

City Chambers
DUNDEE
DD1 3BY

14th February, 2020

TO: ALL MEMBERS OF THE TAY
CITIES REGION JOINT COMMITTEE

Dear Sir/Madam

TAY CITIES REGION JOINT COMMITTEE

Will you please attend a MEETING of the **TAY CITIES REGION JOINT COMMITTEE** on 21st February, 2020 at 10.00 am in Committee Room 4, 14 City Square, Dundee.

Please submit any apologies to Veronica Thomson, Committee Services Officer or telephone (01382) 434205 or by e-mail veronica.thomson@dundeecity.gov.uk.

Yours faithfully

ROGER MENNIE

Clerk to the Joint Committee

1 MEMBERSHIP, WELCOME AND APOLOGIES

2 DECLARATION OF INTEREST

Elected members are reminded that, in terms of The Councillors Code, it is their responsibility to make decisions about whether to declare an interest in any item on this agenda and whether to take part in any discussions or voting.

This will include all interests, whether or not entered on your Register of Interests, which would reasonably be regarded as so significant that they are likely to prejudice your discussion or decision-making.

3 CONVENER AND VICE CONVENER

The Joint Committee requires to appoint a Convener from Fife Council and Vice Convener from Dundee City Council for 2020/2021.

4 MINUTE OF MEETING OF 8TH NOVEMBER, 2019 - Page 1

(Copy enclosed).

5 MEMBERSHIP

The Joint Committee are asked to note that due to the sad passing of Councillor Brian Gordon, and in terms of Clause Six of the 2017 Minute of Agreement, TACTRAN have appointed Councillor Andrew Parrott of Perth & Kinross Council, as their representative on the Joint Committee.

6 TAY CITIES DEAL UPDATE

(Presentation by the Tay Cities Deal Programme Manager).

7 INDUSTRIAL INVESTMENT PROGRAMME - Page 3

(Report No TCRJC 1-2020 by Head of Partnerships and Teamleader of Partnerships, Scottish Enterprise enclosed).

8 MICHELIN SCOTLAND INNOVATION PARC – INDUSTRIAL INVESTMENT PROGRAMME - Page 41

(Report No TCRJC 2-2020 by Executive Director of City Development, Dundee City Council enclosed).

9 DATE OF NEXT MEETING

Friday, 20th March, 2020, County Hall, Forfar, Angus.

The Committee may resolve under Section 50(A)(4) of the Local Government (Scotland) Act 1973 that the press and public be excluded from the meeting for the undernoted item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 6 and 9 of Part I of Schedule 7A of the Act.

10 PROFILING OF TAY CITIES DEAL

(Presentation by the S95 Officer).

ITEM No ...4.....

At a MEETING of the **TAY CITIES REGION JOINT COMMITTEE** held at Dundee on Friday, 8th November, 2019.

Present:-

Angus Council

Councillor Bill DUFF

Councillor David FAIRWEATHER

Dundee City Council

Councillor John ALEXANDER

Councillor Lynne SHORT

Councillor Richard McCREADY

Fife Council

Councillor Karen MARJORAM

Councillor Tim BRETT

Perth & Kinross Council

Councillor Murray LYLE

Councillor John DUFF

Non-Elected Members

Gordon McGUINNESS, Skills Development Scotland

Michael WRIGHT, Scottish Enterprise

Also Present

Mo SAUNDERS, Tay Cities Deal

David MARTIN, Dundee City Council

Steve GRIMMOND, Fife Council

Greg COLGAN, Tay Cities Deal

Robin PRESSWOOD, Dundee City Council

Margo WILLIAMSON, Angus Council

Keith WINTER, Fife Council

Vivian SMITH, Angus Council

Jim VALENTINE, Perth & Kinross Council

Roger MENNIE, Tay Cities Deal

Tom FLANAGAN, TACTRAN

Alison CARRINGTON, Skills Development Scotland

Councillor Murray LYLE, in the Chair.

I APOLOGIES

Apologies had been intimated from Councillor Doogan, Councillor MacMillan-Douglas, Councillor Ross, Ms Karen Reid, Professor Andrew Atherton, Mr Grant Archibald, Mr Ellis Watson, Ms Alison Henderson and Mr Gary Malone.

II DECLARATION OF INTEREST

No declarations of interest were made.

III MINUTE OF MEETING OF 20TH SEPTEMBER, 2019

The minute of meeting of 20th September, 2019 was submitted and approved.

IV MEMBERSHIP

The Joint Committee noted that Perth & Kinross Council had intimated that in terms of Clause Six of the 2017 Minute of Agreement, they had appointed Councillor John Duff as their representative on the Joint Committee to replace Councillor Colin Stewart.

The Committee resolved under Section 50(A)(4) of the Local Government (Scotland) Act 1973 that the press and public be excluded from the meeting for the undernoted item of business on the grounds that this involved the likely disclosure of exempt information as defined in paragraphs 6 and 9 of Part I of Schedule 7A of the Act.

V TAY CITIES REGION DEAL

There was submitted Report No TCRJC15-2019 by the Chair of Tay Cities Management Group.

The Joint Committee agreed the recommendations in the report and also agreed, at the suggestion of Councillor Fairweather and with the unanimous approval of the Joint Committee, that the Chair should write to the Westminster Government and the Scottish Government to seek assurances that going forward all projects will go through the agreed Tay Cities due process and governance.

VI DATE OF NEXT MEETING

10.00 am, Friday, 20th December, 2019 in Committee Room 1, 14 City Square, Dundee.

Murray LYLE, Chair.

ITEM No ...7.....

REPORT TO: TAY CITIES JOINT COMMITTEE – 21st FEBRUARY 2020

REPORT ON: INDUSTRIAL INVESTMENT PROGRAMME

REPORT BY: MICHAEL WRIGHT, HEAD OF PARTNERSHIPS & JAMIE BELL, TEAM LEADER PARTNERSHIPS – SCOTTISH ENTERPRISE

REPORT NO: TCRJC 1-2020

1.0 PURPOSE OF REPORT

The Joint Committee is asked to approve the Outline Business Case for the Tay Cities Industrial Investment Programme as part of the Tay Cities 'side deal' funding.

2.0 RECOMMENDATIONS

It is recommended that the Joint Committee:

- Approve the attached report 'Tay Cities Industrial Investment Programme Outline Business Case' that sets out case for spend, including key priorities, against the Tay Cities 'side deal' funding of £10 million for the Programme.

3.0 FINANCIAL IMPLICATIONS

None – 'side deal' funding for the Industrial Investment Programme is Scottish Government funding.

4.0 MAIN TEXT

The Industrial Investment Programme accounts for £10 million of the £50 million 'side deal' to the main Tay Cities Deal which was announced by the First Minister in January 2019. Tay Cities Deal partners, led by Scottish Enterprise, have been developing an Outline Business Case for the delivery of the Programme since April 2019. This has been supported and endorsed by the Tay Cities Management Group through an iterative process.

In October, the evolving programme business case was expanded to include support for rapidly emerging investment opportunities at the Michelin Scotland Innovation Parc (MSIP) in Dundee, specifically for projects with a regional impact – an Innovation Hub and crucial infrastructure works that will enable the Parc to transition from a single user space to a multi-occupancy site.

£7.5 million has been assigned from the Industrial Investment Programme to facilitate these developments. The balance of the Industrial Investment Programme is therefore £2.5 million. Both the Tay Cities Management Group and Joint Committee discussed these changes previously.

There are two reports attached to this report:

- Tay Cities Industrial Investment Programme – Outline Business Case
- Tay Cities Industrial Investment Programme Reference Document

The *Business Case* defines the Programme context including strong links with Government policy, Industry 4.0 principles and the Tay Cities Regional Economic Strategy. The rationale is presented and supported by the second *Reference Document*, based on a survey of the four local authorities in the region and focused on need, challenges and opportunities for the industrial sector in the region.

The Business Case includes the key priorities for the Programme, incorporating the contribution to MSIP. The funding allocation process and governance plans for the remainder of the programme balance is also defined with the Joint Committee having overall approval responsibilities for the projects as they come forward. It is important to note that projects will need to fit with several key eligibility criteria including scale, economic impact and sustainability.

The Scottish Government has endorsed this Outline Business Case for presentation to the Joint Committee. The Joint Committee is asked to approve it.

A further iteration of the Programme Business Case will be brought forward, if necessary, once the remaining £2.5 million has been allocated to projects.

5.0 POLICY IMPLICATIONS

We will work with Scottish Government to identify opportunities to improve equality and diversity outcomes through the Programme at project level.

6.0 CONSULTATIONS

The Scottish Government, Tay Cities Management Group and Scottish Enterprise, were consulted and contributed to the preparation of this report.

7.0 BACKGROUND PAPERS

None

Michael Wright, Head of Place, Scottish Enterprise

4th February, 2020

Jamie Bell, Team Leader, Partnerships, Scottish Enterprise

Appendix 1

TAY CITIES INDUSTRIAL INVESTMENT PROGRAMME OUTLINE BUSINESS CASE

JANUARY 2020

1.0 PROGRAMME DESCRIPTION

1.1 Background

- 1.1.1 The Tay Cities region comprises the local authority areas of Angus, Dundee City, Perth & Kinross and part of Fife (North East). The region has a strong economic base and regional identity, with world class universities and many leading-edge businesses. It is home to almost 500,000 people and over 15,000 businesses. Its two cities, Dundee and Perth, are just over 20 miles apart.
- 1.1.2 In November 2018 Heads of Terms were signed for the Tay Cities Region Deal. Scottish Government (SG) and UK Government (UKG) will each make available £150m to support inclusive economic growth in the region over the next 10 to 15 years.
- 1.1.3 In January 2019 the First Minister announced an additional £50m would be offered by SG, fulfilling a commitment made prior to the Heads of Terms to invest £200m in the region. £10 million of this additional funding was earmarked for the development of an Industrial Investment Programme in the Tay Cities Region.
- 1.1.4 Regional partners have been tasked with developing the Industrial Investment Programme, ensuring that the investments it enables deliver maximum economic benefits and impacts across the region.

