South East Scotland Regional Prosperity Framework (2021 – 2041)



Consultation Draft – June 2021

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EXECUTIVE SUMMARY

The Edinburgh and South East Scotland (ESES) region has an incredible platform to build on. The region, home to 1.4m people, of whom 65% are of working age, also hosts world-class higher and further education institutes, which continue to add to our enormous talent pool. Individually, the six authorities have their unique distinctiveness, but collectively they form a strong regional entity.

While the platform for this growth is extremely strong, there are a number of factors that must be addressed to support future development. These include: the response from Covid-19 and its devastating economic and social impact, the need to address societal imbalances throughout the region and the urgent need to deliver this within a net zero context.

Partners across the region have been working hard to deliver on the city region deal that will bring £1.3bn investment over a 15 year period. The identity of the region has been strengthened as a result of closer working that the city region deal has brought, allowing our collective and individual priorities to be articulated more clearly than ever before. It also has helped us to develop a mechanism by which we are able to deliver on the key needs of our citizens.

*This way of working has helped us to shape the Regional Prosperity Framework into the document presented here, and it is on this that we are reaching out to you for comments, feedback and ideas on what matters to you for our region. At the heart of the Framework are three key components: delivering a future society that is **resilient, flourishing and innovative**.*

- *The challenges of Covid-19 have highlighted the need for **resilience** to ensure that our citizens have the support they need to prosper within our communities.*
- ***Flourishing** because we need to design a society that works for everyone. The inequalities across our region must be tackled head-on by this work*
- *The ESES region was home to the Scottish Enlightenment. Once again we must embrace the spirit of **innovation** found within education, business and communities and direct this to solving a wider range of challenges*

While this document mentions the economic successes of the region and plans for the future GVA growth, it also recognises the need for well-being and quality of life to be prioritised. While the region regularly tops UK city lists for quality of life¹, there are significant challenges we must address within our communities to support all our citizens. In order to build this society, there are a number of key initiatives reflected within this document. This includes the need for critical infrastructure to enable this development. It also includes how we will support individuals to maintain the sense of community through a neighbourhood approach that helps maintain the culture, identity and vibrancy throughout our communities.

This Framework alone is not a silver bullet to deliver our vision. Our recommendations on collaborative working, engagement and the infrastructure must be backed up by action, and it must continue to be updated to reflect our changing circumstances. To deliver on these outcomes will require government and city region partners to work differently.

Within this draft we pose a number of key questions that we need your help to answer. Please do get involved with the consultation process. It is imperative that we design and build this for the needs of people and businesses of the region. To do that successfully we need a wide range of views.

¹ For example https://www.numbeo.com/quality-of-life/country_result.jsp?country=United+Kingdom

FOREWORD - REGIONAL PROSPERITY FRAMEWORK

This consultation draft Regional Prosperity Framework has been published to seek views on shaping our future regional economy. This early draft has been published to stimulate debate and invite comments from you, to help to shape a finalised Framework.

Why Prosperity?

Prosperity reflects our ambition of a future that works for everyone. Economic success must not be at the expense of our planet, it must not exploit or marginalise anyone, and it must be shared more equally across the region.

This focus on a prosperous region benefitting all is what underpins the Framework.

The Framework is intended to be a document that articulates the long-term aspirational goals for Edinburgh and South East Scotland to **guide the future direction** of regional economic and wider policy across stakeholders. It seeks to set an ambitious **20-year vision** for the regional economy, up to 2041.

The region has always been a key part of, and of critical importance to, the Scottish and UK economy. It was home to the Scottish Enlightenment where leading thinkers influenced and innovated global thinking across fields such as science, medicine, engineering, agriculture, botany, zoology, law, culture, philosophy and economics. We must lead and initiate change again. We have world-class resources, institutions and talent and, more than at any other period of recent history, need to utilise these in working together to address our challenges and opportunities in an integrated, sustainable and equitable way.

Building on the successful regional partnership that is delivering the £1.3bn Edinburgh and South East Scotland City Deal, the Framework aims to set out a broader, ambitious joint approach to regional collaboration. It seeks to identify how partners in the region can build on other significant investments, such as those supported through the City Region Deal to further improve the way the regional economy functions, particularly in a post COVID-19 environment. It has been developed with input from public, private and third sector organisations. It aims to address the region's challenges and opportunities to make Edinburgh and South East Scotland a better place to live, work, study, visit and invest for current and future generations.

The Framework will be non-statutory, but it will be a **public statement of Regional Collaboration, with a wide range of partners coming together to support an agreed vision, ambition and priorities** for Edinburgh and South East Scotland. To deliver the desired level of regional collaboration, we ask that all those able to contribute to the growth of the region use the Framework to shape their individual and collective local, regional and national plans and strategies.

The development of the Regional Prosperity Framework requires impactful collaboration between Government(s), national agencies and regional partners to drive prosperity that promotes greater equity. An empowered Regional Economic Partnership, as envisaged by the Scottish Government's Enterprise and Skills Review, would provide business and the third sector, regional partners, including higher and further education, and national agencies practical influence over regional economic planning.

Recognising the significant changes that the region and Scotland as a whole face in the next few years, the Framework will be flexible and adaptable. As such, it will be subject to regular review and update over its lifetime, and parts of it will also be kept 'live' to take account of and to allow responses to very rapid change.

We want to hear from you on this Draft Version Regional Prosperity Framework

This document is a consultative draft of the Regional Prosperity Framework. It outlines our collective early thoughts on the challenges and opportunities facing Edinburgh and South East Scotland in the years ahead and makes suggestions on the most appropriate focus of effort to maximise our impact and benefits for those who live and work in this region.

This consultation document sets out a series of consultation questions seeking views and expertise from anyone with an interest in the region's future. Your responses will be used to assist the Regional Partners to shape a final version of the Framework, with the intention of having this in place later in 2021.

The questions are set out in boxes like this. You do not have to respond to all the questions. If you have any other inputs or ideas that are not covered by the questions, this is welcome and can be included in the response to the final question.

1. WHO ARE WE?

The Edinburgh and South East Scotland City Region comprises around 10% of the Scottish land mass and with a population of 1.4 million, around 26% of Scotland's population. It is also a key driver of the Scottish economy.

However, given the scale of the region, it is also a place of vast diversity. The circumstances and experiences of places are very different. This is true at the local authority level with marked differences, for example, between respectively the urban and rural contexts of City of Edinburgh and the Scottish Borders; attached as Appendix 3 is a summary of some of the unique characteristics of each of the 6 Council areas that make up the region. It is also true at the local level with significant differences between neighbouring places in the same localities.

This Framework has been developed by a range of organisations who recognise the significant benefits of coming together and working collaboratively to support the best possible future for the region. Key partners include the Edinburgh City Region Deal signatories (the six local authorities, together with regional universities, colleges and the Regional Enterprise Council, UK and Scottish Governments), as well as a range of other organisations with a key role in the Region such as Scottish Enterprise, Skills Development Scotland, South of Scotland Enterprise and SEStran.

2. WHY ARE WE WORKING TOGETHER?

Through our highly successful City Region Deal in Edinburgh and South East Scotland, we are already working in a co-ordinated way and are now seeing the clear benefits we can achieve by partnering together. It is the stated ambition of Scottish Government for Regional Economic Partnerships to draw upon growth deals to further maximise the benefits that arise when local authorities work together and with national agencies, universities and colleges, the third sector and the private sector. The Scottish Government believes that REPs bring together regional interests, focussing and aligning resources, sharing knowledge, and identify new joined-up plans to accelerate inclusive economic growth at a local, regional, and national level. We share the Scottish Government's ambitions for regional working and believe that the Edinburgh and South East REP can set the example for other partnerships elsewhere in Scotland by deepening and expanding collaborative working in the months and years ahead.

To secure the best possible future for the region the public, private, voluntary and education sectors now see an opportunity to work more effectively to deliver greater collective impact. There is a lot that connects the different parts of the region, with interdependencies in areas including labour markets, housing markets, transportation and supply chains. The City cannot succeed without the wider region and vice versa. Against this background, the Edinburgh and South East Scotland region, like other regions across Scotland, is facing a period of unprecedented challenge and opportunity.

We have a shared duty to address the interrelated challenges of climate change, sustainability, biodiversity loss, inequalities, health and well-being, and the need to create new jobs and businesses while enabling a just transition to a net zero economy.

To face our current challenges, we need to rebuild our economy so that it supports:

- **People** – to access fair work, to learn and develop new skills and to live happy and healthy lives
- **Places** – that are sustainable, and attractive to live and work in and where enterprise thrives
- **Planet** – meeting our needs in a way that will allow future generations to meet theirs, with a focus on reduction of greenhouse gas emissions (sustainability).

We need to do this against the backdrop of the UK's exit from the European Union (EU), and the global COVID-19 pandemic. We need to collaborate to enable a net zero recovery and to address our shared and interrelated challenges. Business as usual is not an option, as the cost of inaction will be too great. We need to think globally, act locally, and meet our needs in a way that allows future generations to meet theirs.

Our next step, through the development of this Regional Prosperity Framework, is to agree common goals and to work together to achieve them. This will allow us to develop a shared understanding of how the region can make a more significant contribution to the Scottish and UK economy, and highlight the important role each region, sector and organisation can play individually and collectively in realising the region's potential.

To achieve this the Regional Prosperity Framework will be used as a basis to guide and integrate public, private and third sector decisions, actions, collaborations, strategies, policies and investments across areas such as **sustainability, climate change, energy, transport, planning, housing, infrastructure, education, digital, services, equalities, well-being, economic development, procurement and delivery.**

3. HOW DID WE GET HERE?

Our Region before the UK Exit from EU and Covid-19

National economic growth, particularly in our region, tasked successive regional strategies to accommodate more development, population, households and demographic change. The pace and scale of this change, and our environmental and infrastructure opportunities and constraints, meant economic development had to be distributed across the whole region to meet overall growth requirements while aiming to share benefits.

However, not all of our communities have equally benefitted from the work so far. Some parts of the region continue to be among the mostly poorly performing parts of the country when measured according to conventional economic metrics such as GVA, while others have seen negative impacts from growth such as overheating housing markets. Within the City and across the region there are stubborn pockets of economic under-performance, inequalities and deprivation.

Areas of deprivation often exist where industry has declined and has not been replaced, or where comprehensive development programmes of the past did not deliver mixed, sustainable communities, while other areas have never experienced sustained programmes of economic support. This mixed picture is also reflected in the strength of town centres across the region, with some more than others impacted by changing retail patterns, behaviours and trends, and out of centre retail locations, further deepening inequalities.

The region's outstanding higher education institutions are located in key strategic locations across the region, and its further education institutions serve their local communities. The 2016 BEIS-funded Science and Innovation Audit² highlighted the regional opportunity around data science and innovation. This was the foundation for the development of the Data-Driven Innovation (DDI) Programme, which set the differentiating vision for Edinburgh and South East Scotland as the **Data Capital of Europe**.

The Universities of Edinburgh, Heriot Watt and Queen Margaret University in particular extended to locations on the southern and eastern edges of Edinburgh to create innovation clusters, enabling wider collaborations with the public and private sector to improve public and commercial service delivery. This supported growth of key data-driven innovation sectors, including: public services, finance and fintech, insurance, artificial intelligence and robotics, and bio, health and life science, food and drink and agricultural innovation.

Colleges have a crucial role to play in facilitating skills and process innovation activity to support local and regional economies and increase productivity across Scotland. Colleges will continue to build on their positive relationships with SMEs and give those enterprises opportunities to develop new and innovative business processes.

Through their close working with industry and individual business, the region's colleges have a vital part in supporting business development and sustainability, enabling the sector to play a role in supporting the region's research and innovation economy and positioning them to make a difference to future prosperity, building on existing work in this space around emerging skills needs and areas of innovative economic growth

There has been notable growth in other key economic sectors such as services and freight and logistics, particularly beyond Edinburgh. Generally, though, the pattern has been a decline in traditional industries and reuse of former industrial sites for housing. Across the region many industrial premises are ageing and require adaptation or replacement to meet current and future needs.

Agriculture, horticulture, fishing, forestry and food and drink remain important regionally, with strong international reputations. Our tourism offer is genuinely world class but most activity is focused on Edinburgh city centre, putting a strain on infrastructure and assets. This has overshadowed the wider regional tourism

² See [Audit points to city and region's digital potential | The University of Edinburgh](#)

offer and potential for linking our cultural, natural heritage and leisure tourism assets and workforce in a more compelling and integrated way.

House prices, particularly in areas within easy commute to central Edinburgh, are unaffordable to many. A number of key settlements across the region expanded significantly in response to housing need and mobile demand, but jobs did not follow. Employment density therefore remains low outside the City of Edinburgh. Housing demand, and prices, are high across the whole region, and there is a need to significantly increase the supply of affordable homes with a wider range of house types, sizes and tenures including mid-market rent and specialist housing.

Housing-led regeneration has been successful where aligned with wider interventions, programmes and investments, including job creation, skills development and training, but less so where such approaches were not followed. Access to land and funding for affordable housing delivery is and will be a significant factor in influencing where people can live, and if and how they can access opportunities and amenities in future.

