
Report to Clackmannanshire Council

Date of Meeting: 21 March 2024

Subject: Alloa Innovation Campus

Report by: Strategic Director (Place)

1.0 Purpose

- 1.1. On 23 March 2023, Council considered a progress report on the joint work that has been taking place with the University of Stirling and others on two projects within the Innovation workstream of the Stirling and Clackmannanshire City Region Deal (herein after referred to as the Deal): Scotland's International Environment Centre (SIEC), and the Intergenerational Living Innovation Hub (ILIH).
- 1.2. Council endorsed a proposal for the creation of an Alloa Innovation Hub, encompassing SIEC Phase 2 and ILIH
- 1.3. This paper discusses a number of issues that are impacting on the overall Deal, and sets out details of a revised proposal that mitigates these risks and optimises the investment earmarked for Clackmannanshire based projects to leverage economic and social benefit.

2.0 Recommendations

- 2.1. It is recommended that Council:
 - 2.1.2 notes the impact that the current economic environment is having on the delivery of the Deal programme (paragraphs 3.1 to 3.4);
 - 2.1.3 notes the proposal to mitigate these risks by consolidating the Clackmannanshire based projects into a single programme - the Alloa Innovation Campus (paragraphs 3.18 to 3.26);
 - 2.1.4 endorses the direction of travel and notes that officers will undertake further work to advance the proposal through Deal governance, including the formal Change Control process (paragraphs 3.34);
 - 2.1.5 notes that further Council governance will be sought at various stages of the proposals further development (paragraph 3.35);

2.1.6 notes the risk presented by the indicative funding gap, together with the requirement to mitigate this risk via the preparation of a Funding Strategy (paragraphs 3.27 to 3.33), and;

2.1.7 notes the timetable of activity set out in paragraph 3.36, together with the intention to bring a further report to the Council meeting of 16 May 2024.

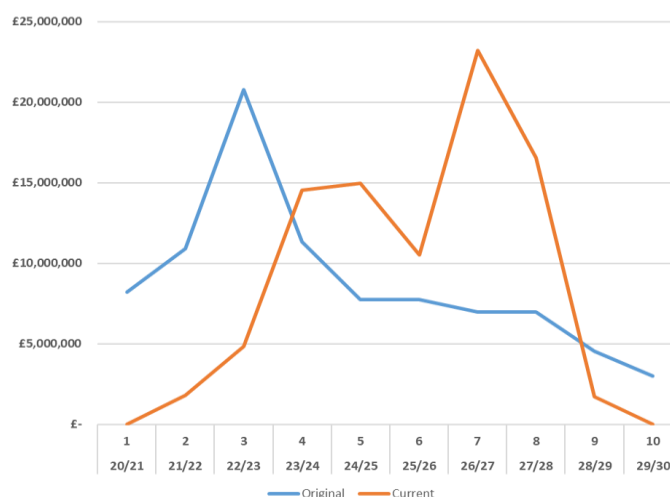
3.0 Considerations

Background

3.1. Since Deal signing on 26 February 2020, there has been unprecedented geopolitical and economic volatility, with consequential impacts on inflation and supply chains.

3.2. The original investment profile of the Deal was end-loaded with rising investment towards the latter years of the 10 year period. Two years of delay due to Covid have pushed this profile further out (see Figure 1)

Figure 1 – Original v current spend profile



3.3. High inflation and a fund that is not index linked means the real value of the funding is decreasing each year. The construction sector has been especially exposed and infrastructure-based projects are experiencing significant cost increases.

3.4. Other Deals, especially those with a large infrastructure investment component, are rebasing to take account of the changing external environment, either by reducing the scope of projects or changing or consolidating projects.

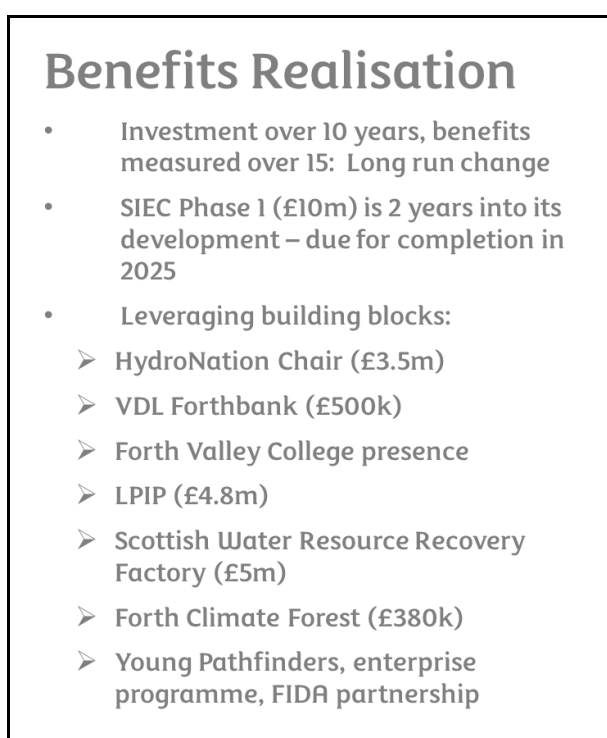
3.5. Clackmannanshire based projects which are still to be brought forward into delivery include Phase 2 of Scotland’s International Environment Centre (SIEC), an Intergenerational Living Hub (ILIH), a Clackmannanshire Digital Hub, and projects under the Culture, Heritage and Tourism investment area.