1.2 Industrial Investment Programme overview

- 1.2.1 The Tay Cities Industrial Investment Programme (IIP) provides a framework to support the development of industrial projects across the Tay Cities region. It will invest £10m in a limited number of projects of scale, including up to £7.5m to support the creation of the Michelin Scotland Innovation Parc and the development of an Innovation Hub on the site.
- 1.2.2 **The overarching aim of the Programme is to help meet the needs of, and opportunities created by, the region's industrial economy, with a particular focus on the principles of Industry 4.0 i.e. the new technology-driven approach emphasising the digitalisation of manufacturing, automation, artificial intelligence and data transfer in manufacturing production and processes with ensuing reduction in carbon emissions.**
- 1.2.3 This will be achieved by providing match funded investment to a small number of significant industrial projects. Projects chosen for inclusion within the IIP will, collectively:
- Generate economic impact in terms of value add and job creation/safeguarding;
 - Demonstrate scalability of size and impact;
 - Be capable of leveraging in additional investment;
 - Demonstrate sustainability, both economically and environmentally, ensuring fit with low carbon/clean growth ambitions; and
 - Deliver collaboration between the public and private sectors, and wider community benefits.
- 1.2.4 The IIP also aims to maximise regional impact by working and aligning strongly with associated Tay Cities Region Deal programmes and initiatives, including Forth and Tay

Offshore Cluster Development, the Advanced Manufacturing Programme, the Angus Fund and Mercury Programme and Tayside Engineering Network. It will also contribute significantly to the delivery of the Regional Economic Strategy. *Appendix 1* summarises these and some of the other Programmes, both regional and national, against which the IIP could align.

1.3 Case for Change: Why the Programme is needed

1.3.1 Defining the strategic rationale for support to the industrial sector requires both quantitative and qualitative analysis to better understand the needs and opportunities for the sector, including areas of market failure. It is also important to note at the outset that the IIP should not duplicate other initiatives or existing support programmes (e.g. those within the Tay Cities Region Deal) but should align and add value.

1.3.2 Economic Data¹

1.3.3 According to *NOMIS Business Register and Employment Survey 2017*, the industrial/manufacturing sector in the Tay Cities region employs about 14,500 people, approximately 7.3% of the total workforce. Angus has the highest percentage of people employed in the sector (12.5% of their total employment), followed by Dundee (6.6%).

1.3.4 Using a slightly different categorisation system, the Annual Population Survey has identified that just under 20,000 people work in manufacturing in the region, equating to almost 10% of Scotland's manufacturing workforce. Dundee, Angus and Perth & Kinross have relatively similar numbers of people employed in the manufacturing sector. Angus has the highest percentage of people employed in manufacturing at 12.5%, followed by Dundee at 6.6%, Perth & Kinross at 6.3% and NE Fife at 4.2%.

There are several key sub-sectors with high levels of employees:

- Food products and beverages
- Textiles
- Wood processing
- Pharmaceutical
- Engineering
- Rubber and plastic products²
- Other non-metallic products
- Fabricated metal products
- Machinery & Equipment
- Computers and electronic equipment

1.3.5 Further analysis is provided in The Engineering and Advanced Manufacturing (EAM) Tayside study³, which estimated that the sector contributes £7.7 billion to the Tayside economy (excl. NE Fife), representing 16% of the regional economy's output by value. In parts of the region

¹ In the economic analysis the terms *industrial* and *manufacturing* are used interchangeably. It should however be noted that, depending on the source data (Annual Population Survey or Business Register and Employment Survey), the numbers employed in the sector vary considerably.

² Pre-dates the announcement by Michelin Scotland to close its plant in Dundee, significantly reducing the scale of the sector in the region - 4.3% of the region's jobs in manufacturing.

³ Study undertaken for SE in December 2016 and available on request.

EAM sectors are less productive than the Scottish sector (as measured by GVA per head). Productivity in the EAM sector amounted to 77% of the average for the Scottish sector.

- 1.3.6 These findings collectively demonstrate both the importance of manufacturing to the Tay Cities regional economy and, given the productivity challenges the sector is facing, the need for action to ensure it remains competitive and sustainable going forward.

1.3.7 Key Issues and Challenges

- 1.3.8 The EAM Tayside study referred to above presented an outlook for the sector in the region over the next decade, including output, employment, changing occupational structure, and demand for qualifications. Key findings were as follows:
- Output from the Tayside EAM sector is not expected to return to pre-recession levels within the next decade;
 - Despite some recent job growth, total employment is set to fall in the years leading up to 2024;
 - Despite the expected decline in net employment, there will continue to be job openings in the Tayside EAM sector over the coming decade to replace those who retire, change occupations or move away; and
 - The restructuring of the EAM workforce towards higher skilled occupations is reflected in the changing demand for qualifications.
- 1.3.9 Under the auspices of the Tay Cities Management Group and in the context of the IIP, Dundee City Council have also undertaken a survey of the four local authorities in the Tay Cities area (April 2019)⁴. The survey focussed on the identification of key industrial sectors; investment – both recent and potential; and key issues/challenges. This has been augmented by input from SE on the issues/challenges, and potential linkages to national programmes.
- 1.3.10 The consequent report, along with further consideration by respective local authority Heads of Economic Development and Scottish Enterprise, identified a range of issues and challenges facing the manufacturing sector and impacting on its development and growth. These can be broadly defined as areas potentially requiring IIP support, and summarised as follows:
- Availability of and investment in premises/land, including advance space requirements and ‘future-proofing’ industrial premises based on future growth/opportunities for the sector;
 - The challenges and opportunities generated by the announced closure of Michelin, i.e. the loss of 845 jobs in the manufacturing sector and the development of MSIP;
 - Business and company support – in terms of capital investment, research & development and supply chain development;
 - Skills needs, recruitment and workforce development;
 - Connectivity – both physical (transport) and digital;
 - Place attractiveness – linked to talent attraction and recruitment;
 - Funding opportunities; and
 - Aligning opportunity and need across the region.

⁴ Provided separately – Reference Document

1.4 Programme priorities

1.4.1 Given the relatively limited funding available, and the existence of other sources of support to address some of the challenges identified above, regional partners have decided to focus IIP investment on addressing two key issues – the availability of premises/land, and the closure of the Michelin plant.

1.4.2 *Priority 1: availability of premises/land*

1.4.3 Much of the investment in industrial infrastructure needed to advance the manufacturing sector in Scotland still requires significant public sector input to pump prime and/or deliver developments. For example, a recent report by Fife Council identified the cost of developing new industrial units at c £2,200 per metre squared, with an estimated initial development deficit of £1,000 - £1,500 per metre squared. This deficit will exist across most parts of the Tay Cities region.

1.4.4 The IIP presents a real opportunity to address this market failure in sustainable and innovative ways by supporting projects that will take a ‘design-led’ approach that addresses and scopes current and future advance industry premises’ needs that are fit for purpose and growth, allied to Industry 4.0 and principles of the circular economy (i.e. making things last).

1.4.5 *Priority 2: Michelin Scotland Innovation Parc*

1.4.6 With the closure of Michelin Dundee announced in November 2018 and the regional response to this closure through the development of the Michelin Scotland Innovation Parc (MSIP), the Industrial Investment Programme has the potential to deliver a difference almost immediately.

1.4.7 Michelin will close its Dundee plant in June 2020, with the loss of 845 jobs. Whilst the job losses pose a significant challenge to the regional economy Michelin are committed to delivering a positive legacy from the plant and are working with the public sector to develop MSIP. The aim of MSIP is to deliver a new future for the plant/region, focused on sustainable mobility and low carbon industries, ensuring the site continues to offer quality employment opportunities into the future, whilst also delivering economic growth, innovation and opportunity at a regional level. This is a critical moment for the region, offering a real opportunity to replace the jobs lost at Michelin with new, sustainable, future-facing employment opportunities.

1.5 Key Programme deliverables

1.5.1 Specific metrics for the IIP will be subject to review and evolution as project business cases are developed and brought forward for consideration and approval. However, the following high-level programme metrics have been identified:

1.5.2 Target ambitions, over 5-10 years

- Creation/safeguarding of at least 1,000 sustainable jobs, where possible drawn from local geographies.
- Public and private leverage of at least £10 million.
- Facilitated development of up to 20,000 sq. m of new industrial premises space.
- Enabled development of up to 50,000 sq. m of industrial land.
- Facilitated expansion of existing businesses and development of new businesses through site and land development.

1.5.3 Wider benefits

Although less quantifiable than economic growth metrics, implementation of the IIP will generate wider benefits, particularly supporting the broad tenets of inclusive growth:

- Collaboration – public, private, and academic sectors working together to support innovation and leverage opportunities.
- Inclusive growth – job creation and potential supply chain development locally and regionally to support project development through the IIP, as well as stimulating skills development opportunities and economic regeneration.
- Sustainability – a focus on clean growth tied strongly to SG ambitions for net zero carbon emissions will encourage longevity of projects and sustainable value-add jobs.
- Regional impact – projects supported by the IIP will be of sufficient size and scale to generate significant regional economic impact, ensuring the Tay Cities regional economy is the overall beneficiary, contributes to regional cohesiveness, and in turn contributes to Scotland’s economic growth.

2.0 STRATEGIC CASE

2.1 Industrial Policy Context

2.1.1 Government

2.1.2 The importance of manufacturing to Scotland's future economic growth and prosperity is increasingly being recognised in national policy.