Whilst the growth of the region has brought much success, in-commuting and greenhouse gas emissions have increased. There is more pressure on infrastructure and services. Inequalities remain, and in some places are widening. More too can be done to improve well-being, accessibility, connectivity and productivity. There are high levels of transport poverty³ across the region, even pockets in Edinburgh (please refer to the Transport Poverty Map in Appendix 2), reflecting the high cost of transport, poor connectivity, which all contribute to the reliance on the private car exacerbating the barriers to employment, training and education. The Under 25's are disproportionately affected by the barriers with a higher reliance on public transport to make journeys across the region.

The extent to which we can adapt and be more resilient and successful in future will depend on how well we transition. The main lesson from our past is that our effective collaborative working will be imperative to deliver intended outcomes.

The Framework must not only be sensitive to the distinctiveness of places, its goal is to create a framework which is responsive to our differences, enabling us more effectively to marshal capacities and assets across our region to meet challenges and make the most of opportunities.

Question 1: How did we get here?

Are there any aspects of the development of the Region's economy prior to UK exit from EU and Covid-19 that are important to capture that aren't outlined here?

Similarly, do you think there are opportunities from the Region's economy prior to UK exit from EU and Covid-19 that could help support recovery? If so, what areas / sectors are these?

³ Transport poverty is disadvantage experienced by those who are disproportionately affected by high transport costs compared with their income, lack of suitable transport options or service accessibility that impacts on the ability to access employment, education, amenities or services

4. WHERE ARE WE NOW?

OUR CURRENT REGIONAL ECONOMIC PROFILE

The following section summarises some of the region's key economic and demographic trends as well as infrastructure assets and sectoral strengths. This information is drawn from the technical annex and from other relevant contextual documents, including the City Regional Deal document.

Figure 1 – Economic Overview



Prior to the COVID-19 pandemic, the Edinburgh and south east Scotland economy was performing strongly, with a level of growth that exceeded the Scottish average. Overall, the region was contributing approximately £36 billion per year to the Scottish and UK economies through its diverse economy.

The distinctiveness of Edinburgh and South East Scotland's culture, history and tourism offer continued to draw visitors from across the world. In 2020, the total GVA for the region was £38,365 million, accounting for 30% of the Scottish total GVA output. This is an increase of 7.5%, or £2,676 million, from 2010.

A key factor contributing to the region's economic output is the strength of its key sectors. Across the City Region, GVA in 2020 was primarily driven by the following key sectors: Finance and Business Services; Health and Social Care; Engineering; and Digital. Each of these top performing sectors have continued to operate throughout the COVID-19 pandemic, with heightened demand and increased opportunities emerging in Health and Social Care and Digital Technologies.

Despite significant strengths, sectors such as manufacturing, hospitality & tourism and creative industries in the region have been especially impacted by COVID-19. In addition, the region is composed of local authorities with varying levels of socio-economic resilience, based on Oxford Economics Vulnerability Index. The vulnerability index provides an indication of how well equipped a local authority is to withstand the economic shocks resulting from COVID-19, by considering its economic diversity, business environment and digital connectivity.

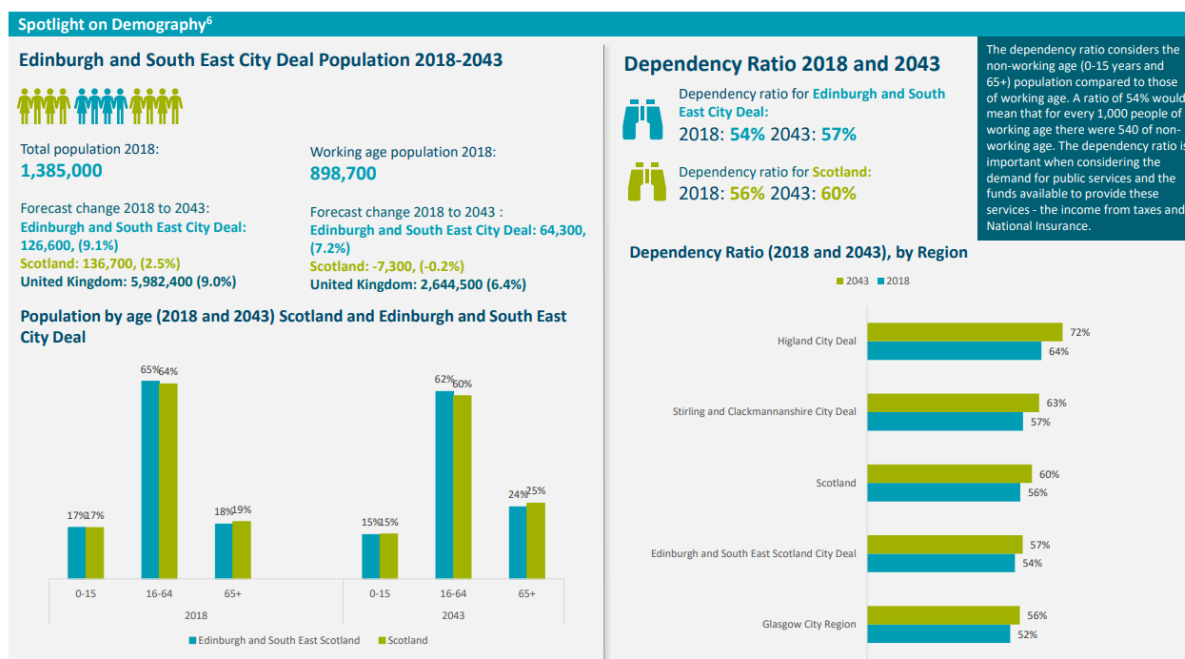
Local authorities across Edinburgh and South East Scotland with a lower share of small businesses, self-employment and reliable digital connectivity tend to be most resilient, such as the City of Edinburgh and Midlothian, which are the 1st and 4th most resilient local authorities in Scotland respectively. Other local authorities such as the Scottish Borders (the 3rd least resilient local authority area in Scotland), however, have lower levels of resilience due to poor connectivity and lower rates of home working, with a relatively high number of small businesses and individuals who are self-employed.

Despite the economic impact of COVID-19 across the City Region, economic growth is forecast to continue with average annual growth projections from 2020-2030 suggesting a growth rate of 2.4%. This is higher than the average annual growth projected for Scotland as a whole.

Demographics

The area is home to almost 1.4 million people, around a quarter (26%) of Scotland’s total population. However, over the past 10 years, the rate of population growth has begun to decline due to a reduction in natural birth rates. This is coupled with an increase in life expectancy across the region. Over the 10 years from 2009 to 2019, across all six of the local authorities, the increase in those of non-working age has been higher than those of working age (16-64). This is felt most acutely in Fife and the Scottish Borders, where the working age population has decreased by 1% and 4% respectively since 2009.

Figure 2 - Population



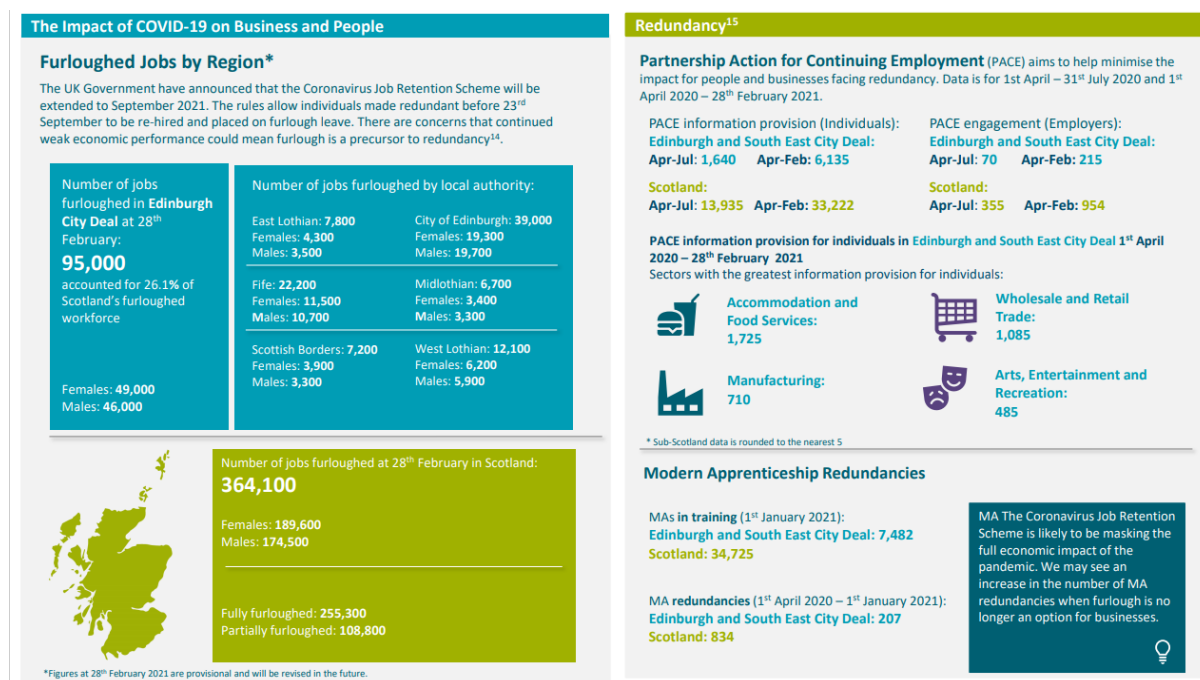
A demography with an ageing population and a high dependency ratio (the number of people of non-working age dependent on those of working age) means that a smaller pool of people of working age are supporting a larger pool of older people who are not working. This in turn puts additional pressure on public services. There is also a more limited labour pool on which to draw to address regional recruitment needs. Some sectors such as Health and Social Care are already experiencing skills challenges and could find it increasingly challenging to recruit the people they need unless more people of working age are attracted into the region.

Regions with high dependency ratios such as the Scottish Borders, East Lothian, and Fife, are more likely to experience labour shortages. However, this could be offset by enhanced automation in certain sectors and a focused talent attraction and retention strategy. It is also worth noting that people of non-working age contribute much through ongoing paid work, volunteering, and formal and informal mentoring.

Labour Market and Skills Landscape

The COVID-19 pandemic has had a demonstrable impact on businesses and key sectors across Edinburgh and South East Scotland. As of February 2021, there were 95,000 individuals who have had their employments furloughed across the region: accounting for 26.1% of Scotland’s total furloughed workforce. All local authorities, with the exception of the City of Edinburgh, have a higher number of females than males currently on furlough.

Figure 3 – Furloughed Jobs and Redundancy



Despite the financial impact on businesses, there has been a steady rise in the number of job postings across the region over the past 12 months, highlighting a return of recruitment. The number of new job postings has increased by 5,958 from 3,651 in April 2020 to 9,609 in March 2021. This suggests that as lockdown measures were relaxed over the latter half of 2020 business confidence began to return.

Over half of these job postings were advertised in Edinburgh, followed by Livingston and Dunfermline. Programmers and Software Development Professionals, Care Workers and Home Carers, and Nurses were the most frequently advertised occupations with skills such as teamwork and collaboration, customer service and budgeting, in high demand.

The top employing industries across the City Region over the past 12 months have been Human health activities (22%), Education (16%) and Public administration and defence (8%) with the median real time salary associated with all postings across the 6 local authorities reaching £31,800.

However, job postings in the City Deal region remain 15% lower in March 2021 when compared to March 2020, suggesting that many businesses are struggling to stay afloat – and the types of jobs available may not offer the security or hours in demand from those in the labour market.

Forecast opportunity areas and recent job postings data all highlight the importance of softer skills as well as technical skills to employers across the city region. Going forward, ensuring meta-skills such as 'Social intelligence', 'Self-management' and 'Innovation' are part of provision planning will enable individuals to compete in a competitive and changing labour market.

Looking ahead, the number of people forecast to be needed to fill job openings in the labour market by 2023 is 95,100; accounting for 28% of Scotland's total number of job openings. This is primarily driven by replacement demand, when people retire from the labour market as opposed to new job creation. It is anticipated that despite the short-term labour market challenges facing the region, there could be some job growth and new opportunities created in the mid-term.

Question 2a: Our Current Regional Economic Profile

Are there any aspects of the Region's Economic Profile that are important to capture that aren't outlined here?

REGIONAL IMPACT FROM UK EXIT FROM EU & COVID-19

The cumulative effects of Brexit and Covid-19 will have short, medium, and longer term economic, social and environment effects at a regional and national level.

The COVID-19 global pandemic has had wide-reaching economic, social and health impacts around the world. For Edinburgh and South East Scotland, the impact on the economy has been significant because of the large number of people employed in tourism, travel, hospitality/food service, arts, culture and (non-food) retail.

Health, economic, digital and transport inequalities that existed before the pandemic have made it more difficult for some households to cope with the effects of lockdowns and restrictions and COVID has placed significant pressures on personal finances. The effectiveness of community action projects, right across the region, have provided strong support and helped to minimise the impact on the most vulnerable in society.

Many existing business models are under threat, not just because of the immediate restrictions, but in the medium-term trends (e.g. home working) affecting patterns of consumer behaviour. This particularly affects transport, culture, retail and hospitality/food service. An economic divide between those businesses and individuals who can adapt to new ways of working, or move into new roles, and those who cannot, will develop and widen, unless support is put in place.

In addition to COVID-19, the UK's recent withdrawal from the European Union has the potential to create additional challenges for Edinburgh and South East Scotland's labour supply. In June 2020, there were 85,000 EU nationals living across the six local authorities in the City Deal, accounting for 35% of the total number of EU nationals residing in Scotland. This is a decrease of 37% (1,000 people) from December 2019. Once Hospitality and Tourism enters a stronger recovery phase there may be an increase in skills shortages across the sector due to its high composition of non-UK nationals.