- 3.6. This paper sets out an outline proposal for re-basing these investments and integrating them into a single programme to deliver the Alloa Innovation Campus. If agreed, the proposal would then be developed fully through the Deal business case and formal Change Control processes.

Current Project Status

The investments within the Deal have always been intended to stimulate place-based economic, social and environmental development within Clackmannanshire and, in particular, through a focus on the two Alloa Transformation Zones delineated by the Council (Town Centre and Forthbank). SIEC Phase 1 is already in delivery and developing a portfolio of activity aligned with this overall purpose through the Forth Environmental Resilience Array (Forth-ERA) and Business Accelerator programme.

3.7. Figure 2: SIEC Phase 1 and Benefits Realisation



The potential remaining investment from the Deal for the Clackmannanshire transformation projects is as follows:

SIEC Phase 2	£7m
ILIH	£7.25m
Alloa Digital Hub	£650k
Culture, Tourism and Heritage (CHT)	Up to £7.5m (tbc)
Total Potential Deal Investment	£22.4m

- 3.8. The proposal that was endorsed by the Council in March 2023 set out the intention to deliver SIEC Phase 2 and ILIH through a single integrated capital build, in order to maximise the use of the available monies (£14.25m). An

option appraisal and costing exercise for this was undertaken in early 2023, with three options for Greenfield House in Alloa emerging as the leading contenders at that time. None of the long- or shortlisted options examined through this process were affordable at that time from the available Deal investment.

- 3.9. Since the 2023 options appraisal was undertaken, unprecedented levels of construction cost inflation have been experienced. To gauge the potential impact on the Clackmannanshire programme, the actual inflation experienced over the period on another large capital innovation project in the Deal (the National Aquaculture Technology Innovation Hub (NATIH)) has been applied to the April 2023 costings, and then extrapolated forward to the potential start of construction date, as below:

Greenfield House Heritage building and modern annex	April 2023 (Costing)	Feb 2024 (Construction inflation applied)	Feb 2026 (Estimate)
Option 1: Full refurb heritage and annex	£27m	£32m	£38m
Option 2: Full refurb heritage and new annex	£29m	£35m	£42m
Option 3: New annex only	£23m	£27m	£32m

- 3.10. Even if the maximum investment available through the Deal was applied, there would be a shortfall at construction commencement of between £10m and £20m depending on the option. If the project commencement were to be delayed until funding is secured to close this gap, there is a significant risk that the maximum timescale (FY 2030-31) for drawing down Deal investment would be exceeded, and that money would be lost.
- 3.11. It must also be recognised that the overwhelming majority of the economic and consequential social benefits arising from Deal projects come through the research & development, innovation, skills and enterprise activity that is leveraged from the capital assets created, rather than the assets themselves. Construction projects typically generate only modest, short-term employment and training benefits. The long-term programme that utilises the assets to create new technologies, products, services, businesses and skills development is what generates the positive economic change. For example, the £9.7m Deal capital investment in SIEC Phase 1 will leverage project funding of £69.7m and a regional Gross Value Added (GVA) uplift of £120.7m
- 3.12. That said, the funding shortfall remains a risk and a strategy will be required to mitigate this. The Funding Strategy section later in this report sets out further considerations in this regard.