2.1.3 **The Scottish Government's Economic Strategy**⁵ outlines the four priority areas where public investment and activity will be targeted: innovation, investment, internationalisation and inclusive growth. Scotland's manufacturing sector will have a key contribution to make to the drivers of competitiveness, productivity and sustainable growth. The Strategy specifically references the important role of manufacturing – the sector the IIP is designed to support - in contributing to future economic growth in Scotland.

2.1.4 **Scotland's Economic Action Plan**⁶ sets out an ambition for Scotland to be a leader in the technological innovations of the future, with a focus on inclusive growth and taking action in terms of the fundamentals of investment, enterprise, internationalisation, innovation, skills, place, people and sustainability. The IIP will contribute to delivering the Plan by targeting funding towards projects that are designed to address the emerging needs of the manufacturing sector in innovative, sustainable ways.

2.1.5 The **UK Industrial Strategy 'Building a Britain fit for future'**⁷ has at its core the twin aims of:

- Boosting productivity; and
- Increased earning power, leading to improved living standards and contributing to inclusive growth.

In addition, the Strategy sets several challenges for the development of the industries of the future:

1. Growing the Artificial Intelligence (AI) and data-driven economy.
2. Clean Growth.
3. Future of Mobility – using technology to improve journeys of people, goods and services.
4. Ageing Society – harnessing the power of innovation to meet the needs of an ageing society.

2.1.6 For regions like Tay Cities, generating employment opportunities is one of the biggest economic issues we face. Low employment and low earnings represent untapped potential for growth. The IIP is thus aligned with and will contribute to the aims of the UK Industrial Strategy by seeking to deliver more and better jobs in the manufacturing sector, which will in turn drive increased prosperity for both the region and its people.

⁵[Scotland's Economic Strategy \(March 2015\)](#)

⁶[Scotland's Economic Action Plan 2018-2020](#)

⁷[UK Industrial Strategy – Building a Britain Fit for the Future \(2017\)](#)

2.2 Industry 4.0

- 2.2.1 The technology-driven focus of Industry 4.0 potentially offers huge benefits in terms of increased productivity, growth in manufacturing, reduced CO2 emissions, new jobs, and increased GVA for the economy. The Scottish Government recognises the importance of encouraging businesses to evolve towards high value manufacturing.
- 2.2.2 Scotland's Manufacturing Action Plan (February 2016) supports the establishment of the National Manufacturing Institute Scotland (NMIS) to promote continuous innovation, improve productivity and increase investment. NMIS will work across Scotland via its outreach approach, including universities, innovation centres and other areas of research and innovation. Opportunities exist across a diverse range of industrial sectors including technology, engineering, financial & business services, aerospace, life sciences, digital media, food & drink, renewables and the emerging space sector.
- 2.2.3 Where appropriate, applicants for IIP support will be encouraged to engage with NMIS outreach activity and other parts of the wider support system for manufacturing in Scotland.

2.3 Regional Context

2.3.1 Regional Economic Strategy

- 2.3.2 The Tay Cities Regional Economic Strategy seeks to make the region one of the most exciting, dynamic, and desirable areas of Europe in which to live, work, invest, and visit. The Strategy was refreshed and updated in 2019 to take account of economic changes and challenges, as well as the future direction for economic growth in the region, particularly since the publication of the Tay Cities Deal Heads of Terms Agreement in November 2018. An accompanying Action Plan is in development.
- 2.3.4 The Strategy identifies key challenges around productivity levels, labour market participation rates, wage levels and business base growth, including start-ups, and makes strong connections to the development of an IIP.

2.3.5 City Region Deal

- 2.3.6 It is essential that the development of the IIP aligns to other projects/programmes already being progressed through the Tay Cities Region Deal, wider regional initiatives, and national programmes.
- 2.3.7 Those with relevance to the industrial sector are summarised in *Appendix 1*. These examples are not meant to be exhaustive by any means but provide information on types of support with both a regional and national locus. A further, more detailed review of existing support mechanisms for the manufacturing sector will be undertaken as potential IIP projects are brought forward.
- 2.3.8 A central tenet of Scotland's Economic Strategy and the City Region Deal in particular is that of inclusive economic growth. While the IIP is not part of the Deal it is important that it does contribute to Scotland's inclusive growth ambitions, particularly in addressing regional economic challenges and indeed regional cohesiveness e.g. by creating and safeguarding employment in specific geographies where there is market failure.

2.3.9 All IIP projects will also be assessed for their potential contribution to the delivery of Local Outcome Improvement Plans (LOIPs) being taken forward by each of the Community Planning Partnerships within the region.

2.3.10 Skills

2.3.11 The Engineering and Advanced Manufacturing Skills Investment Plan identified specific skills issues for the sector in Scotland and in response the focus is on three main objectives:

- Attracting and retaining high class talent in the sector and addressing gender imbalance.
- Creating and developing an effective skills supply pipeline.
- Simplifying the skills landscape and improving the way in which the skills system responds to employer needs.

2.3.12 Even where manufacturers are engaged in high volume rather than niche production there is a need to ensure that they possess the product market strategies that will allow them to prosper in this segment of the market and maximise their contribution to the economy. The challenge for SMEs is identified as being to acquire the strategic management skills that will allow them to prosper and grow. In the advanced manufacturing segment this is recognised as knowledge intensive and requiring high levels of innovation.

2.3.14 The Tay Cities Regional Skills Investment Plan launched in August 2019 and the Regional Partnership behind it aims to give all the region's people, including those inactive, unemployed or on lower than the average wage, and those wishing to re-enter employment, the skills needed to drive the economy of the Tay Cities area. It is designed to drive inclusive growth in the region; support effective implementation of the Tay Cities Region Deal; and contribute to Scottish Government priorities on inclusive growth and a fairer Scotland. The Plan's strategic goal - building a larger supply of more appropriately skilled new entrants to the workforce that aims to support increases in the productivity and competitiveness of key and growth sectors within the region - aligns well with the IIP's aim of supporting and enabling the growth of the region's industrial sector.

2.3.15 Importance of Place

2.3.16 Implicit in developing an Industrial Investment Programme for the Tay Cities region is its applicability to that region, aligned to a strategic region-wide approach. However, it should also recognise the diversity of the challenges and opportunities facing the sector *within* the region, where economic needs and opportunities vary.

2.3.17 Local geography should not in itself be the driver for the IIP, particularly when considered alongside economic impacts. However, a programme for industrial investment could potentially add value across the region if projects have scale and impact and meet agreed eligibility criteria, including addressing market failure and potential growth opportunities.

2.3.18 The development of the Michelin Scotland Innovation Parc is a positive example of the impact the Industrial Investment Programme could make in the region and place. It is a project of significant scale - upwards of £63m of investment from Michelin and public sector partners, with the potential for significant additional private sector investment and job creation as a result. The closure of Michelin will have regional impact, with over 800 jobs lost. 33% of the company's employees live outwith Dundee, with over 32% living in the rest of the Tay Cities Deal region. The Parc will play a direct contribution to the inclusive growth

ambitions for the Industrial Investment Programme and wider Tay economy, through its sustainable employment opportunities for former Michelin employees and other people across the region, as well as its contribution to sustainable transport and low carbon economy.

Location	Number	%
Dundee	550	67.2%
Other Tay Cities areas	264	32.5%
Elsewhere	4	0.5%
TOTAL	818	100%

*Based on statistics available in spring 2019

3.0 ECONOMIC CASE

3.1 Market Failure

- 3.1.1 As noted in section 1 above the region's industrial sector faces considerable challenges, recently evidenced by the announced closure of Michelin and significant Scottish Government and partner intervention to develop a positive future for the site and impacted workforce. Investment in the IIP is needed to support projects within this sector that will have lasting impact regionally in terms of job creation and wealth generation, and which support the principles of Industry 4.0 and the overall City Deal focus on inclusive economic growth.
- 3.1.2 The economic data pertaining to the region's industrial sector (see above *Case for Change* and the *Reference Document*) points to a significant employment sector not just within the region, but accounting for almost 10% of Scotland's manufacturing workforce. Furthermore, manufacturing and engineering together contribute 16% of the regional economy's output by value.
- 3.1.3 However, the evidence also highlights relatively low productivity from the sector and forecast declining trends in employment growth and changing demands/needs, partly driven by Industry 4.0, sustainability imperatives and the challenge of climate change/emergency and transition to net zero carbon emissions. It should though be noted that many of these challenges do in turn present opportunities for the sector to capitalise on. These opportunities will cluster around the industrial/manufacturing opportunities for equipment, fabrication and engineering in areas such as clean and green energy (e.g. offshore wind, renewables, decommissioning).
- 3.1.4 The *reference document* highlights several other issues and challenges that constrain the sector's development and growth. These include:
- Skill shortages and gaps for both existing and emerging sectors;
 - Quality and scale of existing premises, linked to 'future-proofing' the sector's space requirements (advance space);
 - Land availability and serviced sites for future development;
 - Shifts to advanced manufacturing from traditional base; and
 - Relatively low levels of R&D investment.

Many of these will require public sector intervention to support the sector – ‘pump- priming’ to enable and facilitate its development and encourage private sector investment to add value and create jobs.

3.1.5 Some of these challenges will lie outwith the scope of the IIP – falling to other projects (including those within the Tay Cities Region Deal) or other forms of economic development support. However, the IIP does have the capability to address market failures in some key areas:

- Support to MSIP project delivery, to mitigate the impacts of the Michelin closure and grow developments on site with regional impact;
- Industrial property development – design-led, allied to industry 4.0 principles and clean growth opportunities;
- Support development of key regionally important industrial land areas to enable industry expansion; and
- Infrastructure development to support energy transition and clean growth opportunities, for example offshore renewables, and green technologies.