The outmigration of people from the City Region over the 6 months to from December to June 2020, hints at the potential future direction of travel in migration flows. Given that Scotland and the City Region's only forecast population growth was due to inward migration, the UK's exit from the EU has the potential to create skills shortages across a range of sectors and occupations, whilst adding to longer-term labour supply challenges related to a shrinking working age population.

Identification of Vulnerable Groups

Throughout the pandemic, the unemployment rate for 16–64-year-olds in Edinburgh and South East Scotland increased gradually from 3.1% in March 2020, to 3.7% in September 2020 (25,500 people). This is lower than the Scottish unemployment rate of 4.4% (Feb. 2021). Fife has consistently had the highest rate of unemployment of all six local authorities, and women across the City Region currently have a higher unemployment rate (4.1%) than males (3.4%).

Modelling suggests that in a worst-case scenario, if the unemployment rate across Edinburgh and the South East of Scotland were to reach 20%, we could see up to 141,700 individuals unemployed.



The impact of COVID-19 has not been evenly dispersed across the labour market. Young people have been at a particular economic disadvantage, with many employed in sectors that have been heavily restricted or closed due to physical distancing measures. In September 2020, the 16–24-year-old unemployment rate was 12.4% (9,600 individuals), higher than the Scottish rate of 11.1%. This is three times higher than the 16-64 unemployment rate.

There is also concern that the furlough scheme could be operating as a potential buffer to rising unemployment rates in the long term. Assessing the number of people on universal credit provides a timelier indication of COVID-19 potential financial impact on individuals across Edinburgh and South East Scotland. Between March 2020 and February 2021, the claimant count rose by 94.5% (57,300 people) from 60,600 to 117,900. This suggests that there has been an immediate number of job losses since the outbreak of COVID-19 across the region.

For rural regions such as the Scottish Borders, increased youth unemployment has the potential to lead to a talent drain as young people look for employment and training opportunities in other areas. This, in combination with rural transport and digital connectivity poverty, could create further labour market and skills supply challenges that persist beyond the COVID-19 pandemic.

Recent insight provides that 10,276 of 11,083 (93%) school leavers across the City Region transitioned into positive destinations. Most school leavers in went into Higher Education (4,554) or Further Education (3,311), and 396 individuals went on to training opportunities. It is worth highlighting that the number of school leavers going into employment increased by 49.8% to 2,849 in 2019/20 from 1,902 in 2018/19. In addition, the number of unemployed and job-seeking young people fell from 503 in 2018/19, to 395 in 2019/20.

A key area of focus over the years after the COVID-19 pandemic will be ensuring that all young people are supported into employment and training opportunities within the labour market, with additional support provided to those living in areas of high multiple deprivation. There is an expectation that the future of the labour market including portfolio working; increasing automation; and the rapid pace of change in the nature of work are likely to impact on support requirements. This is an area where our ambition is to target support appropriately, in a way that continues to respond to changes, but it is envisaged that young people will be particularly affected and will therefore be an important priority group.

Regional Skills and Talent Development

Regionally, significant benefit has been achieved from the development of the Integrated Regional Employability and Skills (IRES) Programme. This programme is underpinned by a strong private, public, and third sector partnership.

Going forward, as part of the RPF, this form of partnership will remain key to achieving positive outcomes for regional citizens through inclusive skills practices supporting the needs of the city regional labour market, as well as the evolving policy and practice needed to support this. To date the focus has been on the following seven projects:

- Integrated knowledge management systems
- Labour market analysis and evaluation
- Integrated employer engagement
- Intensive family support service
- Housing construction and innovation (HCI) targeted skills gateway
- Data-driven innovation (DDI) targeted skills gateway
- Workforce mobility

Closely aligned school, college, and university planning will enable educational routes to be grounded in partnership working and purposeful collaboration with clear lines of alignment and progression. Such an approach will be critical to support the smooth transition of learners through the skills pipeline and into the workforce to support inclusive economic growth and social justice, and to create shorter journeys for learners into successful and sustained careers.

Emerging Opportunities

Despite the challenges presented by the COVID-19 pandemic, there are emerging areas of innovation and opportunity that could be the drivers of future economic growth. Enhanced reliance on digital technology has not only driven business innovation across key sectors, but it has also reshaped the landscape of work as we know it. Many sectors, such as Financial and Business Services across the City Region, are changing to a more flexible 'work-from-home' model and increasing their digital capacity. As a result, more opportunities could be brought to the region, with an increase in remote working from any local authority, while recognising the potential impact on the existing office sector and city centre retail and other support services.

This opportunity could extend beyond COVID-19 and result in several societal and economic benefits to the region, such as reducing congestion and carbon emissions as commuting activity decreases and promoting greater use of local services and shopping. In the mid-long term, new opportunities in 'green jobs' are a growing area of opportunity that align with Scotland's carbon reduction aspirations, particularly in Construction, Engineering and Manufacturing, Transport and Land-Based Sectors. There also continue to be opportunities in sectors that have struggled to attract sufficient numbers to fill vacancies including health & social care, construction and teaching.

In order to prepare for and capitalise on ‘green jobs’⁴ it is critical to ensure that there is a pipeline of individuals trained to enter these roles. It is important to have a clear understanding of the skills associated with these jobs, and to ensure that these are being developed through new and emerging provision pathways. This includes guaranteeing that everyone in society benefits fairly from the change towards a green economy and ensuring that those who are most likely to be disadvantaged by structural changes in employment receive targeted support.

Question 2b: Regional Impacts from UK exit from EU & Covid-19

From your experience, what are the main implications of COVID-19 and/or UK Exit from the EU, and what should the region do to ‘build back better’ from these 2 significant challenges?

DRAFT

⁴ A green job is either: any job in a business that produces good or services that benefit the environment or conserve natural resources; or a job in which workers’ duties involve making their establishment’s production processes more environmentally friendly or use fewer natural resources (see: <https://www.scottish-enterprise.com/support-for-businesses/funding-and-grants/business-grants/green-jobs>)

5. WHERE ARE WE GOING?

Currently, our region is in a period of profound uncertainty, facing unprecedented economic, societal and environmental challenges. It is difficult, in such a period, to set a fixed direction for the region. We recognise the need for adaptability, flexibility and agility, as we hopefully move into a post Pandemic context, and we recognise that the region is in a strong position to respond to the ongoing challenges and opportunities facing all parts of the world, and is well placed to be adaptive, flexible and agile.

In terms of immediate priorities, the Scottish Government has published an Economic Recovery Plan, which sets out actions across a number of themes to secure a jobs-focused and socially-just economic recovery. These include:

- Protecting jobs by supporting business recovery and sustainable, green growth
- Creating jobs through business engagement and a partnership approach
- Supporting access to good quality jobs through employment, skills and training
- Boosting local job creation through resilient people, communities and places
- Creating jobs and a Just Transition through investment-led sustainable growth

There is a clear link between a strong regional distribution of economic activity and positive social impact. The Scottish Government wants to facilitate collaborations between local government, the private sector, education and skills providers, our enterprise and skills agencies, and the third sector to use regional economies to drive inclusive and sustainable economic growth. We stand ready to work constructively and collaboratively with the Scottish Government and its agencies to achieve these aims.

Recent months have also seen development of UK Govt policy and proposals in areas including levelling up, community development, R&D Place Strategy and Innovation Strategy. We must ensure that we are ready to respond to emerging proposals to secure potential investments for our citizens.

Linked to these areas of Government Policy, we have also seen the publication of a range of research to inform future economic priorities, both national and local. One, produced by Oxford Economics, provided an assessment of Scotland's economic prospects and challenges. It looked at how existing resources and policy instruments could be used more effectively to raise Scotland's economic growth prospects and considered more ambitious policies which, if introduced, might generate a significant uplift in Scotland's economic growth. Incremental improvements could be achieved by more focus and resources around:

- Reform in the complexity of policy goals and instruments that exist;
- The Scottish National Investment Bank (SNIB) should play a key role to achieve a step change in economic growth; Continuing to attracting inward investment as a key policy ambition;
- More support for 'on-shoring', particularly around manufacturing related sectors;
- Increased supported for SMEs through a more streamlined system of business support;
- Better linkages between the education and skills sector and future needs of Scotland's workforce.

The report proposed that more radical changes were needed in Government policy to support a transformation of Scotland's economic performance, with focus on:

- Increases in government borrowing and/or cuts in interest rates to stimulate stronger growth in demand and hence output;
- Significant tax cuts and deregulation, to improve competition and incentives in the economy; and

- Large increases in government support for businesses, either directly or through increased spending on infrastructure, education & skills, innovation, or the green economy.

So, what might this mean for the Region and how can it focus its considerable resources to achieve something sustainable, achievable and for the collective wellbeing of everyone? The region has real strengths and successes to build on, as well as new challenges and opportunities to face. These include:

High Quality Places and Investment in Homes and Neighbourhoods

- Some of our **urban and rural environments are enviable**, and provide an unrivalled quality of life, but this is not universal across the region. Few other regions in Europe match the quality of our natural and built assets, right across the region;
- **But the reality remains very different for many**, and policy must focus on Fair Work, local regeneration, and support for those in greatest need;
- **Home working across the Region's communities has risen sharply** as a result of the COVID-19 pandemic. This change can support our local economies and town centres, and we need to consider the future of office locations, infrastructure and provision. For some this way of working can enable a better work life balance, enhance productivity and well-being, but can also bring work/life balance issues for many. We must remember that these options are not available to all, and not all jobs can be done from home, and increased home working presents a challenge in footfall for retailers and hospitality, and for developers/investors in relation to property provision with risk of increased dereliction
- The delivery of a **major housebuilding programme across all types and tenures**, aimed at increasing affordable living in sustainable communities with high quality place and local infrastructure. In doing so, such a programme needs to recognise the potential of the new blended / hybrid working environment, and has appropriate homeworking and wellbeing space
- The creation of sustainable mixed communities and new destinations and attractors across the region, through regeneration and new development, can increase job density, amenities and housing options with matching service and infrastructure within more self-contained **20-minute neighbourhoods**.
- A new-found emphasis on sustainability and natural capital in the light of the COVID pandemic also gives us the opportunity to recalibrate our understanding of what economic development, flows and opportunity and supporting infrastructure mean in a rural context. Typically, these features are overwhelmingly conceived as something which extends 'out' from cities, and it is assumed that networks exist predominantly to serve the interests of primary urban centres. While this perspective is understandable in terms of critical mass and cost efficiency, it tends to obscure an understanding of the strategic requirements of rural and less densely populated areas. If **rural areas are to maximise their contribution** to Scotland's National Ambition for Inclusive Economic Growth and to our region, then we must take **a new approach which builds on the opportunities for flexible and digitally supported working**. This greater flexibility in residency choices and housing, with wider implications for travel and the pressure on services, creates enhanced opportunities around natural capital, for example, through renewable energy, carbon storage, or the redesign of farming support.

Major Economic Strengths and New Opportunities

- Our educational institutions, the **research-intensive Universities** in particular, give us a strong competitive advantage. Our innovation systems must maximise these flows and linkages.
- We have a major opportunity to re-focus support on **key growth areas of the economy** such as Software, the Creative Industries, Life Sciences/Healthcare, Business Services and Food and Drink. All underpinned by Data Driven Innovation, and with a skills system ensuring new skills are constantly driving innovation.
- A **commitment to more locally based supply chains** and more of a 'near me' economy, linked to the broader objective of supporting Community Wealth Buildings, particularly through the procurement policies of our anchor institutions can bring new economic benefit if properly channelled.
- The profile of the region having Scotland's capital, a city of international profile and reputation.

To build on the Region's strengths and address the existing challenges and opportunities, it is important the Region's seeks to be 'Resilient' in its solutions, 'Innovative' in the way in which organisations work together flexibly and quickly, and seek to support a region that ultimately 'Flourishes' to the benefit of everyone who lives here. These themes are explored in more detail in the next section.

Question 3: Where are we going

What do you think are the key challenges that the Region faces over the next 20 years?

What are the key strengths that the Region has and that should be the basis of its future wellbeing?

6. OUR EMERGING VISION FOR THE FUTURE

Having reviewed the challenges and opportunities that the region needs to address, the following section outlines our collective Vision for the region, as well as the themes that will focus our activity.

In doing so, it seeks to recognise the importance of the area’s natural, cultural, built and community assets, and our determination to create a more equal economy and society, improve citizens’ health & wellbeing, address climate challenges and help develop an international, well-connected, outward looking city-region.

Our proposed Vision

We will drive the economic recovery of Scotland whilst ensuring the proceeds of innovation and prosperity are fairly and sustainably distributed across all sections of the community to tackle inequalities. We will protect our environment and make best use of our assets to ensure that the Edinburgh and South East Scotland City Region delivers for all its citizens as we transition to a zero-carbon economy. Our institutions, ancient and modern, will deliver benefit for all.

Question 4: Our proposed vision for the future

Do you think this proposed Vision is realistic, ambitious and recognises the Region’s distinctive characteristics and strengths? If not, what would you add or change?