Place Based Transformation

- 3.13. The economic and social transformation that is sought for Clackmannanshire cannot be realised through the Deal investments alone. Rather, the Deal investments should be seen as catalysts and enablers for attracting other investment into a much wider range of assets across Alloa and the other communities in Clackmannanshire. Stimulating increased economic activity through Research and Development and company formation, for example, will over time create a market for third party investment into business premises, housing supply and public amenities. Deal projects, therefore, should be viewed through this broader place-based transformation lens.
- 3.14. The range of assets in the Alloa Town Centre Transformation Zone include:
- Greenfield House & Park
 - Former Leisure Bowl site
 - Forth Valley College campus
 - Masterplan (in development)
 - Alloa Business Park (Ceteris)
 - Ludgate House
 - Former police station
 - Primrose Place (exemplar for ILIH)
- 3.15. The range of assets in the Forthbank Transformation Zone include:
- Wastewater treatment resource recovery factory
 - Vertical farm and photovoltaic array project
 - Geothermal mine water energy potential
 - Regional energy masterplan findings
 - Black Devon wetlands
 - Local authority recycling centre
 - Local Authority road depot site
 - Alloa Academy
- 3.16. The key question, therefore, is how to utilise the available Deal investment to capitalise on this asset base, unlocking increased economic activity as quickly as possible, while creating a portfolio of investable assets to attract private and other third-party funding. It should also be recognised that a range of facilities are already offered by the asset base (for example, office, meeting and training space in the College) and it would not be a good use of the Deal monies to replicate these facilities.
- 3.17. There is a need to move at pace to mitigate further erosion of the value of the Deal money and mitigate the risk of exceeding the time limit, while beginning to leverage benefits as quickly as possible. As an example, substantial leveraged project funding had been realised for SIEC Phase 1 while the business case was being developed, against the promise of the forthcoming Forth-ERA asset, and in advance of Full Business Case approval.

The Alloa Innovation Campus

- 3.18. It is proposed that the available Deal investment monies, together with existing assets, be utilised to create an Alloa Innovation Campus and associated innovation and enterprise business acceleration programme across three sites, as follows:

Greenfield Park Innovation & Enterprise Centre	£18m
Forthbank Circular Economy Future Resources Demonstrator	£2m
Innovation & Enterprise Programme	£2.15m

SIEC offices, conference and skills space (located at Forth Valley College and funded via phase 1 SIEC)

Greenfield Park Innovation & Enterprise Centre

- 3.19. The proposal to be developed is based on the premise that £6.25m from ILIH, £4m from SIEC 2 and £0.5m from the Clacks Digital Hub would be combined and utilised to create an innovation centre in Greenfield House Annexe (£10.75m capital project). The centre would support innovation and enterprise serving the sustainable ageing, environmental, digital and potentially other sectors (e.g. Culture, Heritage and Tourism). In order to leverage the wider investment required for Greenfield House (see below), it will be important to proceed at pace and so build within the available funding. This is unlikely to be sufficient for the whole Greenfield House Annex, so careful design assessment and option appraisal will be required.
- 3.20. Clackmannanshire Council already has work underway to establish the costs of making the Greenfield House heritage asset (main building) wind and watertight. If that can be achieved, the intention is to use the share of the CHT Deal investment fund plus potential funding from other sources to create a heritage and enterprise focus in the ground floor, and development-ready business incubation space in the remainder of the building. Clearly, the economic activity stimulus provided by the adjacent Innovation Centre would be key to underpinning the business case and fundraising proposals for development of the main building. The centre would also serve as a hub for welfare facilities and information for public access to the active travel and heritage route network.

Forthbank Circular Economy Future Resources Demonstrator

- 3.21. This part of the proposal indicates that £2m of the Deal capital investment for SIEC Phase 2 would be used to link together currently planned investments and opportunities at Forthbank, creating a testbed for product and technology development from recovered resources and a waste/mine water geothermal energy demonstrator site. This will create the innovation and enterprise stimulus for private investment in business space – for example on the current roads depot site - and large scale infrastructure development such as district heating for domestic and industrial use. The investment would also create a hub for welfare facilities and information for public access to the Black Devon wetlands and other green space.
- 3.22. The development of the Future Resources Demonstrator would be led by the University of Stirling. Ownership of the asset is to be determined.

Forth Valley College Alloa Campus

- 3.23. The SIEC Phase 1 offices and meeting spaces are already located on the Forth Valley College Alloa Campus. This arrangement would be secured for

the long term and expanded to support skills training across the Innovation Campus portfolio.

Business Accelerator Programme

- 3.24. It is proposed that £1m from ILIH, £1m from SIEC Phase 2, and £150k from the Alloa Digital Hub will be linked to provide funding for an initial Business Accelerator Programme. Under Scottish Government financial rules, which apply to the City Region Deal, the University can capitalise eligible R&D expenditure. This provision is already being utilized for SIEC Phase 1, providing a team of business acceleration staff and an innovation grant fund, which is proving highly effective in generating leveraged project activity.
- 3.25. Including a Business Accelerator Programme in the period when the capital assets are being developed will fast-start the economic activity from which jobs, company creation and growth, and skills benefits are realised. This will also lay the foundation for the long-term programme of economic development.
- 3.26. The Business Accelerator Programme would be delivered by the University.