3.2 Value-Add and Leverage

3.2.1 There is real potential for the IIP to capitalise on the drive and opportunities arising from the low carbon agenda to develop **Industry 4.0** with several areas of focus, including:

- Sectoral focus – broad in nature but existing sectors of strength in the region, as well as new emerging technology driven opportunities e.g. renewables, decommissioning, AI, robotics.
- Sustainability – economically and environmentally, with a focus on the development of MSIP, clean growth, circular economy, design-led premises; building on the TCD Mercury Programme, Eden Campus and Forth & Tay Offshore cluster approach.
- Potentially greatest impact to be gained by focusing on supporting public sector-led capital investment projects with scale and region-wide value-add.

3.3 Objectives

3.3.1 The IIP’s key objectives are as follows:

- Support the development of MSIP through investment of £7.5 million to deliver projects that develop and exploit sustainable mobility and low carbon energy technologies, which will in turn help deliver the shared ambitions of providing employment opportunities for the Michelin workforce and wider city region (see *Appendix 2*);
- Support projects of region-wide significance and strategic fit by investing £2.5 million, ensuring economic and environmental sustainability are considered; and
- Support leverage opportunities to add value arising from other funding streams and alignment with other programmes and projects (including but not limited to those within the Tay Cities Region Deal).

3.4 Metrics

3.4.1 Specific metrics for the programme will be subject to review and evolution as project business cases are developed and brought forward for consideration and approval. However, high level programme metrics have been identified, based on key areas of potential support, alongside the wider benefits expected to be delivered. These are as follows:

3.4.2 Target Ambitions

- Creation of and safeguarding of at least 1,000 sustainable jobs, inclusive where possible drawn from local geographies, over 5-10 years.
- Public and private leverage of at least £10 million, over 5-10 years.
- Facilitate development of 20,000 sq. m of new industrial premises space, over 5-10 years.
- Enable development of 50,000 sq. m of industrial land, over 10 years.
- Facilitate the expansion of existing business and development of new businesses through site and land development (10-20), over 10 years.

3.4.3 Wider Benefits

Although less quantifiable than economic growth metrics implementation of the Programme will generate wider benefits, particularly supporting the broad tenets of inclusive growth:

- Collaboration – public, private, academic sectors working together to support innovation and leverage opportunities.
- Inclusive growth – job creation and potential supply chain development locally and regionally to support project development through the Programme, as well as stimulating economic regeneration.
- Sustainability – a focus on clean growth ties strongly to SG ambitions for net zero carbon emissions will encourage longevity of project and sustainable value-add jobs.
- Regional Impact – projects supported by the programme will be of sufficient size and scale to generate significant regional economic impact ensuring the Tay Cities Regional economy is the overall beneficiary, contributes to regional cohesiveness and in turn contributes to Scotland’s economic growth.

3.5 Options appraisal

3.5.1 Constituent IIP projects will be required to undertake a full options appraisal, in line with Green Book guidance. At programme level, options appraisal is primarily concerned with choosing projects to support.

3.5.2 The Tay Cities regional partners will be responsible for developing the governance arrangements around project selection and approval, with input where appropriate from Scottish Government and/or its agencies.

3.6 Project Eligibility Criteria

3.6.1 The criteria for support are based on the IIP’s primary objectives, as set out in section 3.3 above. Within that framework, and drawing on the programme’s strategic rationale, there will be a focus on a small number of scalable projects that deliver regional economic impact and sustainable economic growth, playing strongly into the themes of clean energy and low carbon in order to help future-proof the region’s industrial economy. Specific criteria are defined as follows:

- Impact – economic impact should evidence job creation, output growth and inclusive growth benefits direct and indirect, referencing LOIP priorities where relevant.
- Collaboration – there should be evidence of collaborative working across the public and private sectors and collaborative alignment with the wider needs of industry and other programmes e.g. premises, business support, skills demands, and community benefits.
- Innovation – There should be evidence of a contribution to innovation.

- Scale – projects should demonstrate scale or scalability and generally be over £500,000 in value e.g. region-wide projects of scale and/or impact.
- Added Value or Additionality - projects should demonstrate the funding need or gap to ensure delivery or enhance the quality or pace of delivery. Additionally, applicants will require to source match funding.
- Sustainability – projects will have to demonstrate both economic and environmental sustainability, ensuring fit with low carbon/clean growth priorities.

3.6.2 Projects have yet to be fully defined, but *Appendix 2* provides an overview of key investments opportunities, including MSIP, which would draw down £7.5 million from the IIP.

3.6.3 For the balance of the fund (£2.5 million), potential projects and business cases will be proposed by the Tay Cities public sector partners based on the above eligibility criteria and in consultation with relevant private sector and other partners. Potential projects have been referenced in *Appendix 2*.

4.0 COMMERCIAL CASE

4.1 Detailed evidence of demand and contracting arrangements for each IIP constituent project will be set out in project level businesses cases.

4.2 Risk

It is recognised that until projects are developed individual project risks cannot be captured. However, the following risks and mitigations have been identified for the IIP as a whole:

Programme Risks	
Risks	Mitigation
<p>Projects presented do not meet quality required.</p> <p>Projects presented do not make sufficiently strong strategic case.</p> <p>Projects presented fail to support programme objectives.</p>	<p>Provide clear strategic guidance.</p> <p>Each project business case will need to demonstrate evidence of strategic alignment and market demand and clearly articulate project outcomes.</p> <p>To ensure projects deliver quality benefits e.g. sustainable jobs, the Governance arrangements will ensure project owners have opportunities to engage with other public/academic and commercial activities (e.g. skills programmes, supplier development, etc).</p>
<p>Projects presented do not secure enough match funding.</p> <p>Projects are not sustainable and do not secure the additional capital/revenue funding and wider support needed to fully exploit Industrial Investment Programme investment.</p>	<p>Projects unable to evidence 50% match funding will not be supported through the Programme.</p> <p>At OBC stage, projects need to demonstrate long term commercial sustainability, and a demand pipeline, including plans for future capital investment, maintenance, operational delivery and further development</p>

Project costs increase beyond the funding available from the Fund and/or matched funding, resulting in project overspend.	All projects will be required to submit robust implementation plans, which will include contingency arrangements and effective risk management processes. If any overspends do occur, they will be the responsibility of project owners to address.
Project funding profiles do not match that of the Programme as agreed with Scottish Government.	The Management Group will be responsible for ensuring all Programme financial profiling is robust and accords with the financial profile for the Programme, in order to avoid under or over spends.

5.0 FINANCIAL CASE

- 5.1 The IIP is expected to support projects over a period of up to 10 years, but with the funding for MSIP coming from the first year of the programme. The overall programme term could potentially be reduced, depending on the availability of funding and the scale and nature of projects to be supported. The programme profile will be developed to reflect this and will be subject to agreement with the Scottish Government.
- 5.2 Projects will have an intervention rate of up to 50% funding by the Industrial Investment Programme, with applicants sourcing the balance as match funding.
- 5.3 While partners are keen to demonstrate alignment with the full Tay Cities Region Deal and projects developed through the Deal's governance arrangements, the IIP is managed separately from the City Deal. Funding is expected to be made via a separate award from the Scottish Government. SG will agree the details of funding draw down with regional partners alongside a proposed spend profile.

6.0 MANAGEMENT CASE

6.1 Process and Governance

- 6.1.1 The overall Programme will be owned and overseen by the Tay Cities Joint Committee and managed by the Tay Cities Management Group, with the support of the Scottish Government. Links will be developed with relevant Tay Cities Region Deal Thematic Board chairs and MSIP programme management.
- 6.1.2 Dundee City Council will be seeking delegated authority by the Tay Cities Joint Committee to approve the £7.5M MSIP project business cases when they are developed, in order to meet the timescales necessary to ensure delivery. The projects will also require to secure approval from Dundee City Council and Scottish Enterprise, which will ensure that they meet the Green Book approval process. Dundee City Council will provide regular updates to the Scottish Government (monthly) and the Tay Cities Joint Committee (bi-monthly) and via the Tay Cities Deal Management Group.
- 6.1.3 For the remainder of the Programme (£2.5m) the governance arrangements will align closely to those that are already in place for the Tay Cities Region Deal. Potential projects and business cases for the Industrial Investment Programme will be proposed by the Tay Cities public sector partners (via Heads of Economic Development), based on the eligibility criteria

and fit with overall Programme aim and objectives. The project business cases will be assigned to a relevant Thematic Board for review, ensuring alignment with wider Tay Cities Region projects, before consideration, prioritisation and endorsement by the Tay Cities Management Group and recommendation for approval to the Joint Committee as the approving body. Scottish Government and/or its agencies will be consulted as appropriate.

6.2 Evaluation

- 6.2.1 As individual projects are approved a monitoring and evaluation framework will be developed, with clear milestones and impact measurements. Impacts will be tracked across individual projects and evaluated to ascertain the overall impact of the programme against its key aims and objectives. The Tay Cities Management Group will have overall responsibility for monitoring and evaluating the project impacts.

Appendix 1

Tay Cities Industrial Investment Programme – Programme Alignment

High Value Manufacturing for the Tay Cities Region

The TCD Heads of Terms provided an allocation of £8m over the term of the Deal (15 years) for the development of High Value Manufacturing in the region. The Outline Business Case, which is subject to Scottish Government consideration, has proposed an Advanced Manufacturing Fund targeted at supporting strategic investment in the region's industrial base with a focus on securing long term sustainable jobs in advanced manufacturing and the growing industries of renewable energy and decommissioning. The OBC proposes an open competitive call-based approach (minimum of three calls) to identify and support a range of projects and to engage industry and academia in addressing the issues and challenges facing the sector and potential solutions. The Fund will meet two core objectives of TCD:

- Support innovation – the calls will be targeted at innovative projects
- Promote inclusive growth

Additionally, the Fund will be consistent with national initiatives e.g. NMIS, AMCF and other TCR programmes and projects e.g. Tay Cities Engineering Partnership, TCD Skills & Employability Fund and the Industrial Investment Programme 'side deal'.