Delivering the Vision

A series of future regional priorities have been outlined below, these seek to maximise the opportunities the Region offers, while addressing the challenges which it faces; both existing and as a result of Brexit and COVID-19. These are emerging priorities and will require further work, consideration and consultation as the Framework develops. These priorities fall broadly into three key thematic areas – **Resilient, Flourishing and Innovative**.



7. OUR EMERGING STRATEGIC THEMES

Theme 1 – Flourishing

We want to spread the benefits and prosperity more evenly around the region in an environmentally sustainable way, to ensure inclusive growth, community wealth building, community wellbeing and reduced inequalities are achieved. Technological and climate change is transforming the types of skills requirements and job opportunities available and how companies do business and it's vital that people in the region have the skillsets required to work in key sectors. We want to have economic wellbeing levels well above the Scottish average and equal to or better than comparable international City Regions. We want our governance, investments and institutions to support the economic activities that will define the region as a global pioneer and leader. We aim to have a wide labour market with diverse skills base to match current and emerging business requirements as well as future growth sectors. We have education, skills and training opportunities, targeted at underrepresented groups and sectors with appropriate support to enable their increased participation. There is improved access to such employment, education and training opportunities across the whole region. This supports a diverse, broad and resilient economic base with a wide range of job types and employees linked to innovation, a just transition to net zero and local production and supply chains.

Future opportunities include:

- Delivering the 21,000 jobs that the City Region Deal projects will bring and helping our most disadvantaged communities have the skills and ability to access these opportunities.
- The City Region Deal Integrated Regional Employability and Skills (IRES) Programme will provide part of the support required to help people in the region adapt to these changes.
- Sustainable, accessible and integrated transport as an enabler to opportunities and reduce inequalities.
- Maximising community benefits from the City Region Deal and future collaboration projects can deliver economic opportunities linked to areas of disadvantage.
- Distribution of key sectors and jobs and assets - building on the region's core sectoral strengths which include: tourism, agri-tech, life sciences, data science, tech, finance, fintech, creative industries, food & drink, renewables/energy, health and social care, manufacturing, construction, warehouse and distribution.
- Growing export value and the number of exporters. Consider economic opportunities at a regional scale e.g. future warehouse, distribution, industrial and retail uses, and how those organisations maximise their global reach.
- Work in partnership with utility suppliers to ensure the combined ambition for net-zero, community wellbeing and inclusive growth can be delivered across the region.
- Embed the principles of the Logan Review across all sectors to support and nature innovation and entrepreneurship.
- Maximising the benefits of an inclusive economy to extend beyond existing urban centres to smaller towns and rural areas, to develop/enhance 'locally' functioning hubs. Effective and low carbon infrastructure connections between places, create conduits for business and enterprise, workers, skills, training, and goods and services
- Collaboration with Scottish Government to deliver wide range of financial innovation opportunities that will enable the delivery of a 'Regional Housing Programme' focused on our seven transformational strategic sites:
 - Deliver upfront land remediation and shared infrastructure delivery across sites that require it – Blindwells and the former Cockenzie Power Station Site, Edinburgh's Waterfront, Dunfermline, Shawfair, Winchburgh, Calderwood and Tweedbank.
 - To also deliver the associated low and zero carbon, green and blue infrastructure on these sites that will enable adaptation and mitigation to climate change and reduce fuel poverty, increase energy efficiency and deliver wider multiple benefits.

- Investment required to meet the greatest affordable housing need in Scotland, through an expanded regional affordable housing programme
- To enable wider delivery of affordable, specialist provision, 'Mid-Market Rent' and 'Build to Rent' and therefore mixed tenures and communities
- Regional Home Demonstrator – mainstreaming modern methods of construction that can be deployed across the region
- Housing Construction & Infrastructure Skills Gateway
- Housing developments based on 20min neighbourhoods and wider transport and digital connectivity

Theme 2 - Innovative

Innovation is critical to developing new solutions to the challenges and opportunities the region faces. Within our region the differentiating opportunity is Data, which is critical to future economic growth, social change, and public services. The region has ambitious plans to establish the region as the Data Capital of Europe and ensure that communities across the region benefit from data-driven and other forms of innovation. The City Region is home to the £1bn+ businesses FNZ, FanDuel and Skyscanner, and major international tech companies such as Amazon, Cisco, Oracle, Microsoft and IBM have also created bases in the City Region. These feed and support a strong Tech Ecosystem, and one that has the potential for further consolidation and growth right across the region. In terms of academic and research capability, the University of Edinburgh has been ranked first in the UK for computer science and informatics research and Heriot-Watt University is a global leader in Robotics and Artificial Intelligence (RAI). East Lothian's Food & Drink Business Improvement District includes an Edinburgh Innovation Park with Queen Margaret University to innovate around Food & Drink practices and products, including the practice of translational medicine to impart medicines in food products to address acute medical conditions. Future opportunities include:

- Formation of a Regional Tech Ecosystem collaboration, to facilitate and promote the collective opportunities for local development and international growth, as Fintech Scotland has done for the Scottish Fintech community.
- Collaboration across public, private and academic sectors to apply data science approaches, to develop innovative and financially sustainable models to business operations, including regional opportunities in the fintech sector and in health and social care.
- Data-driven approaches to prevention, treatment, and health and care service provision, enabling high quality and efficient care within a world-leading learning healthcare system.
- Delivering business premises of the future are ready for data-driven innovation opportunities, including the City Region Deal Fife i3 Programme and Borders Innovation Park, as well in other major development areas like West Edinburgh, Fountainbridge and Granton in Edinburgh.
- Innovative and future-proofed infrastructure – ensuring the region is at the forefront of new infrastructure and in a position to enable 5G and superfast broadband delivery across the region, to enable businesses to locate, invest and grow in our more remote and rural locations whilst also allowing people to work from more flexibly from home and other locations.
- Innovative and future proofed transport – ensuring the region has coordinated information and flexible transport modes that are easily accessible and deployed to promote growth in the sector and support net-zero and the reduction of inequalities.
- Innovative and future proofed utility networks to effectively and efficiently serve the region and its ambitions.

Theme 3 – Resilient

Our region must be resilient and be responsive to change. Economic changes, including technological advances are rapidly taking place and changing the way we work and access services. Climate change is bringing challenges and opportunities for the region, including the need for adaptation, mitigation and sequestration measures; this could also bring significant opportunities to justly transition to a low carbon economy. Our people also need to live in places in all parts of the region that support new fair work, have access to travel and lifestyle choices and we must also evolve the skills base of people in our region to meet the requirements of our future economy.

Partners across the region will work with the Scottish and UK Governments and regional partners to ensure our national, regional and local plans, consents, investment and delivery are co-ordinated, streamlined and accelerated to ensure:

- Nationally and regionally significant transport projects will be coordinated by SEStran and delivered to better connect the region to other city regions, places and markets including:
 - Rail
 - Road based public transport
 - Active travel
 - A720/A1
 - Air
 - Marine
 - Borders Railway Extension
- The delivery of a fairer distribution of economic growth across the region, not just population and housing, to:
 - increase diversity of economic activity and job density across the region,
 - make more resilient communities,
 - minimise need to travel,
 - make best use of assets – e.g. contra peak capacity in transport network
 - encourage new ways of working
 - use of digital connectivity
- Masterplan Consent Areas, major developments and / or New Towns will be designated as appropriate, with major national and cross boundary transport projects to be delivered through national, regional and local level collaborative teams
- Major development plans and spatial planning will include strategic transport input and prioritise the delivery of sustainable transport infrastructure to help support greener travel behaviours
- We will work as regional partners to ensure
 - Our plans and strategies are coordinated across local authority boundaries and projects; and
 - Initiatives to deliver more frequent, reliable, integrated and affordable public transport are supported and active travel services and options are improved for all in the region by working closely with transport providers and SEStran and Sustrans Scotland etc.
- Better connected - Future priorities to ensure that the region is better connected, include:
 - Pursuing strategic public transport projects and priority schemes to deliver greater connectivity in the region quickly, as well as contributing to challenging national targets, such as 20% reduction in car kilometres travelled within the next ten years
 - Measures to increase workforce mobility, especially for residents of disadvantaged communities, primarily through the creation of a fully coordinated, integrated, flexible and affordable transport network across the regions that helps reduce inequalities. Strategically, future plans need to acknowledge the integration of land use and transport, to support 20 minute neighbourhoods and 'blended working'.

- Interventions that, individually and/or collectively, demonstrably address climate change and reduce carbon emissions.
 - A single point of information and ticketing for public transport across the region.
 - Helping deliver the National Transport Strategy 2 transport hierarchy and Regional Transport Strategy objectives through appropriate infrastructure in new strategic sites, as well as from main centres of population to centres of employment, education and training as well as other public facilities including health care;
 - Enhancing mode choice and offering to ensure that transport network can become more flexible to adapt to the differing transport needs of the region.
 - Focusing on investments on modal shift and supporting the more disadvantaged communities.
 - Considering potential longer-term schemes for tram, light rail and heavy rail.
 - Supporting freight operators using new approaches to freight decarbonisation across the region
- Sustainable – Partner organisations are developing four strategic outline cases for the development of sustainable Energy Management Systems, Regional Supply Chains, developing an Investment Prospectus for COP 26 and setting out a Risk impact for climate change consequences, including economic consequences. Additional opportunities to help ensure the region can adapt to climate change and transition to zero carbon emissions include:
 - Sustainable Modern Methods of Construction – The scale and pipeline of regional housing development presents a unique opportunity for innovation and use of offsite manufacturing methods of construction to ensure that homes are future proofed being built to the highest quality and energy efficiency standards with significantly reduced waste and carbon emissions. Continued collaboration with Edinburgh Napier University’s Institute for Sustainable Construction and Construction Scotland Innovation Centre.
 - Energy - The region already has some significant assets that can help enable the transition to a low carbon economy. However, harnessing this collective potential combined with future investment, behavioural change, and recycling will be essential to meet ambitious local and national targets. Existing key assets and opportunities across the region include:
 - Energy Park Fife - Energy Park Fife is a world leading engineering and research zone within the energy sector.
 - Energy from Waste Plants - Maximising connections to Midlothian and East Lothian sites to deliver low carbon heating in the South East of Scotland.
 - Geothermal - There are several former coal fields across south east Scotland, such as the Midlothian and East Lothian and Fife coal fields, where there is significant potential to abstract and make use of warm mine water to develop geothermal heat networks.
 - Recycling - Significant expansion in recycling facilities, consideration could be given to regional recycling hubs.
 - Transport – Transport accounts for 37% of Scotland’s greenhouse gas emissions. There are a number of national, regional and local initiatives that are demonstrating or investigating the decarbonisation of transport and will help to reduce kilometres travelled by car.
 - Transport – A true modal shift from the private car (even EV powered) to active travel and public transport will help maximise the efficient use of energy, but this can only be achieved by providing a viable alternative to the private car. SESTran’s Mobility as a Service and Demand Responsive Transport approaches across the region will provide the platform to create a fully integrated public transport offering, coupled with Demand Responsive Transport to respond to the customer needs and the changing dynamics of the region.
 - The Scottish Borders is already significant net generator of onshore renewable (wind) energy. There remains the potential to expand this output, as well as to develop the associated upskilling, well-paid jobs and local economic benefit.

- Offshore renewable also offer opportunities reflected, for example, in Eyemouth's selection as an Operations & Maintenance base to support EDF Renewables UK's Neart na Gaoithe Offshore Wind Farm.
- o Green, Blue Infrastructure and nature based solutions, including carbon capture and sequestration. We will identify regional project, programmes and actions that will help us to adapt to and mitigate future climate, focusing on reduction measures and the mitigation and sequestration. Afforestation and enhancing the significant woodland and wetland assets within the region and particularly the Scottish Borders. New developments provide green corridors for safe wildlife passage and connections to nature, natural waterways protected and preserved, natural wetlands and floodplains protected through masterplanning to provide vital future water management and prevent erosion.

Question 5: Our Emerging Strategic Themes

Do you think that the three Regional Priority Themes of Flourishing, Innovative and Resilient provide an appropriate framework to focus our collaborations to maximise the potential of the region?

Have you any further suggestions in terms of specific opportunities, asks and commitments that

8. OUR EMERGING BIG MOVES

A Better-Connected Region

The interdependence between local partners has never been greater with increased mobility of workers and people choosing to live, work and invest in locations across the region irrespective of administrative boundaries. Within the region we will ensure that employment, training and education can be accessed by all, through sustainable transport modes.

South East Scotland is well placed to capitalise on improved international, UK cross-border, including between Edinburgh and London, as well as national connectivity. Edinburgh Airport, ports on the Firth of Forth and the radial transport corridors to, through and from our region connect it to other UK regions, Scottish regions and City Region Deals including Tay Cities and Borderlands. These routes and our digital connectivity provide the means to develop wider relationships and to seek out, attract and share new opportunities.