Funding strategy

- 3.27. The Investment Strategy for Clackmannanshire approved by Council in March 2023 identifies the Alloa Innovation Hub/Campus and the Forthbank Transformation Zone as priority development opportunities. The City Region Deal anchor investments seek to stimulate further investment opportunities from public and private sources.
- 3.28. Indications are that the Greenfield Park Innovation & Enterprise Centre proposal may be attractive to institutional investors. To ascertain the potential for private sector investment, a development brief is being prepared which will outline the development opportunity presented by the City Region Deal funded activity at Greenfield Park, together with wider assets in the Alloa Transformation Zone, including the former Leisure Bowl site and adjacent land which is in the ownership of the Council. For illustrative purposes, this could include the development of business space within Greenfield House premises together with private and/or social housing on other sites. The potential for student and post-grad accommodation will also be explored.
- 3.29. Early conversations have taken place with Historic Environment Scotland and the National Lottery Heritage Fund with a view to establishing the potential eligibility of the Greenfield House options for heritage funding.
- 3.30. Historic Environment Scotland has confirmed that they do fund local authorities, albeit with generally a slightly lower intervention rate. The typical Historic Environment Grant intervention rates for repair projects for local authorities would be up to 25% of grant-eligible cost, with, in most cases, the grant threshold being £500,000. For projects of more than one phase it is also acceptable to apply more than one grant in each phase.
- 3.31. The National Lottery has recently launched a new ten year strategy "Heritage 2033 National Lottery Programme". It is based on four principles which align very closely to the proposal to create a Heritage and Enterprise Centre in the

older part of Greenfield House as part of the proposed Greenfield Park Innovation & Enterprise Centre, described above. Grants up to £10m may be available via this programme.

- 3.32. The University of Stirling will also bring its substantial experience of leveraging funding to bear.
- 3.33. Work is underway to bring together these strands of activity (and potentially others) into a single Funding Strategy.

Next Steps

- 3.34. If this proposal is to be taken forward, agreement will be required from both the Scottish and UK Governments through a formal change control process, and from the Stirling and Clackmannanshire City Region Deal Joint Committee. Discussions with Joint Committee on rebasing the remaining five years of the Deal have already commenced, and governments have been advised of forthcoming change control discussions through Regional Programme Management Office Liaison Meetings.
- 3.35. Governance agreement will be required from both Clackmannanshire Council and the University of Stirling at various stages throughout the proposal's development, including the approval of a formal Strategic Partnership Agreement between the University and Council.
- 3.36. A revised timeline for the programme is proposed, designed to accelerate the current Deal Implementation Plan and secure early benefits. The revised timeline, which remains subject to agreement, is set out below. This timeline is challenging and may require reprioritisation of existing priorities to achieve.
 - Feb - Apr 2024: discussion with partners and governments
 - May 2024: University and Council Governance decisions on way forward
 - Feb-May 2024: Change control process
 - By May 2024: Strategic Partnership Agreement in place
 - From May 2024: Business Case Development
 - May-Sep 2024: development brief and funding strategy for town centre zone assets
 - Sep 2024: OBC(s) submitted to Scottish and UK Governments
 - Jun 2025: OBC(s) endorsed and approved
 - Sep 2025: FBC(s) submitted to Governments
 - Dec 2025: FBC(s) endorsed and approved
 - Jan 2026: Construction commences

4.0 Sustainability Implications

- 4.1. Environmental and financial sustainability considerations form a key part of the Deal Benefit Realisation Plan and all business cases must demonstrate clear links to the agreed outcomes, as set out in the terms of governance under the City Region Deal.

5.0 Resource Implications

5.1. *Financial Details*

5.2. The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate. Yes

5.3. Finance have been consulted and have agreed the financial implications as set out in the report. Yes

5.4. *Staffing*

5.5. A project manager is in place to lead on this project.

6.0 Exempt Reports

6.1. Is this report exempt? Yes (please detail the reasons for exemption below) No

7.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all

Our families; children and young people will have the best possible start in life

Women and girls will be confident and aspirational, and achieve their full potential

Our communities will be resilient and empowered so that they can thrive and flourish

(2) **Council Policies**

This proposal aligns with the Be the Future priority of Sustainable Inclusive Growth.

8.0 Equalities Impact

8.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations? Yes No

9.0 Legality

9.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes

10.0 Appendices

10.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

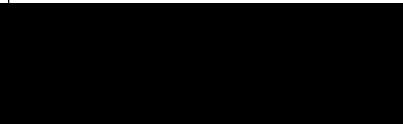
None

11.0 Background Papers

11.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes (please list the documents below) No

Author(s)

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Approved by

NAME	DESIGNATION	SIGNATURE
Nikki Bridle	Chief Executive	