Angus Fund – Prioritising Clean Growth in Angus

The TCD Heads of terms provides an allocation of £26.5 million for an Angus Fund to support economic development initiatives in that geography. The Outline Business case defines an ambitious £1 billion programme – **The Mercury Programme** – that will require investment from the TCD Angus Fund. The Programme aims to increase productivity through clean growth, protecting places for future generations to live, work and visit. The intention is for Angus to be developed as a flagship sustainable low carbon region, embedding innovative green technologies in the area's economy. There are three components of intervention as part of the proposed Mercury Programme:

- Clean Growth Hub, centred on North Angus and Montrose to encourage and promote the use of innovative green and clean technologies including development of a 'repurposing centre' offering circular economy solutions.
- Low Carbon Network, to support 'a living lab' that can support rural areas in building a low carbon, inclusive economic strategy;
- Agri-tech Productions, focused on clean growth and a bio-economy approach to the sector where innovation can support land-based production and nutrition.

Projects will be identified under each of these components of the Programme.

Skills & Employability Development Programme

The TCD Heads of Terms provides an allocation of £20m for a Skills and Employability Development Programme. The Outline Business Case defines delivery of the programme over a five-year period and aims to benefit the region's residents aligning with Scottish Government policies around Inclusive Growth, providing equality of opportunity to all, fair work and empowering people through education and skills development. The programme aims to:

- Reduce skills shortages and gaps
- Boost the flow of individuals from disadvantaged groups
- Support re-skilling into career opportunities that will be generated through, and as a result of, the investment in the Tay Cities region
- Deliver incremental system-wide improvements to ensure Inclusive Growth

Individual projects must align to at least one or more of the above. There will be a focus on skills development before recruitment, and to assist in-work progression, ensuring that as many people as possible move into and progress in jobs that are fulfilling, secure and well-paid.

Forth & Tay Offshore Cluster

The Forth & Tay Offshore (FTO) Cluster was established in early 2019 to support and advise companies on Scotland's east coast on the opportunities for growth arising from Offshore Wind. It was set up in response to the UK Government's Sector Deal for Offshore Wind that sets a commitment for the technology to generate a third of UK's electricity needs by 2030. A steering group comprising Local Authorities, developers and Scottish Enterprise supports FTO to enable the acceleration and expansion of offshore energy sector along the east coast.

Tay Cities Engineering Partnership

The Tay Cities Heads of Terms provides Scottish Government commitment to investing £2m to the establishment of the Tay Cities Engineering Partnership, a regional Engineering and Advanced Manufacturing Network. The OBC has proposed a focus on development of advanced manufacturing in Arbroath along with the creation of an Advanced Manufacturing Centre at Dundee & Angus College. The plans will also include apprenticeship training, development of mobile unit, stronger engagement between industry, schools and community groups and NMIS outreach. The plans will align well with the Manufacturing Skills Academy, as led by Skills Development Scotland.

The Michelin Scotland Innovation Parc will be created on the site of the Michelin factory in Dundee. MSIP Ltd is a joint venture between Scottish Enterprise, Dundee City Council and Michelin and launched on 28th May, 2019. MSIP will have a strategic focus on:

- Sustainable Mobility – the development and delivery of practical, low pollution, environmentally friendly mobility solutions.
- Low Carbon Energy – energy from processes or technologies with substantially lower amounts of carbon dioxide emissions than is emitted from conventional fossil fuel power generation.

The site opportunity for delivery of an ambitious innovation hub for sustainable mobility and low carbon energy along with moves towards potentially developing a skills academy on site could act as a catalyst for growth and significantly impact positively on the Industrial Strategy for the region.

There is clear alignment between the TCD and MSIP Ltd activities with a low carbon future an integral strand of the Deal. TCD projects including HVM, Tayside Engineering partnership, Angus Innovation Fund and Perth Low Carbon Transport Hub have clear synergies along with the proposed employability and skills development programme aiming to reduce skills gaps and deliver change through promoting inclusive growth.

The Regional Economic Strategy and Regional Skills Investment Plan, previously outlined provide other relevant and contextual approaches for an Industrial Investment Programme for Tay Cities region.

In addition, there are several ***national support programmes*** which will also have relevance for an Industrial Investment programme particularly in consideration of potential leverage opportunities.

Advanced Manufacturing Challenge Fund (AMCF)

AMCF will operate as part of the Scottish Programme for Research, Technology and Innovation Ecosystem (SPRITE) Programme, administered by Scottish Enterprise and operating a challenge fund-based approach supporting partnership projects across Scotland. It will utilise European Regional Development (ERDF) funding and is time-limited (up until late 2022).

Academic institutions, public bodies and third sector organisations in Scotland were eligible to apply for competitive grant funding to support initiatives that will help small and medium-sized enterprises in Scotland improve their manufacturing capabilities.

Up to £14m of European Regional Development Fund (ERDF) grant funding was available in the initial call, with scope to increase the funds to £18m depending on the level of demand. Grant funding will be awarded on a competitive basis, to support the creation of a national network of regionally-based initiatives, to stimulate and improve the innovation performance of SMEs, by providing services focused on improving manufacturing capabilities. The overall aim of the AMCF is for projects to be of a scale and level of ambition to have a significant impact on advancing the manufacturing capabilities of SMEs within Scotland and lead to long-term transformational change.

National Manufacturing Institute for Scotland (NMIS)

The establishment of a National Manufacturing Institute for Scotland (NMIS) is at the heart of A Manufacturing Future for Scotland. Based at Inchinnan, Renfrewshire NMIS will be managed by Scottish Enterprise, with University of Strathclyde who will host the Institute. The vision for NMIS is an industry-led international centre of manufacturing expertise where research, industry and the public sector work together to transform skills, productivity and innovation to attract investment and make Scotland a global leader in advanced manufacturing. NMIS will comprise a Manufacturing Skills Academy; Digital Factory; Innovation Collaboration Hub and the “Forum” as the interface to financial advice, support and links to external organisations.

NMIS will connect across Scotland and beyond through outreach R&D centres with academic institutions to ensure NMIS is accessible to manufacturing businesses of all size and sector in Scotland. There is real potential in identifying opportunities for interaction, including potential projects and funding (including AMCF) and industrial cluster development.

Scottish National Investment Bank

The First Minister announced plans to establish a Scottish National Investment Bank (SNIB) in the Programme for Government 2017-18. An Advisory Group led by Benny Higgins, former CEO of Tesco Bank developed an Implementation Plan for the Bank, which was published in February 2018, following public consultation. Subsequently and based on the Plans recommendations the Scottish Parliament has published a Bill (February 2019) placing a duty on Scottish Ministers to establish the Bank as a plc and giving powers to capitalise it. The Bill will be subject to scrutiny and debate over the next year. The Bank will be operationally and administratively independent, deciding where and when to invest, but accountable to Ministers and the Scottish Parliament for decisions it makes; SG has committed to providing £2 billion over 10 years to capitalise the Bank; the intention is for the Bank to provide debt or equity financing across all stages of the capital lifecycle requirement for companies; possible Missions for the Bank including transitioning to a low carbon economy, responding to demographic change and promoting inclusive growth through place-making and regeneration. The Bank will also work closely with SE, HIE and other Government bodies to address key opportunities and challenges and to build on and align with the success of initiatives currently underway e.g. Scottish Investment Bank.

Appendix 2**INDUSTRIAL PROGRAMME INVESTMENT OPPORTUNITIES**

A number of potential opportunities/projects seeking support have been identified by partners to date. This includes investment in MSIP, facilities for an individual company (poultry processing, Coupar Angus), alignment with Mercury Programme via the Isla Development Zero4 site, and support for investment in business property/premises fit for future. The eligibility of these projects, for the programme and indeed wider public sector support will need to be addressed as business cases are prepared.

An overview of the proposal to support MSIP is highlighted below:

Michelin Scotland Innovation Parc

MSIP is a highly targeted intervention directed specifically at the development and exploitation of sustainable mobility and low carbon energy technologies, with the ambition of developing next generation mobility solutions, advanced manufacturing, developing an indigenous supply chain, and demonstrating the innovation capacity of Scotland. The Parc will be home to a rich variety of activity, attracting companies, research institutions and skilled people to address key global challenges.

MSIP will support the development of new collaborations, new business models and new technologies, and will be a core and integral part of a wider collaborative innovation ecosystem, offering physical, financial and support infrastructure to provide a focal point for innovation in low carbon energy and sustainable mobility. MSIP Ltd will help to deliver the shared ambitions of providing employment opportunities for the Michelin workforce and the wider city region.

Investment Requirement and Eligibility

The first investment to be made by the Industrial Investment Programme could be in the development of the Michelin Scotland Innovation Hub, a project of significant scale, addressing a key area of need and developing a wide range of opportunities across the region. The project addresses the key criteria identified above, including:

- **Impact:** MSIP aims to create over 600 jobs, with the Innovation Hub being a catalyst for economic growth, attraction of investment and job creation. The project will create direct and indirect benefits for the region
- **Collaboration:** a key tenet of the innovation hub will be to support innovation by collaboration, supporting partners in the public, private and academic sector to work together
- **Innovation:** the Hub's key focus will be on driving innovation in the sustainable transport and low carbon economy
- **Scale:** the MSIP project is valued at over £63M (and this does not include future private sector investment in the Parc) with the Innovation Hub/Grow-On Space totalling over £7.5M in value, and helping to leverage significant investment from Michelin
- **Added Value:** the Innovation Hub will bring significant added value to the site, offering opportunities for companies to work together, creating collaborative approaches, attracting companies to the site.