Edinburgh city centre and the regional core are a key connecting node, but many of our major cross boundary connections converge elsewhere in the region. A better more sustainably connected region underpins its future success. Some of our key objectives are to promote future growth within the city centre, regional core and along our growth corridors in line with the high-level approach below:

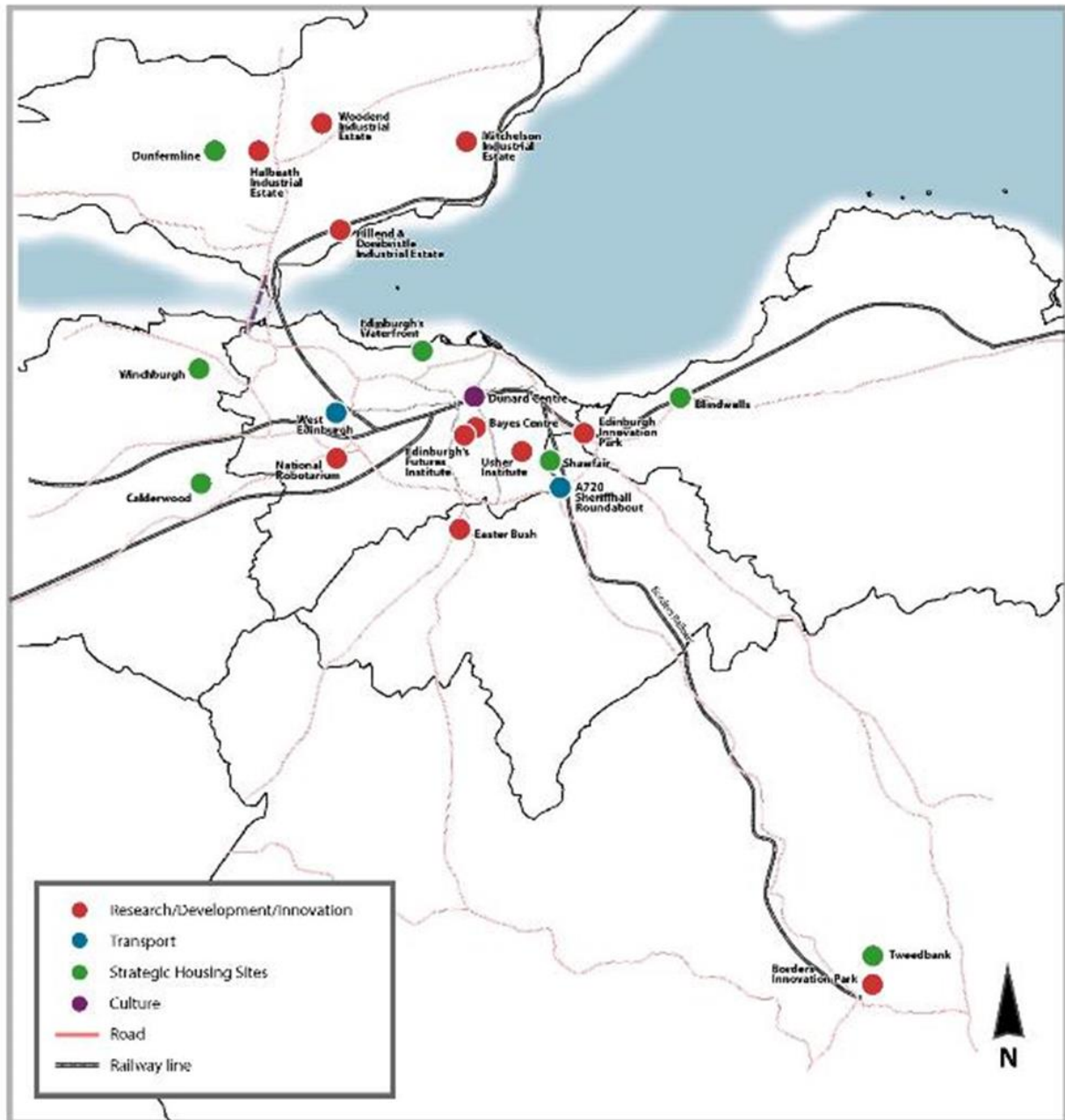
- Connecting West – we want to build a new partnership between the east and west of Scotland right across the region, to address labour market linkages, sustainable connectivity and sectoral collaboration. We also want to ensure we take advantage of our shared UK cross border connectivity and associated development opportunities, including logistics, freight and storage and distribution as well as manufacturing;
- Connecting North – utilising recent investment in the new Forth crossing, we want to improve connections to the Tay Cities Region and Aberdeen City Region areas, and to make available growth opportunities in key locations within Fife, including the former Longannet Power Station site, Port of Rosyth and Fife Energy Park, as well as around the Forth Bridge heads and at Edinburgh Airport, including growth of our financial, insurance and other professional sectors. The Levenmouth Rail Link will also offer new opportunities for both passenger and freight transport. A key focus of this will include ongoing support for further development of sustainable energy connections with key partners across the region and beyond;
- Connecting East – utilising existing and future enhancement of UK cross border connections between south east Scotland, north east England and London we want to reduce journey times and strengthen the UK cross border cities network. Along the element of this corridor within the region there is significant potential to align plans for substantial economic and housing growth in a new strategic regional growth gateway location focused on an enlarged new settlement at Blindwells with new regional town centre, the redevelopment of former Cockenzie Power Station site and a new regional gateway transport hub. The creation of a new railway station in Reston will also provide opportunities for inclusive growth and opportunities within the east of the Scottish Borders;
- Connecting South – the BioQuarter, and Edinburgh Innovation Park at Musselburgh cluster around the A720 (east end), A1, and East Coast Main Line; with Easter Bush nearby in the A701 growth corridor. The Borders Railway remains a major corridor for sustainable growth and rural regeneration; and a new North South tram line must connect North and Central Edinburgh to the Bio Quarter and then to the growing communities to the south of the city. To strengthen links further, the region requires the extension of the Borders Rail Line to Carlisle to improve UK cross border connectivity between the south of Scotland and the north west of England. For the movement of freight between the north of England and South of Scotland the A7, and A68 are key strategic routs that require future investment.

Major Regional Opportunities

This section sets out some of the major regional opportunities that have been identified through the Framework development process. Each aligns with one or more of the themes set out above. These opportunities cannot be fully realised without a regional approach and will deliver significant impact with the potential to reshape the region's future.

1. **The Data Capital of Europe – as a nation and a region, our lives are being transformed by technology at a tremendous rate. The BEIS Science and Innovation Audit provided a roadmap for the region to be an economic beneficiary of this data revolution, rather than a passive consumer. It highlighted the need for collaborative action to develop the digital and analytical talent the Region requires to thrive in the face of global competition. The CRD's Data-Driven Innovation programme has acted as a catalyst for this collaborative action, but this now needs to be extended into day-to-day economic development activity across the region, to support the transition and growth of data-enabled business operations. Through this, the Region can consolidate and strengthen its Innovation Ecosystem to support organisations, irrespective of where they are based in the Region. This can deliver the vision of the region being the Data Capital of Europe;**
2. **Re-thinking our neighbourhoods, towns and cities - addressing affordability and connectivity within 20 min neighbourhoods, and re-shaping our High Streets, in both a city centre and a town centre context, focusing on new roles and new uses;**
3. **Sustainable transport and mobility – we will reduce car dependency right across the region by delivering key aspects of the Regional Transport Strategy such as interconnected cross boundary active travel links and better infrastructure for public transport provision. We will provide affordable, coordinated public transport options for those who live in transport poverty for access to employment, training and education opportunities;**
4. **Regenerating the Forth estuary: from Rosyth to Blindwells new settlement and the former Cockenzie Power Station site, taking in the Forth Bridges and Granton, linking to Grangemouth/Forth Valley – and including the redevelopment of our coastal industrial base to focus on support for the renewables sector, and exploring new opportunities for tourism and leisure use;**
5. **Re-imagining sustainable tourism: regionally and nationally connected, with sustainable assets and attractions across the region;**
6. **Re-building support for business, with a particular focus on start ups and a wider culture of entrepreneurship in the post pandemic period. This needs to be carefully aligned with other key policies that may also require support to businesses, in particular the net zero agenda. Coordination between national, regional and local support systems must be maintained and support systems must remain as open and accessible to as wide a range of businesses and entrepreneurs as possible;**
7. **Re-designing the skills system to focus on emerging sectors and technologies and supporting those who have been disproportionately affected by the COVID-19 pandemic (particularly young people) to secure sustainable employment;**
8. **Re-inventing healthcare: a co-ordinated programme of health related projects, focused around the Bio Quarter, Easterbush, etc working with the NHS Boards and Health and Social Care Partnerships, and including the creation of Edinburgh Innovation Park and Food and Drink Innovation Hub;**

9. Delivering a collaborative approach across energy management systems, regional supply chains, COP 26 investment prospectus and risk impact for climate change consequences, responding to the challenges and opportunities presented by the climate crisis;
10. Reaffirming the role of our anchor institutions right across the region to maximise their social, economic and environmental roles.



Question 6: Our Big Moves

What are your views on our proposals for a better-connected region?

What are your views on the regional pipeline opportunities outlined? What other major regional projects or initiatives should be considered, and do these fit within the suggested Themes?

In terms of prioritisation, what should be the focus of activity in the first 3 – 5 years?

9. OUR PROPOSED APPROACH TO DELIVERY

Delivering this Regional Prosperity requires new ways of working

The Edinburgh and South East city region is Scotland's greatest economic asset, generating wealth and opportunity for its citizens and the rest of the nation. Economically, the city region is a national force for good, acting as a catalyst for the country as a whole. Socially, culturally and creatively, it is an iconic touchstone for the Scottish people, projecting much of Scotland's global profile and as the primary gateway to Scotland. It is in the national interest for investment and funding decisions to be taken coherently to provide for the continued and increased success for the benefit of everyone throughout the country.

To achieve and deliver upon this Regional Prosperity Framework requires a new way of working. Through the City Region Deal, the Scottish and UK Governments and regional partners embarked on a new relationship. The Deal has demonstrated that partners can collaborate effectively to deliver cross-regional projects, create future regional infrastructure and strategically co-ordinate transport, housing and economic development.

For our national wellbeing, Scotland must maximise the potential and opportunities that exist in Edinburgh and the South East as articulated in this Regional Prosperity Framework. The Scottish and UK Governments, national agencies and regional partners must align funding programmes and investment priorities alongside the wider contributions of private and 3rd sector partners to ensure this success. This will secure maximum value for taxpayers' money and will attract business, create jobs and boost prosperity to benefit the region and the nation.

These innovative and ambitious projects require a collective approach to align strategy, investment and funding, and to deliver prosperity and wellbeing across the region and for the rest of Scotland. Government has been clear that the logical extension of the positive progress of City Region Deals is for regional collaboration to go further through the development of regional economic plans, with shared outcomes, responsibilities, and alignment of priorities and resources. An unrelenting focus on the strengths of place and communities is critical to planning for and ultimately realising meaningful change. The Scottish and UK Governments and regional partners must build upon the close partnership successfully established through the Edinburgh and South East Scotland City Region Deal and ensure that powers and resources exist to provide for coherent investment in the region's key strategic priorities.

This section sets out how the projects, big moves and themes converge into a framework for delivery. The Framework Action Plan will reflect a short term focus (years 1-3), and it is envisaged that the action plan will be a live document, which will be updated frequently as projects are developed and delivered. The overarching Framework will be refreshed at 3 – 5 year intervals. Over the short, medium (years 4-6), and longer (years 7-10) term horizons, the City Region Deal; the regional pipeline of projects; and the identified "big moves" will all inform action plan updates. Further information on each element and how it links to Framework delivery is outlined below:

Delivering the Deal

In these uncertain times the £1.3bn ESESCR Deal provides certainty both in terms of investment but also the 15-year commitment made between the Deal signatories. The projects and programmes in the Deal provide committed investment, together providing a strong foundation to grow, leverage and develop opportunities for the regional economy.

The ESESCR Deal is of national importance with significant implications for Scotland's future growth. This Framework seeks to build on the ESESCR Deal and maximise our existing assets by outlining key measures, priorities and opportunities which have arisen from the collaboration and which respond to the economic and climate challenges that face us all.

Pipeline Projects

The region has worked collaboratively to prioritise a pipeline of projects which can be delivered over the short to medium term (1-6 years) with the right investment and partnership approach to deliver against the three key thematic areas of the Regional Prosperity Framework.

Big Moves

The strategic programmes, partnership and approaches outlined in the 'Big Moves' section aims to ensure that the region delivers the vision and ambition of the Regional Prosperity Framework over the next 20 years.

Action Plan

An action plan with a short timescales focus will be regularly updated to ensure that the key projects and deliverables of the framework are live and area able to react and respond to future economic, societal and environmental factors to best meet the needs of our communities.

Question 7: Our Approach to Delivery

Are there any important linkages that aren't captured here? If so, what are they, and how do these link with the Themes and/or the emerging regional "big moves"?

What role could your organisation playing in delivery, and what would you expect the regional partners to deliver to assist this?

10. OVERSEEING CHANGE

The delivery of the change proposed within the Framework will require a significant collective effort from a range of organisations.

Key partners in the delivery of the Regional Prosperity Framework will include the Edinburgh City Region Deal signatories (the six local authorities, together with regional universities, colleges and the Regional Enterprise Council, UK and Scottish Governments), as well as a range of other organisations with a key role in the Region such as Scottish Enterprise, South of Scotland Enterprise, Transport Scotland and SEStran.

The successful delivery of the Framework and action plan requires each of its elements to be implemented in a coordinated way. An existing structure is already in place to support the delivery of the Edinburgh and South East Scotland City Deal, and this will be the basis of a broader public / private sector economic partnership to guide and monitor the delivery of the Framework.

The Regional Enterprise Council – has already started to influence and shape the Framework and will continue to ensure that strong, effective leadership and input is provided across the public and private sectors.

The Elected Member Oversight Committee established in January 2021, ensures that that the Framework is developed and governed through to the delivery phase with the appropriate local level scrutiny.

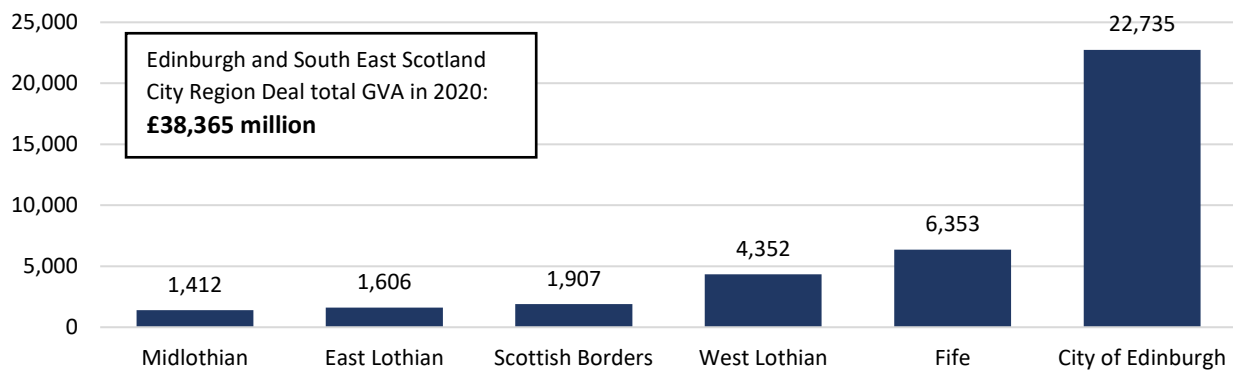
The regional partners are committed to working together to develop and deliver our vision for the future of our region. We are keen to continue to focus on our strong relationship with national agencies, and the Scottish and UK Governments, to ensure that our regional efforts are both supported by, and contribute strongly to, the wider national context. We look forward to continued joint working to share and realise our Vision.

Question 8: Overseeing Change

Do you think that your own organisation could play a role in achieving the objectives of the Framework? If so, in what specific areas?

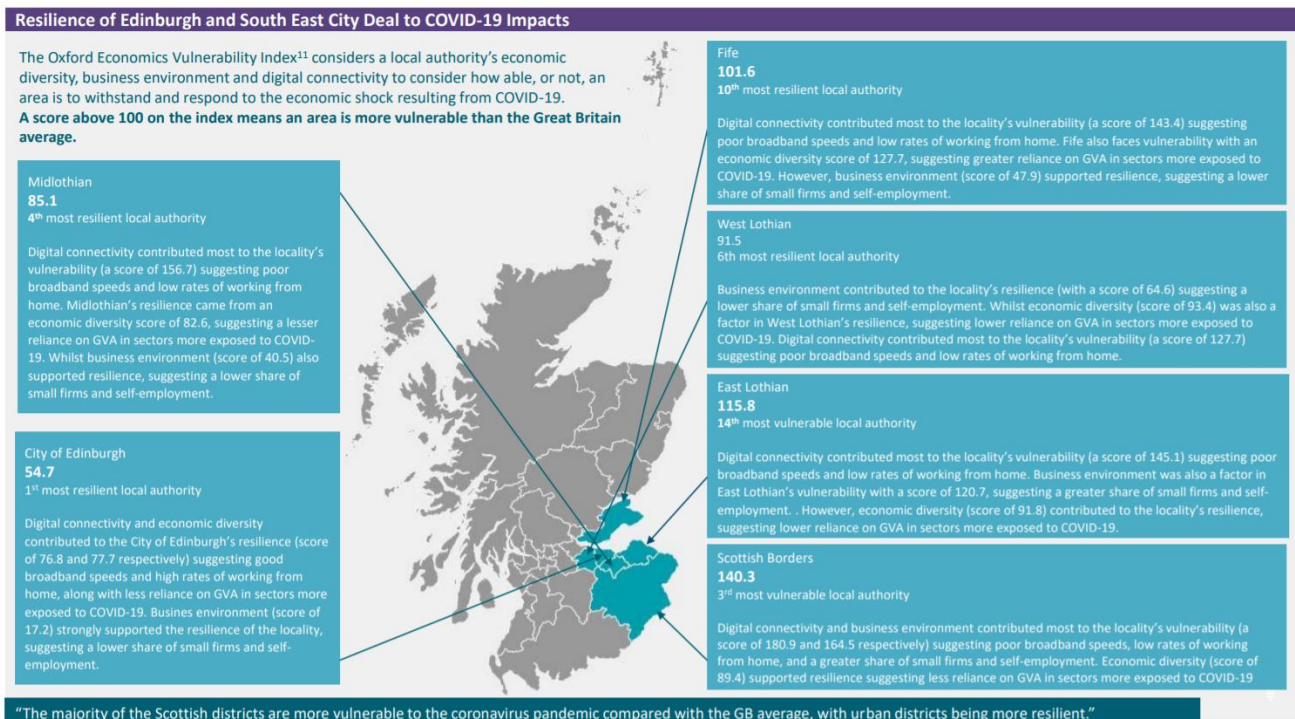
Economic Performance

Chart 1: City Region GVA 2020 (£m) by Local Authority



Source: Oxford Economics Forecasts (Skills Development Scotland)

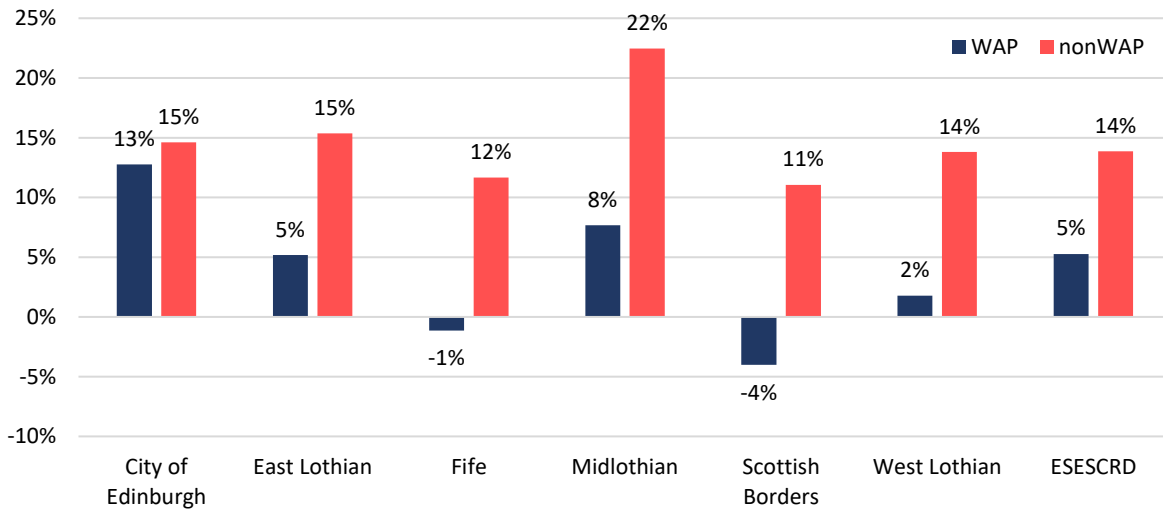
Figure 1: Oxford Economics Vulnerability Index – Edinburgh and South East Scotland



Population and Demographics

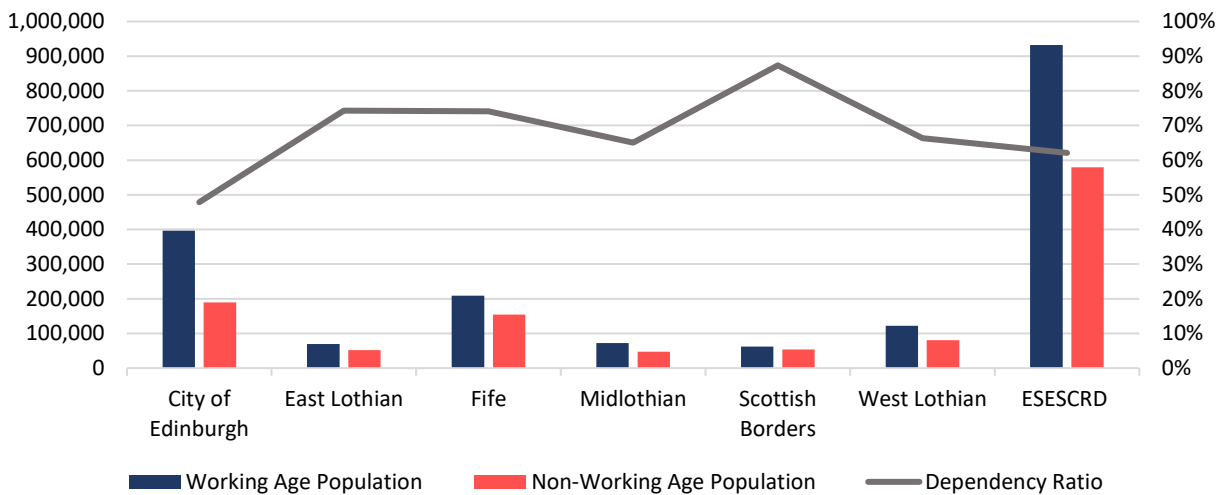
Percentage change in the 16-64 yea-old Working Age Population (WAP) and the non-Working Age Population (non-WAP) across the City Deal region between 2009 and 2019.

Figure 1: Percentage change in age categories by local authority 2009-2019



Source: National Records of Scotland

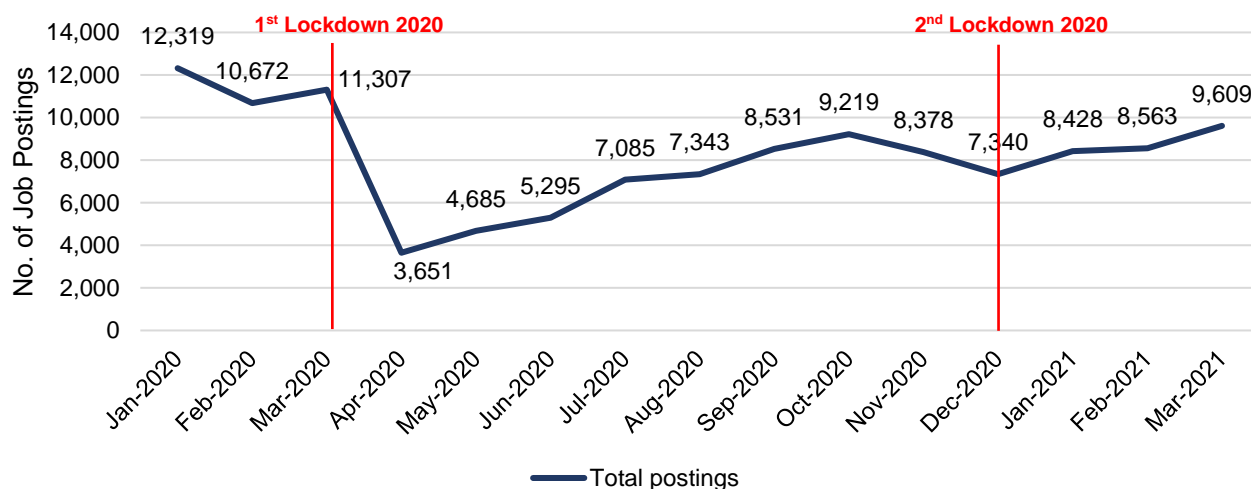
Figure 2: Population projections by age category and local authority in 2043



Source: National Records of Scotland (based on mid-2018 population estimates)

Labour Market and Skills Landscape

Chart 1: No. of Job Postings Jan 20 to March 21 – Edinburgh and South East Scotland



Source: Burning Glass Technologies (2021) *Please note that Burning Glass Job Postings data may not sum due to absence of information associated with some postings e.g. no salary information or SIC or SOC Code.