- Sustainability: the ethos of MSIP is to address sustainability in all its forms. Creating sustainable employment opportunities for former Michelin employees and other people living across the region; addressing issues related to sustainable transport and the low carbon economy.

MSIP is seeking support from the Industrial Investment Programme to develop 2 key elements:

- **Innovation Hub - £3.5M** – construct an Innovation Hub to create a cluster of activities in a dynamic space at the heart of the parc. It will house a changing mixture of small and growing companies; pre and post start-ups; project teams from larger companies and researchers and students. The aim will be to facilitate the development and growth of new companies and new innovations for companies located on the Parc, focused on sustainable transport and the low carbon economy and will support collaboration. It is anticipated that the facility will include incubation space for small businesses and project teams; hot desking for innovators, and shared facilities including workshop space with shared equipment such as 3D printers to support the development of prototypes/one off parts and meeting rooms. The facility will benefit from shared reception/admin/food offer/events space and access to business support for start-ups and early stage growth companies and an accelerator programme. The building will provide 1500sq.m. of space.
- **Creation of Michelin Scotland Innovation Parc - £4M:** MSIP Ltd has identified a £16.8M programme of enabling works to deliver a local infrastructure programme to support the transition of the site from a large single user space to a site that allows for multiple user occupancy. This programme will support the costs of redeveloping the existing building stock to create adaptable spaces for future users (subdivision of large workshops, internal and external renovation of buildings) and the environmental/public realm work necessary to create a multi-occupier site (creation of the Parc Campus, new entrances and loading areas). This will also include shared facilities for companies located within the Innovation Hub and on the Parc. This could include an engineering workshop, logistics space and labs. £4M of the grant to Dundee City Council will be used to support this element of the programme.

Appendix 2

TAY CITIES INDUSTRIAL INVESTMENT PROGRAMME

REFERENCE DOCUMENT

Tay Cities Industrial Investment Programme – Survey of Local Authorities

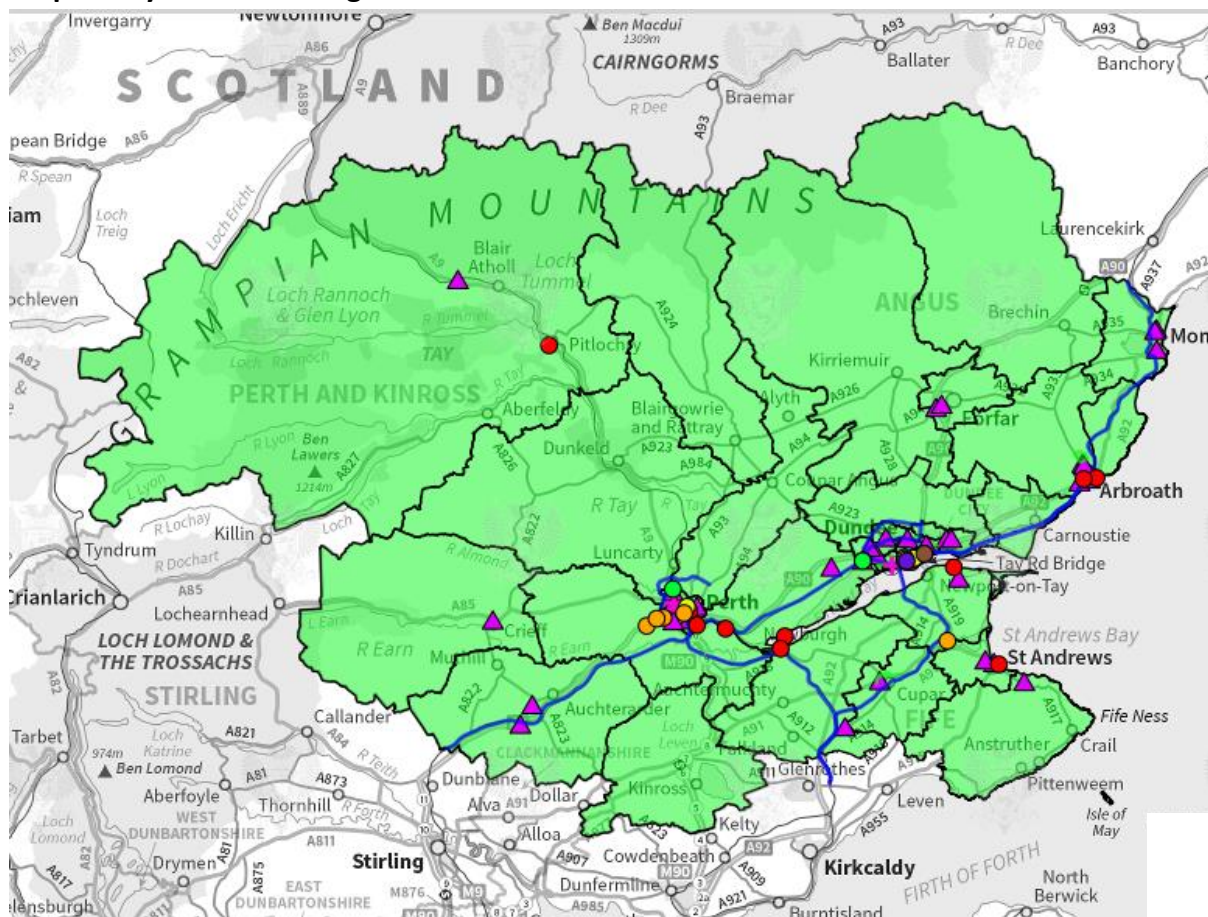
Overview











The aim of the working group (currently Dundee CC and Scottish Enterprise) is to develop thinking around the approach to defining the rationale and methodology for delivering the Scottish Government funded £10M industrial investment programme covering the 4 local authority areas in the Tay Cities Deal area. The Group will need to consider the approach and activities alongside the £10M investment in high value manufacturing (which includes £2M to establish the Tay Cities Engineering Partnership), other TCD programmes and funds e.g. Angus Fund and the Regional Economic Strategy refresh.

The report provides an overview of the current economic situation across the region with a focus on manufacturing. The Group will utilise this information to support the development of the strategy or plan required to deliver the Industrial Investment Programme and the on-going refresh of the Regional Economic Strategy. The report provides a collation of the findings from the recent survey of local authorities on industrial sectors and issues and challenges.

The Industrial Investment Programme is to be defined by the partner organisations, potentially including supporting investment in infrastructure/land to support the development of the industrial/manufacturing sector; and/or potential business support (although more likely capital funding) avoiding existing offers for companies such as Business Loan Scotland and existing grant funding; and/or workforce/skills issues.

Map of Tay Cities Deal Region



Key to Map	
 Key employers	 Food & Drink Projects
 Transport Corridors	 World Class Tourism
 Tay City Deal Wards	 Biomedical Innovation
 Inclusive Tay Projects	 Eco Innovation
 Transport Projects	 Oil & Gas Decommissioning

The Tay Cities Deal Region covers the following local authority area:

- Dundee City Council
- Perth & Kinross Council
- Angus Council
- Constituency of North East Fife – Fife Council

Key towns and cities in the Tay City Region: there are several towns and cities across the region. Those listed here have populations of more than 5,000: Dundee, Perth, Arbroath, St Andrews, Anstruther & Pittenweem, Auchterarder, Blairgowrie, Brechin, Carnoustie, Crieff, Cupar, Forfar, Kirriemuir, and Montrose.

Manufacturing Sector in Tayside

For the purposes of the paper the terms *industrial* and *manufacturing* are used interchangeably. There will be a need to avoid duplication with the TCD Manufacturing Programme Fund.

Depending on the source data (Annual Population Survey or Business Register and Employment Survey) the numbers employed in the sector vary considerably.

According to *NOMIS Business Register and Employment Survey 2017*, the industrial/manufacturing sector in the Tay Cities Deal area employs approximately 14,500 people, approximately 7.3% of the workforce). Angus has the highest percentage of people employed in the sector (12.5% of their total employment) followed by Dundee at 6.6%.

The table below provides a breakdown of the manufacturing sector across the Tay Cities Region, based on Annual Population Survey data. Using this source, just under 20,000 work in manufacturing in the region equating to almost 10% of Scotland's manufacturing workforce. Dundee, Angus and Perth & Kinross have relatively similar numbers of people employed in the manufacturing sector. Angus has the highest percentage of people employed in manufacturing at 12.5%, followed by Dundee at 6.6%, Perth & Kinross at 6.3% and NE Fife at 4.2%.