Table 1: Top Job Postings by 2 Digit SIC – Edinburgh and South East Scotland

Industry	Job Postings	% of Total Postings
Human health activities	10,581	22%
Education	7,396	16%
Public administration and defence; compulsory social security	3,914	8%
Retail trade, except of motor vehicles and motorcycles	3,044	6%
Financial service activities, except insurance and pension funding	2,919	6%
Social work activities without accommodation	2,318	5%
Activities of head offices; management consultancy activities	1,790	4%
Legal and accounting activities	1,323	3%
Residential care activities	1,249	3%
Food and beverage service activities	1,140	2%

Source: Burning Glass Technologies (2021)

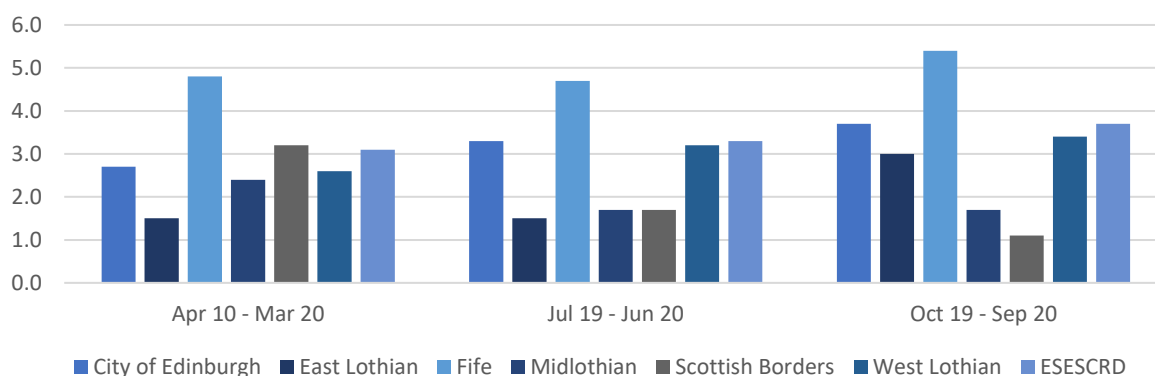
Table 2: Top Job Postings by 4 Digit SOC – Edinburgh and South East Scotland

Occupation	Job Postings	% of Total Postings
Programmers and software development professionals	5,706	7%
Nurses	3,568	4%
Care workers and home carers	3,440	4%
Other administrative occupations n.e.c.	2,107	2%
IT business analysts, architects and systems designers	1,975	2%
Managers and proprietors in other services n.e.c.	1,953	2%
Chartered and certified accountants	1,795	2%
Sales related occupations n.e.c.	1,650	2%
Customer service occupations n.e.c.	1,610	2%
Management consultants and business analysts	1,450	2%

Source: Burning Glass Technologies (2021)

COVID-19, BREXIT, and the Labour Market

Chart 1: Unemployment Rates (16-64) by Local Authority (%)



Source: Annual Population Survey (Labour Force Survey)

Chart 3: Number of People on Universal Credit in Edinburgh and South East Scotland (February 2020 – February 2021)

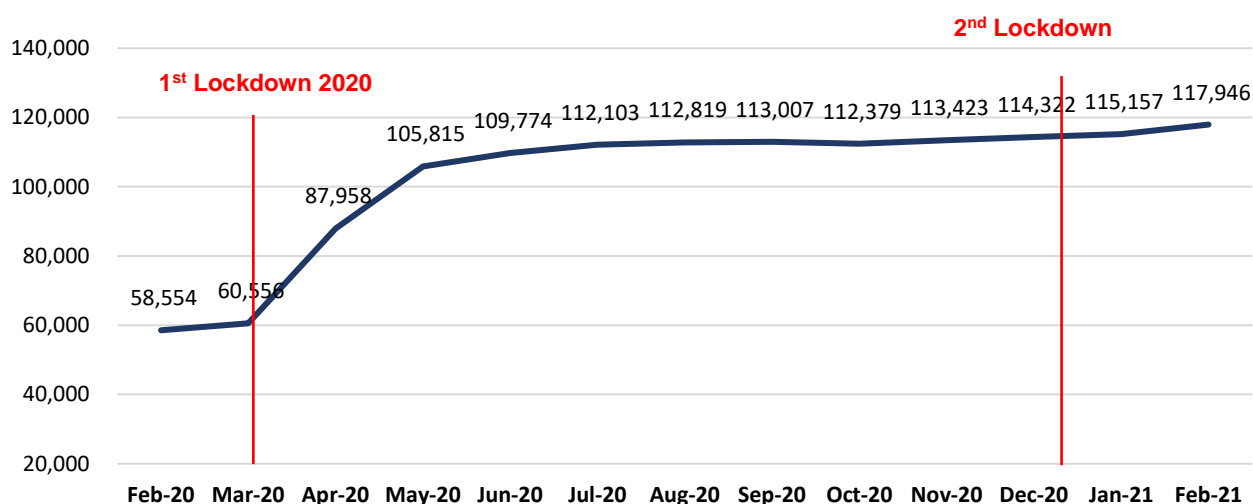
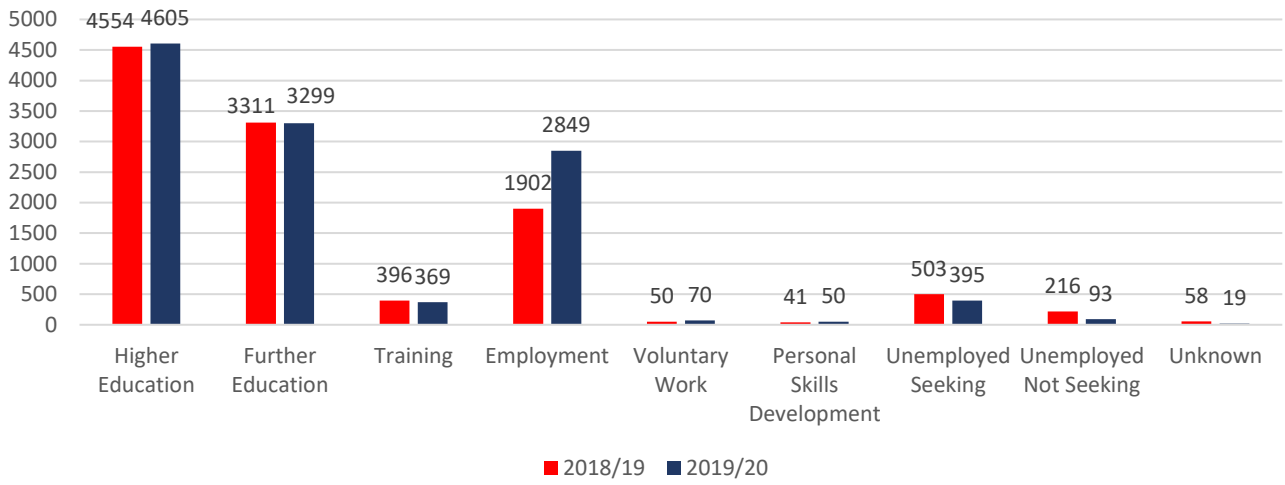


Table 1: Population by country of Birth, December 2019, and June 2020 (Thousands)

Area	EU Total (December 2019)	EU Total (June 2020)
Scotland	234,000	240,000
City of Edinburgh	46,000	47,000
East Lothian	4,000	4,000
Fife	15,000	15,000
Midlothian	5,000	3,000
Scottish Borders	4,000	2,000
West Lothian	12,000	14,000
ESESCRD Total	86,000	85,000

Source: National Records of Scotland (2020)

Chart 4: Initial School Leaver Destinations – Edinburgh and South East Scotland (2018/19 and 2019/20)



Source: Summary Statistics for Attainment and Initial Leaver Destinations, No. 3: 2021 Edition

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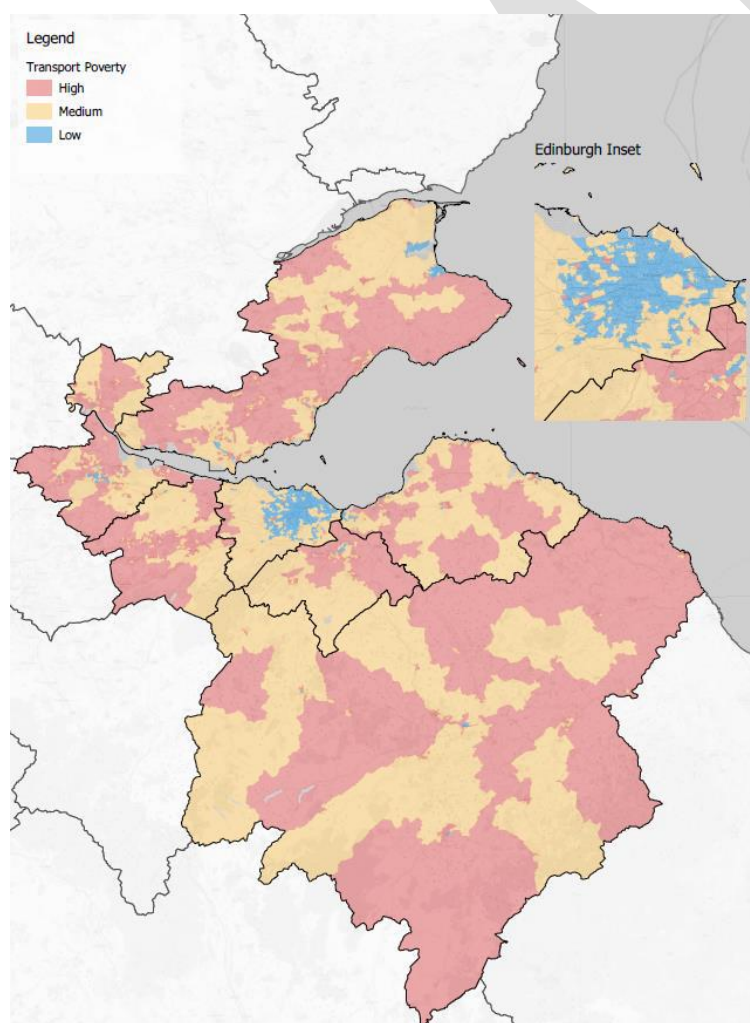
ANNEX 2

Transport Background

Workforce mobility is a barrier to employability, training and education across the region. It is evident that the transport barrier in Edinburgh & South East Scotland is not solely related to affordability. A number of factors have created a fragmented transport system, such as:

- patronage decline on the bus network since 2010,
- 5% of the population not connected to the public transport system,
- The majority of the City Deal region in medium and high transport poverty (SEStran RTS Main Issues Report 2020);
- the need for more partnership working within the sector and across transport modes;
- multiple points of travel information,
- a plethora of ticketing structures/subsidies/concessions, and
- the lack of data based route optimisation.

All of these elements have led to multiple barriers that include affordability, accessibility, complexity, integration and declining service provisions. Figure 1 from the SEStran RTS Main Issues Report 2020' highlights the majority of the region being at medium to high risk of transport poverty.



ANNEX 3

Local Authority Area Summaries

City of Edinburgh

About the region:

Edinburgh, the capital of Scotland, is an international hub for business, tourism, and research. Its rich history, lengthy record of innovation and creativity, iconic architecture, and vibrant culture makes Edinburgh a desirable place to live, work, visit, and study.

Edinburgh has a resilient knowledge-based economy. Productivity is high, averaging over £70,000 per worker (gross value added), unemployment is the lowest of any major UK city (with a Jobseeker's Allowance claimant rate of just 1.9% in December 2019), and gross disposable income is the highest outside of London.

- Key drivers of growth include the city's highly skilled population (over 50% of working-age residents are graduates)
- Edinburgh is an international hub for financial services and technology. The city also benefits from buoyant tourism and a strong higher education sector.
- The city is increasingly focusing on ensuring growth is sustainable and inclusive.

Edinburgh has been an international centre of learning since the renaissance, a financial services hub since the 17th century, and a centre for science and technology since the industrial revolution. Today, Edinburgh combines these long-established capabilities with strengths in modern sectors such as film and contact centres.

Key regional characteristics include:

- Edinburgh has a population of 525,000. The city has grown steadily in recent years, with annual net growth of around 1% (5,000 new residents each year).
- In 2019, JLL ranked Edinburgh the 15th top city in the world for talent concentration in its Innovation Geographies index. Edinburgh is a popular destination for international workers. In the 2020 Global Talent Competitiveness Index - a ranking of cities by their ability to grow, attract, and retain talent - Edinburgh ranked second in the UK and 45th worldwide.
- Each August, Edinburgh hosts the world-famous Edinburgh International Festival and Edinburgh Festival Fringe, along with a myriad of other world leading events like 'Edinburgh's Hogmanay'.
- Edinburgh is a hotbed of scientific discovery and technological progress. The city's four universities, two colleges, and other research institutes have world-leading capabilities in disciplines include medical science, animal bioscience, software, electronics, and energy.
- The city has set an ambitious goal of becoming carbon neutral by 2030.

Key Sectors include:

- Software & Technology
- Financial Services
- Tourism
- Higher Education
- Film & Television
- Food & Drink
- Contact Centres

East Lothian

About the region:

East Lothian is part of the Edinburgh city region and is located to the east of Edinburgh's suburban edge. The area measures approximately 270 square miles in area, and includes 43 miles of coastline. The area currently has a population of around 100,000 people, and by 2035 this is anticipated to grow to 130,000.

East Lothian has a relationship with the wider region, but it offers something different. It has wide variety of high quality built and natural environmental capital and, with countryside and coast, an abundance of leisure tourism opportunities. All this is within easy access of Edinburgh and places East Lothian in high demand as a place to live, learn, invest, work, recreate and to visit. East Lothian has to strategic economic aims and these are to increase the number of business in the area and the number of jobs.

The area also has a number of strategic long term and transformational projects and opportunities, which will be a focus of East Lothian's economic recovery and renewal, including:

- Food & Drink Innovation Hub and Edinburgh Innovation Park - adjacent to Queen Margaret University there are plans to deliver a state of the art food and drink innovation facility being the initial phase of a wider Edinburgh Innovation Park supported by partial funding from City Deal. The Hub and EIP will drive company growth, develop existing and sustainable new businesses to access a global market for healthy and functional food;
- ClimatEvolution Zone, including Blindwells New Town and the redevelopment of the former Cockenzie Power Station site. – there are plans for strategic shared infrastructure and land remediation here to deliver a significant new town with new regional town centre, and to redevelop the former power station site. Taken together, these projects present significant development potential for a wide range of uses and to create a new low carbon destination and attractor, with delivery supported City Deal;
- Torness Nuclear Power Station site - there will be a need to consider the future of this site as the current generating licence extends to 2030, but an extension to this is not ruled out. Key considerations will be decommissioning the site, utilisation of the grid connection, and future land use where deep water harbouring opportunities exist adjacent to the strategic transport network.

Key regional characteristics include:

- One of the fastest rates of population growth in Scotland, and the region;
- the lowest job density in the region, with around 50% of the working age population commuting from the area to work across boundaries;
- significant leakage of expenditure across boundaries, particularly from the west of East Lothian to other nearby areas, impacting town centres and equalities;
- significant investment will be required to overcome the transport, education and other infrastructure constraints, including to address climate change targets and effects;

Key sectors include:

- Tourism
- Small and medium size enterprise
- Farming, fishing and food and drink
- Education, health and bio and life sciences
- Renewables
- Care

Fife

About the region:

Fife is home to 373,550 people, and over 10,000 businesses. It makes a significant contribution to the Scottish economy with an annual business turnover of around £12,500 million.

A peninsula set between the Firth of Forth and Firth of Tay its coastal path and award-winning beaches encircle most of the area. It contains a mix of urban and rural areas, from large settlements to significant areas of undeveloped forest and woodland, including the Lomond Hills. Known around the world as the 'home of golf', Fife offers a total of 48 golf courses.

Key regional characteristics include:

- Scotland's third largest local authority by population size.
- Strong tourism industry worth over £650m annually (2019).
- The average age for residents of Fife is projected to increase significantly over the next decade.

These sectors offer significant opportunities, however, there is also a recognition that Fife, particularly the Mid-Fife area, continues to suffer from long standing socio-economic issues that limit its economic growth:

- Earnings and productivity are lower than the national averages.
- Business start-up rates remain below the Scottish averages.
- There are higher than average rates of youth unemployment and
- Areas of deprivation persist in some parts of Fife (particularly Mid-Fife).

Key sectors include:

The Fife Economic Strategy 2017 – 27 identifies eight key economic sectors where Fife has a particular strength or that are growing strongly :

- Energy & Renewables
- Manufacturing
- Finance & Business Services
- Tourism
- Food & Drink (including agriculture)
- Health & Social Care
- ICT and
- Construction

Midlothian

About the region:

Midlothian lies in the east-central lowlands, bordering the City of Edinburgh, East Lothian and the Scottish Borders local authority areas. The region covers 354 square miles and has a population of approximately 92,500, and encompasses seven urban centres and is surrounded by rural communities. Midlothian has a range of vibrant outdoor spaces, dedicate sports facilities, cycle routes and country parks which support diverse health, social and economic outcomes.

Key regional characteristics include:

- The fastest growing local authority area in Scotland, with an increase in households of 15% over the past decade
- Midlothian is the 4th most resilient local authority in Scotland
- Approx. 55% of the working age population commuting from the area to work across boundaries;
- Midlothian has some areas in the top 20% of deprivation and child poverty for Midlothian in 18/19 was 23.2%, the latest figure for 19/20 is 23.9%.
- Scottish Government statistics show that 94.5% of school leavers in Midlothian were in 'positive destinations' during 2019/20.
- Committed to reducing carbon emissions in Midlothian to net zero by 2030

The vision for economic growth is for Midlothian to be a recognised area in which to live, work, visit and do business with an economy that is sustainable, inclusive and ambitious.

Key sectors include:

- Life Sciences - The internationally recognised Midlothian Science Zone is a world-leading centre for research in animal science and food security, and is the largest concentration of animal related expertise in Europe.
- Data Driven Innovation - Midlothian and the University of Edinburgh have invested heavily in DDI and our Newbattle Digital Centre for Excellence prepares young people with the data and digital skills for the future world of work, fostering digital inclusion and enabling young people to engage in a wider programme around data skills.

Midlothian's Economic Priorities are to integrate the region with the regional economy and promote the region internationally

- To improve the skills landscape
- To increase economic participation
- To build on the success of our key sectors
- To improve the vibrancy of our town centres and make them more environmentally friendly
- To accelerate growth through infrastructure upgrades and reduce carbon emissions

Scottish Borders

About the region:

The Scottish Borders geographically is one and half times that of the rest of the other local authority areas which form the City Region. The region is 1,827 square miles and has a population of 115,270.

However, much more than simply size it is the combination of characteristics across the Scottish Borders, which give it its distinctiveness particularly when assessed against the rest of the ESES region.

Key regional characteristics include:

- rurality and geographic scale
- significant natural capital
- Strong agriculturally offering (farm to fork)
- Culture, history and sport create a strong tourist market and the hospitality sector, with significant capacity for growth
- Significant Net-Zero potential with a commitment to reducing carbon emissions to net zero by 2045
- Resilient communities with strong local identities
- Borders and partnership working with Dumfries & Galloway and the north England counties of Cumbria and Northumberland.
- Strong educational attainment and progression into positive pathways.

However there are areas for improvement:

- current deficiencies in both physical and digital connectivity;
- low population densities and demographic challenge (with outward migration of young people and growth projections of numbers of older people among the highest in Scotland);
- weak economic growth and low GVA with relatively high proportions of the workforce in agriculture and fishing, and manufacturing; and
- 3rd most vulnerable region in Scotland

Key sectors include:

- Manufacturing
- Wholesale and Retail
- Construction
- Agriculture

Scottish Borders Economic Strategy 2013 – 2023 - Vision for the economy:

- Creating the conditions for businesses to compete - reflecting our entrepreneurial strength and the need to create the conditions for businesses to grow, and/ or to attract entrepreneurial people;
- Building on our assets - attracting and retaining people and growing businesses will be helped by what the Scottish Borders as a place has to offer and by our ability to maximise our assets;
- Developing the workforce of the future - fundamental to future prosperity and competitiveness is the supply of, and demand for, a skilled workforce. As there are fewer jobs available here than residents in work, people are travelling outside the area for work and this means economic performance is lower;
- Providing leadership - essential for successful economic development to be achieved, leadership will also help deliver other policy and organisational priorities too – around education, health, and the public good.

West Lothian

About the region:

The area is strategically located between Edinburgh and Glasgow at the hub of the wealth creating, central Scotland metropolitan region, identified as key to Scotland's future economic growth.

West Lothian has actively managed and facilitated change over many decades. It has moved on from its industrial past and built on its post-industrial legacy to re-emerge as a progressive and diverse place for people to live and work.

West Lothian is strategically located in the Central Belt of Scotland and is well served by a number of motorways and trunk roads and it has direct rail links from twelve rail stations to Edinburgh, Stirling, Glasgow and beyond. West Lothian's central location and excellent business and labour market connections make the area an important economic hub.

The area's business base includes both SMES and multinationals with global connections and reputations. Over the last decade it has become clear that global and technological change is a constant, and West Lothian has successfully demonstrated its capacity to respond to challenges and reinvent itself as a business location.

Over the last five years, West Lothian has seen increasing levels of school leavers achieving a positive destination:

- 93% of school leavers entered a positive destination in 2019/20 comparable to the Scottish national average.
- Progression into higher education at 43% is at its highest level in ten years.
- A quarter of leavers have gone into further education (26%) and around 19% of young people entered employment.

Effective working with Skills Development Scotland, local further education and training providers and other Community Planning Partners has improved support and opportunities available to young people in the region.

Key regional characteristics include:

- West Lothian has a population of about 183,100
- One of the youngest and second fastest growing in Scotland (with an average age of 41 compared with 42 across Scotland)
- Levels of employment and economic activity remain high in West Lothian
- 77% of West Lothian's working age population are economically active
- There are 78,000 jobs based in West Lothian
- Some 4,700 businesses are known to be operating in West Lothian
- At 5.5%, unemployment in West Lothian remains lower than the 6.0% rate of Scotland.

Key sectors include:

- Biotech & life sciences,
- Logistics & distribution,
- Electronics & software,
- Engineering,
- Construction,
- Food and drink manufacture,
- Retail and creative industries.

Appendix 2 – Engagement Approach for Regional Prosperity Framework Consultation (for approval)

1. Objectives

To raise awareness among members of the public, Edinburgh and South East Scotland City Region Deal partner organisations, Scottish and UK Governments, regional & national enterprise & commerce agencies, large community groups (Area Partnerships, community councils), local tourism partnerships, industry bodies & professional bodies of the six week consultation on Regional Prosperity Framework (RPF).

The overarching aim of the RPF consultation is to create a plan for achieving a fairer, more inclusive and sustainable economy with equity, health and wellbeing of citizens at its core – across the City Region Deal area – incorporating the aspirations fed back by stakeholders during the consultation process. The main areas we are focusing on are:

- FLOURISHING – a fairer distribution of wealth, affordable access to housing and a just transition to carbon neutral
- RESILIENT – innovative physical and digital infrastructure that is multi-functional and climate-ready
- INNOVATIVE – a digital region that works for everyone, where data-driven approaches support decision-making across all sectors

The RPF will inform future approaches, strategies and policies across sustainability, transport, planning, housing and economic development to enable the region to generate and spread sustainable inclusive growth and to transition to a low carbon economy. In doing so, it seeks to ensure that the success of the region can continue to be realised and that it continues to be a key driver of the Scottish economy. It seeks to identify how regional partners can build on the opportunities created by the City Region Deal.

2. Key Dates

Friday 4 June	Consultation Draft RPF presented to City Region Deal Joint Committee for approval
w/c Monday 7 June	Partners will issue comms to the media (under embargo, and subject to approval of the Consultation Document)
Monday 14 June	Consultation opens (for six weeks)
Monday 26 July	Consultation closes
Thursday 5 August	Update report on consultation findings prepared
Friday 3 September	Final Draft RPF presented to City Region Deal Joint Committee for approval

3. Key Outputs and Activities

There are no plans for large scale face-to-face engagement or in-person sessions, and the consultation will take a “digital first” approach. However, this is not “digital only” and anyone who requires information in an alternative format will be supported to engage with the consultation process.

Publication of the RPF and Consultation Questions

The consultation Draft Regional Prosperity Framework will be published on one of the local authority partners' *e-consult* platforms with the link shared on all partner websites. This will ensure a single source of information and a single point to submit responses.

Awareness-raising

In order to promote the consultation a number of channels will be used to reach and engage with as many stakeholders as possible during the consultation. These will include:

- News Release – initial news release to announce consultation, partners can adapt with an appropriate comment from their organisation
- ESESCRD Website – prominent feature on website, running through all related comms channels, including email to those signed up to City Region Deal news
- FAQs – a set of FAQs will be developed to support the consultation process. These will be supplemented throughout as required.
- Partner Website Content - news release / ESESCRD website feature to form the basis of information on partner webpages.
- Social Media – main tool will be an animation re-issued weekly throughout the consultation period with varying wording picking out a key theme each time. Key messages and hashtags will be provided to support onward sharing in a consistent manner
- Notification of area partnerships and community councils – wherever possible (via local authorities)
- Partners' newsletters / ezines to share press release
- Elected Member Briefings – by relevant local authority officers
- Any other opportunities as relevant (including TV/radio interviews if offered)

Structured Sessions

Targeted events with representative bodies throughout the consultation period are being arranged. Crowdsourcing activities to gather further views via online bespoke platforms are also being developed – these will provide further insights to support the consultation process.

Appendix 3 – Stakeholder List (for noting, and subject to further supplementation)

This sets out the developing list of stakeholders identified. It is the intention that we would engage with stakeholders as early as possible to alert them to the consultation process via a range of methods (principally email).

- Chambers of Commerce – collective and individual
- City Region Deal partners
- Community Councils
- Community Planning Partnerships
- Edinburgh Climate Change Institute
- ESESCRD Thematic Boards
- Federation of Small Businesses
- Friends of the Earth Scotland
- HE/FE Consortium
- Industry / Representative Bodies (e.g. Third Sector Interface / Social Enterprise Network, CBI, SCDI, Homes for Scotland, Scotland Food & Drink, Scottish Food and Drink Federation, etc)
- Local Tourism Partnerships
- National and public agencies (e.g. Scottish Enterprise; Skills Development Scotland; Visit Scotland; SEPA; Historic Environment Scotland; Creative Scotland; Transport Scotland;)
- NHS engagement group
- Regional Enterprise Council
- Relevant Professional Bodies e.g. EDAS, IED, RTPI, CIH, etc (as appropriate)
- Scottish Futures Trust
- Scottish Government
- Spokes
- Sustrans
- Town Centre Representative Bodies e.g. BID Companies, TC Partnerships, etc
- Trade Unions
- UK Government

Appendix 4 – RPF Governance Arrangements (for noting)

The Regional Prosperity Framework has been developed with input from a team of Thematic Leads covering economy, planning, housing, transport, innovation and sustainability. They have been drawn from a range of partners including local authorities, national agencies, regional partners and the HE sector.

The work has been overseen by the Edinburgh & South East Scotland City Region Deal Directors' Group, which includes representation from Scottish and UK Governments, Scottish Enterprise and the regional HE/FE Consortium. Thematic Leads have reported to this Group regularly from early in the development process.

The Elected Member Oversight Committee was established in January 2021 and comprises 2 elected members per local authority and a further 6 members drawn from across the Regional Enterprise Council and the regional HE/FE Consortium. Monthly updates have been provided to the EMOC. The EMOC has provided significant strategic input to the development process of the RPF.

Other guidance has been provided by the Regional Enterprise Council, the Third Sector Interface / Social Enterprise Network, and various officer groups across the region. The team are grateful for all support, suggestions and input to the development of the Framework.

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