Numbers working in Manufacturing Sector

Area	Number Male	% of Male Workforce	Number Female	% of Female Workforce
Angus	4,300	15.0	1,800	6.9
North East Fife	2,300	11.3	0	0
Dundee	4,100	12.5	1,300	4.0
Perth & Kinross	4,400	11.5	1,300	3.7
Scotland	160,200	11.8	44,000	3.5

Source: NOMIS – Annual Population Survey October 2017- September 2018

There are several key sectors with high levels of employees:

- Food products and beverages
- Textiles
- Wood processing
- Pharmaceutical
- Rubber and plastic products
- Other non-metallic products
- Fabricated metal products
- Machinery & Equipment
- Computers and electronic equipment

Key growth sectors for the future in areas such as offshore wind, renewables, decommissioning etc. would see growth in sectors related to manufacturing of equipment, fabrication, engineering

SIC	Dundee	Perth & Kinross	NE Fife	Angus	Total TCD
Food products	225	1,250	400	500	2,375
Beverages	5	350	35	150	540
Textiles	175	250	100	700	1,225
Wearing Apparel	10	20	0	10	40
Leather & Related Products	0	10	0	0	10
Wood, except furniture	125	300	75	150	650
Paper & Paper Products	10	0	0	150	160
Printing of Recorded	200	30	10	40	280

Media					
Refined Petroleum Products	20	0	0	0	20
Chemicals & Products	125	150	20	40	335
Pharmaceutical	250	0	0	500	750
Rubber & Plastic Products	1,000	125	10	50	1,185
Other non-metallic products	800	350	50	300	1,500
Basic Metals	20	20	50	0	90
Fabricated Metal Products	300	200	75	700	1,275
Computers & Electronics	250	10	5	300	565
Electrical Equipment	100	10	10	0	120
Machinery & Equipment	600	75	125	400	1,200
Motor vehicles	0	5	0	100	105
Other transport equipment	0	30	10	10	50
Furniture	300	50	5	20	375
Other manufacturing	75	125	75	150	425
Total	5,000	4,000	1,000	4,500	14,450

Source: NOMIS – Annual Population Survey October 2017- September 2018

Key sectors by Local Authority

Local authorities were asked through a survey template (co-ordinated by the Programme Lead with Dundee City Council) to identify key industrial/manufacturing sectors in their areas. This includes both existing industrial sectors and future growth:

- **Dundee:** offshore wind/renewables; decommissioning; light manufacturing; re-manufacturing; low carbon industries; advanced manufacturing; fabrication and general engineering; rubber and plastic products (Michelin – soon to close)
- **North East Fife:** Advanced manufacturing; general engineering; textiles; food and drink
- **Angus:** advanced manufacturing; fabrication; oil and gas; general engineering; food & drink; offshore wind
- **Perth & Kinross:** Food processing; distilling; wood and wood products; fabrication and general engineering; repairing and installing equipment

Recent Investment by Local Authority Area

Dundee	Fife	Angus	Perth & Kinross
Port of Dundee – development of port for offshore and decommissioning sector – including £5M announcement of decommissioning pad by John Lawrie Group. £10M in quayside development.	Announcement of the Fife Industrial Investment Strategy in south of Fife – investing £35M of Edinburgh City Deal and £13M of Fife Council investment – over a 10-year period.	Montrose South Regeneration Project - £3M Angus Council and SE investment, leveraging £100M of private sector investment	Perth West - £50M cap ex. Marketed as a strategic investment site - £5M secured from UK Government as part of the TCD for site infrastructure
Private sector investment in 16,000 sq. ft. of business space at Old Craigie Road	Eden Campus – development at Guardbridge by the University of St Andrews. £26.5M secured from UK and Scottish Governments as part of TCD.	Montrose Port investment to increase maximum size of berthing vessels from 12,000 to 18,000 deadweight tonnage	ABB Food Group investing £17M at its Perth processing site.
Vacant land at Claverhouse East – basic site servicing.	Foodmek, reviewing their Industry 4.0 strategy	£31M investment in BHGE Subsea Centre of Excellence	Perth & Kinross Council investing £2M in the development of Perth Food & Drink Park.
Office opening in the city by China Offshore Energy Shanghai (COES) at One Dundee, on-going development planned in port.		Investment in Broadband at Orchardbank Business Park (Forfar) and Kirkton Industrial Estate (Arbroath)	
Wellsafe investment in (\$100M) Dundee Port		Hydrus Brechin developing new land for expansion – oil & gas	

Project Ideas/Potential Investment by Local Authority

Market demand v market cost – much of the investment in industrial infrastructure still requires significant public sector input to pump prime developments or indeed deliver developments. Need to address existing market failure. For example, a recent report by Fife Council which identified the cost of developing new industrial units at c £2,200m² with an estimated development deficit of £1,000 - £1,500m² for industrial property. This deficit will exist across most parts of the Tay Cities Region and identifies the need for public sector input.

Dundee	Fife	Angus	Perth & Kinross
<p>Dundee Port developments to support growth of offshore wind and decommissioning. Needs include:</p> <ul style="list-style-type: none"> • Quayside development • Dredging at quayside to 10M datum • Site enabling works • O&M Base development <p>Support for developments for these sectors across the city.</p>	<p>Investment in ports – support for development at Methil. Including in quayside facilities and support for BiFab and inshore decommissioning facilities.</p>	<p>Montrose Port regeneration – support the on-going regeneration of the port.</p>	<p>Perth Harbour – keen to be part of the regional decommissioning supply chain</p>
<p>Investment in existing industrial infrastructure – upgrading premises e.g. Mid Wynd Industrial Estate, potential site servicing at Claverhouse East.</p>	<p>Development of modern business properties in Tayport and Newport.</p>	<p>Improving connectivity around Brechin and Montrose. Access to rail, road, clean growth</p>	<p>Perth West Eco-Innovation Park – support manufacturing and smart logistics – buildings and incubation space, buildings to design, test, upscale manufacture of customised goods. 3D adaptive printing – batch size production.</p>

<p>Potential support for the development of key Economic Development Areas – Dundee Western Gateway (50ha of land) and Linlathen (40ha of land)</p>	<p>Eden Campus – marine simulator to support offshore industries – joint ventures for specific industrial projects once Enterprise Hub and Clean Energy Centre established. (These elements will be funded by TCD).</p>	<p>Expansion of Orchardbank Business Park, Brechin, to support low carbon corridor, distribution hub, clean growth</p>	<p>Perth Food and Drink Park and further development planned to support the sector, including support to the poultry supply chain and processing industry (Coupar Angus site).</p>
<p>Potential development of Dundee Energy Park. Links to the redevelopment of the Michelin site.</p>	<p>Modernising premises for engineering sub-contractors.</p> <ul style="list-style-type: none"> • Gray Fabrication (Cupar) • Pfaulder Balfour (Leven) 	<p>Food hub focused on driving innovation in agriculture, extending markets, developing new products, manufacturing & distribution</p>	<p>Investment product realisation centre linked to Tay Cities Engineering Partnership.</p>
<p>Development of fabrication facilities in the city. Currently under resourced. These could be used by many companies.</p>	<p>Energy Park test and demonstration zone.</p>		<p>Circular economy activity at Project Beacon plastics recycling – awarded £5M in TCD.</p>
<p>Investment in new industrial units – fit for 21st century businesses, with yards/parking – potential to site close to SIMD areas (100-300m²).</p> <p>Development of flexible spaces that would allow for expansion from 200m² to 1000m²</p>	<p>Food, drink and agri business diversification into higher value outputs. This could include businesses across Fife.</p>		

Potential to develop a distribution centre in the city.	Development of new industrial land at Cupar (18 ha) to be aligned to development of the SDA attendant road network.		
Equipment support fund for companies in the sector. Potential to explore via Advanced Manufacturing Challenge Fund?			

Issues & Challenges

There are a range of issues and challenges impacting on the development and growth of the sector across the region, identified by the local authorities and Scottish Enterprise. These include:

- Skills shortages – for new industries and for existing key sectors such as fabrication
- Potential skills gaps due to on-going digital developments in the sector
- Need to encourage young people to engage in engineering
- Continued decline of the sector in certain areas
- Age/quality/scale of existing premises/infrastructure in the region – not meeting current needs for flexible space, with parking/yards, approximately only 10% of existing stock across Scotland is new or recently refurbished. How do we 'future-proof' premises design based on demand levels.
- Role of private sector in terms of development and refurbishment.
- Need for partners to review type and scale of advance space programme in region, drawing on work undertaken in Fife.
- General decline in manufacturing across Scotland and change in the process – shift to advanced manufacturing
- Limited land available/serviced for future developments
- Limited advanced/high value manufacturing and engineering (Perth & Kinross)
- Volume employment focused on food and drink processing companies in Perth & Kinross
- Need to develop supply chain and support attraction of new businesses in the sector
- Few significant employers in manufacturing in NE Fife, dispersed across the area
- Constraints in the Scottish Power Networks in NE Fife – significant investment to take place in next 2/3 years
- Loss of labour – could potentially be impacted upon by Brexit – need to replace skilled workforce – food processing could be hardest hit
- Relatively low levels of investment in R&D and exports by companies across the region
- Limited collaboration amongst businesses, industry and education
- Pressure in some areas is related to high levels of employment (Angus) and limited supply of key staff for business growth – this could also be linked to an ageing workforce

Link to other TCD Projects and Programmes

Given the challenges facing the sector, there is a need to ensure linkages between the Industrial Investment Programme and other programmes within the Tay Cities Deal Heads of Terms. This will include:

- **Tayside Engineering Partnership** - £2M – need to support skills development across the sector – from engaging young people, reskilling existing workforce, encouraging graduate engineers to the region etc. Much of what Angus Council identified in their template was related to the skills needs of the sector across the region.
- **Employability and skills programme** - £20M – support key skills development for the sector, engage in programmes that might deliver modern apprenticeship or graduate apprenticeship opportunities, basic key skills for people keen to engage in the sector. Work with employers to identify the needs and local FE/HE to deliver. The local authorities recognise the need to ensure that the skills to support the manufacturing/decommissioning/engineering/offshore sector are available in the region and support for skills development across the sector should be considered. The Heads of Terms highlighted that the fund should be used to support reskilling into the career opportunities that will be generated through and as a result of the investment made – this needs to include the manufacturing/engineering/decommissioning/offshore sectors. The Heads of Terms also stated that projects supported by the TCD will work with the Employability and Skills Programme to maximise its regional benefit.
- **Advanced Manufacturing Fund** - £8M – again support for some sectors, business growth, and investment could come from the Advanced Manufacturing Programme and complement the activity being delivered by the Industrial Investment Programme.
- **Advanced Plant Growth Centre and the International Barley Hub** – over £60M of UK/Scottish Government investment in 2 projects at the James Hutton Institute – there could be links to the food and drink manufacturing sector across the region.
- **Angus Fund** – as part of the Tay Cities Deal the UK Government established the £26.5M Angus Fund to be developed collaboratively with Angus Council to achieve an investment balance across the region. The development of projects which will utilise this fund should be considered when the Industrial Investment Fund is developed.

In addition, the Programme will need take account of the ongoing work arising from the Michelin Scotland Alliance workstreams and the potential need for additional funding from various sources to support the redevelopment of the site and to attract new businesses, creating jobs for the existing workforce and others. The Programme fund offers further opportunity to develop alignment opportunities across key projects/programmes relating to Michelin Scotland Innovation Parc, Mercury Programme and Eden Campus where there may be synergies in areas of sustainability and clean growth.

Existing support available to the sector, including national programmes

There are existing support mechanisms in place to develop/grow manufacturing businesses across the region, although these may vary depending on local authority involvement. These existing support mechanisms need to be identified and we need to ensure that the programme for industrial investment does not duplicate or replicate activity. This will be more likely if the programme delivers direct one-to-one business support rather than infrastructure/equipment investment. For example, both Business Gateway and Scottish Enterprise can provide business support packages to companies;

and companies can access grants and loans from a range of programmes. What is currently harder to deliver is the capital investment required to ensure that the region meets the needs and demands of changing manufacturing businesses.

There may be an opportunity for the Programme to connect to and leverage support from High Value Manufacturing investment initiatives, including exploring:

- Lightweight Manufacturing Centre, Inchinnan
- Spirit Aerosystems Aerospace Innovation Centre, Prestwick
- National Manufacturing Institute of Scotland (NMIS) and Advanced Manufacturing Challenge Fund (AMCF).

Development of Industrial Investment Programme

With the development of the Regional Economic Strategy refresh and likely strong focus on inclusive growth there is a need to create jobs across a wide range of sectors – not just those where higher-level skills/qualifications are required. Many of the funded projects sit within the innovation sphere, e.g.:

- University of Dundee - Growing the Tay Biomedical Cluster
- James Hutton Institute – International Barley Hub
- James Hutton Institute – Advanced Plant Growth Centre
- Abertay University – Cyber Security Centre of Excellence
- University of Dundee – Leverhulme Research Centre for Forensic Science
- University of St Andrews – Eden Campus – preparing for a low carbon future

The TCD Heads of Terms recognises the importance of advanced and sustainable manufacturing and will support the development of the advanced manufacturing sector and the growing industries of renewable energy and decommissioning.

The Industrial Investment Fund could redress the balance (along with the plan to grow the tourism sector) between higher skilled jobs and lower skilled jobs, focusing on more traditional industrial sectors such as general engineering, fabrication, textiles, food and drink production etc. through the development of additional general industrial premises. The importance of the manufacturing sector to the Scottish economy is recognised in a range of national policies including Scotland's Economic Strategy and the Manufacturing Action Plan.

The development of traditional manufacturing jobs will support key aims of reducing unemployment, ensuring that the inclusive growth agenda can be met. It links directly to the development of advanced manufacturing and the need to encourage innovation in the sector.

With a key focus on both economic growth and inclusive growth within the Tay Cities Deal and limited funds available, there is an argument that the focus of the Industrial Investment Fund should be on areas of need – higher unemployment and worklessness rates (see tables below); high levels of the most deprived SIMD etc. This would provide the best opportunities for inclusive growth alongside opportunities for economic development. The development of a prioritisation process/decision making process needs to take statistics of need into account.

Unemployment Rates by Local Authority – February 2019

Area	Claimants as proportion of residents aged 16-64	Claimants as proportion of economically active residents aged 16+	Actual Numbers
Fife*	3.8	5.0	8,915
Angus	3.1	3.8	2,210
Perth & Kinross	1.9	2.3	1,725
Dundee	4.7	6.9	4,635
Scotland	3.0	3.9	105,545

Area	Female Claimants as proportion of residents aged 16-64	Female claimants as percentage of total claimants	Actual Female Numbers
Fife*	2.8	37.3%	3,320
Angus	2.4	38.5%	850
Perth & Kinross	1.4	36.2%	625
Dundee	3.1	33.7%	1,560
Scotland	2.2	36.3%	38,345

Area	Male Claimants as proportion of residents aged 16-64	Male claimants as percentage of total claimants	Actual Male Numbers
Fife*	4.9	62.7%	5,590
Angus	3.9	61.5%	1,360
Perth & Kinross	2.4	64.8%	1,100
Dundee	6.4	66.3%	3,075
Scotland	3.9	63.7%	67,200

Source: NOMIS

*This includes figures for the whole of Fife, not just NE Fife

Unemployment Rates by Parliamentary Constituencies – February 2019

This allows us to isolate North East Fife from the rest of Fife.

Area	Claimants as proportion of residents aged 16-64	Claimants as proportion of economically active residents aged 16+	Actual Numbers
Angus	3.7	4.7	1,935
Dundee East	3.4	4.3	1,885
Dundee West	5.0	7.6	3,025
North East Fife	2.0	2.6	1,070
Ochil & South Perthshire	2.8	3.4	1,785
Perth & North Perthshire	2.2	2.8	1,325
Scotland	3.0	3.9	105,545

Source: NOMIS

Worklessness October 2017 – September 2018

Area	No. economically inactive 16-64	% economically inactive 16-64	% economically inactive who want a job
Angus	14,500	21.0	22.8
Dundee	28,500	29.5	24.4
Dundee East	15,800	33.7	22.0
Dundee West	12,700	25.5	27.4
Fife	47,900	21.2	15.6
North East Fife	11,700	23.6	11.7
Perth & Kinross	18,100	20.2	13.6
South Perthshire & Kinross	9,500	20.8	9.3
Perth & North Perthshire	8,600	19.5	18.4
Scotland	762,100	22.4	21.2

Source: Annual Population Survey - NOMIS

Other statistics will need to form analysis as the development of any model of delivery is progressed.

ITEM No ...8.....

REPORT TO: TAY CITIES JOINT COMMITTEE – 21ST FEBRUARY

REPORT ON: MICHELIN SCOTLAND INNOVATION PARC – INDUSTRIAL INVESTMENT PROGRAMME

REPORT BY: ROBIN PRESSWOOD, EXECUTIVE DIRECTOR OF CITY DEVELOPMENT, DUNDEE CITY COUNCIL

REPORT NO: TCRJC 2-2020

1.0 PURPOSE OF REPORT

To outline the proposed governance procedures for the delivery of the £7.5M Michelin Scotland Innovation Parc (MSIP), supported by the Industrial Investment Programme and to provide an overview of the proposed projects at MSIP.

2.0 RECOMMENDATIONS

It is recommended that the Joint Committee:

- Note the governance procedures for delivering the £7.5M Michelin Scotland Innovation Parc programme as outlined in the report.
- Delegate authority to Dundee City Council to approve the MSIP project business cases and enable them to work with partners to deliver the Parc.

3.0 FINANCIAL IMPLICATIONS

None – “side deal” funding for the Industrial Investment Programme is Scottish Government Funding.

4.0 MAIN TEXT

Michelin Scotland Innovation Parc is a development being undertaken by the newly formed Michelin Scotland Innovation Parc Ltd (MSIP Ltd), a Joint Venture company between Dundee City Council, Scottish Enterprise and Michelin. The MSIP vision is to become a global destination for innovation and investment in sustainable mobility and low carbon energy.

As Lead Authority from MSIP, Dundee City Council will be awarded £7.5M from the Industrial Investment Fund to support the development of the Parc. This funding forms part of the £60M investment programme from the key partners in the Joint Venture, 50% of the overall budget provided by Michelin and 50% provided by Team Scotland.

MSIP Ltd have identified 2 key activities that will form the Programme that the grant will be used to support and deliver and:

- a. **Creation of Michelin Scotland Innovation Parc - £4M:** MSIP Ltd has identified a £17M programme of enabling works to deliver a local infrastructure programme to support the transition of the site from a large single user space to a site that allows for multiple user occupancy. This programme will support the costs of redeveloping the existing building stock to create adaptable spaces for future users (subdivision of large workshops, internal and external renovation of buildings) and the environmental/public realm work necessary to create a multi-occupier site (creation of the Parc Campus, new entrances and loading areas). £4M of the grant to Dundee City Council will be used to support this element of the programme.
- b. **Innovation Hub - £3.5M:** Dundee City Council will work with MSIP Ltd to deliver the Innovation Hub on site. The £3.5M will be used to deliver this element of the programme.

Governance Processes: In order to ensure the delivery of the Michelin Scotland Innovation Parc within the timescales agreed by the partners the following governance model is suggested:

- The £7.5M will be made available from Scottish Government to Dundee City Council and can only be used for the purposes outlined above.
- Dundee City Council is given delegated authority to approve future MSIP business cases for the 2 elements of the project – Creation of the Parc and the Innovation Hub.
- Prior to delivering the projects, Scottish Government will be consulted and both Scottish Enterprise and Dundee City Council must give appropriate approval. Following Scottish Enterprise approval process will ensure that the projects follow the appropriate Green Book process.
- Dundee City Council will keep the Joint Committee of the Tay Cities Deal informed with progress on the development of the Business Cases and the delivery of the projects.
- Dundee City Council and MSIP Ltd will provide regular updates to the Scottish Government (monthly) and the Tay Cities Joint Committee (bi-monthly) and via the Tay Cities Deal Management Group.

5.0 POLICY IMPLICATIONS

We will work with Scottish Government to identify opportunities to improve equality and diversity outcomes throughout the project's development and delivery.

6.0 CONSULTATIONS

The Scottish Government and Scottish Enterprise were consulted and contributed to the preparation of this report.

7.0 BACKGROUND PAPERS

None

Diane Milne, Senior Policy Officer, Dundee City Council

28th January, 2020

Robin Presswood, Executive Director of City Development,
Dundee City Council