

**To: Council**

**On: 4 May 2023**

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**Report by: Chief Executive and Director of Finance and Resources**

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**Heading: Appointment of Advanced Manufacturing Innovation District  
Scotland Development Partner**

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## **1. Summary**

- 1.1 The Leadership Board in February 2021 noted the Council's intention to procure a Development Partner for the next stage of the Council's Advanced Manufacturing Innovation District Scotland (AMIDS) development, to ensure long term economic benefits and regeneration is secured at the former Netherton Farm site. This procurement process has now completed.
- 1.2 This report seeks approval from the Council to appoint the Development Partner to move the Council's AMIDS to the next stage, building on the Council's significant City Deal and other financial investment in enabling infrastructure and the wider investment in anchor facilities, namely, the National Manufacturing Institute Scotland and the CPI Medicines Manufacturing Innovation Centre.

The Development Partner will work with the Council and other stakeholders to bring forward suitable advanced manufacturing facilities and occupiers that will support realising the Council's ambitious vision to deliver long term economic growth and high-quality jobs to the area and wider city region.

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## **2. Recommendations**

- 2.1 Council is asked to:
- i) Note the scale of ambition and anticipated benefits resulting from the successful delivery of the next phase of the AMIDS project as outlined in this paper; and

- ii) Approve the Council's participation in developing the AMIDS site in partnership with Tarras Park Properties Limited through membership of a Limited Liability Partnership (LLP); and
- iii) Authorise the Director of Finance and Resources to sign on the Council's behalf all documents required to formalise the Council's participation in the LLP and to regulate the operation of the partnership; and
- iv) Approve the nomination of Barbara Walker, City Deal and Infrastructure Programme Director and Alastair McArthur, Director of Finance and Resource as the Council's representatives on the Board of the LLP; and
- v) Approve the drawdown of land in parcels for specific development in accordance with the LLP Business Plan; and
- vi) Authorise the Head of Corporate Governance in conjunction with the City Deal and Infrastructure Programme Director to make minor alterations to the documents as required prior to signing; and
- vii) Instruct that progress and updates and any future decision requirements on the development of AMIDS or the future of the LLP be taken to the relevant Council Board.

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### **3. Background**

3.1. The foundations of the AMIDS vision commenced back in 2014 when the Glasgow City Region City Deal Infrastructure Fund enabled the Council to progress the Glasgow Airport Investment Area (GAIA) project which provides the enabling infrastructure for the AMIDS Netherton Campus.

3.2. The GAIA Business Case noted the City Deal benefits anticipated.

*AMIDS will capitalise on the advanced engineering and manufacturing expertise that exists across multiple technologies in both industry and academia in Renfrewshire and Scotland and will further strengthen that capability to create competitive advantage for existing and new companies to remain globally competitive, and drive inclusive, sustainable growth in the Scottish economy. The development of AMIDS has the potential to create thousands of new jobs in Renfrewshire, if managed well and with active support and cooperation of all partners.*

3.3. The City Deal Business Case for GAIA included the purchase of Netherton Farm which enabled the Council to develop a masterplan for the whole Netherton Campus and design and deliver the enabling infrastructure for AMIDS. The masterplan was developed in consultation with stakeholders and partners to ensure the site provided all the necessary ingredients of a development ready site which would be attractive to the high-quality innovative occupiers sought.

The initial phase of the long term business case has focused on delivery of the physical infrastructure required to provide a successful campus style

development which will facilitate and encourage collaboration and healthy workplaces for future occupiers, a high quality outdoor public realm area central to the development, an innovative district heating network for all occupiers contributing to the Council's low carbon targets and connected active travel infrastructure throughout, providing employees options for work-based travel.

- 3.4. The next longer-term phase of AMIDS is to attract suitable high quality advanced manufacturing occupiers and develop out the site providing potentially thousands of high-quality jobs and to realise the Council's City Deal benefits of additional long term economic growth. The provision of jobs included in the GAIA business case envisaged this phase of development would take up to 20 years reflecting the long-term nature of this phase of the business case. Given the scale and finance required to facilitate and realise such an ambition it was always recognised that the Council would need to secure an expert partner to help achieve delivery of the development over the long term given the specialist nature of this type of development. The Netherton Farm site was purchased by the Council to provide high quality development and economic opportunities and jobs for our businesses and residents and not with a view to simply securing future land value receipts. These sustainable jobs and economic growth can only be realised if the site is developed as a whole and in accordance with a masterplan and not sold off piecemeal to individual businesses. Meeting these economic and job growth objectives have been the primary driver in setting out the Council would take forward delivery of the AMIDS campus. In this context, it has always been acknowledged that the Council alone, does not have either the internal resource capacity, specialist expertise or skills to effectively progress this stage of the business case and would therefore be required to achieve this through an external partner. Notwithstanding this requirement, in moving forward arrangements to secure an appropriate partner, a primary objective has been to ensure the Council retains an appropriate level of control to provide confidence that the original vision and aspiration of the AMIDS business case and masterplan can be met.
- 3.5. In reaching this stage the Council have had advice and support from our partners on the AMIDS Strategic Advisory Group (SAG) which includes senior representatives from the Council, Scottish Government, Scottish Enterprise, SDS, NMIS, MMIC, Strathclyde University and West College Scotland. These representatives have collaborated to determine the potential target innovation sectors and organisations to locate at AMIDS and ensure Renfrewshire residents and businesses are given maximum opportunity for skills development and long-term high quality, sustainable employment. Several SAG members have been involved in the successful creation of Innovation Districts previously and have contacts within specialist markets where potential occupiers for AMIDS are represented. This group will continue in an advisory role over the longer term alongside the LLP and will bring welcome specialist information and innovation experience to the LLP assisting in the identification of innovative organisations who may be attracted to AMIDS.
- 3.6. Modern facilities for manufacturing in Scotland are in short supply and so interest in locating at AMIDS is already strong from organisations within both the UK and global advanced manufacturing innovation sector. These specialist organisations focus is on investment in the development of their innovative products. Companies in this sector generally look to find suitable locations

where investment and construction of bespoke property can be undertaken by others with the organisation entering into a long lease of the premises. Although interest is already strong, progressing such interest to the stage of secured long term occupation is a major undertaking requiring specialist skills and understanding of this market and these skills will be provided by the Development Partner.

- 3.7. External legal and specialist property advisors have advised the Council in evaluating the options for the most suitable vehicle for procuring an AMIDS Development Partner. Given the nature and anticipated longevity of the partnership envisaged, entering into a Limited Liability Partnership Agreement with a partner was identified as being the most appropriate route forward. In Scotland, an LLP can own assets, grant security, enter contracts and borrow money and has a legal personality independent of its members. A benefit of the LLP over a limited company is increased flexibility, both in respect of profit sharing and in the introduction of new members.

#### **4. Limited Liability Partnership (LLP)**

- 4.1. The LLP option meets the Council's objectives of providing an appropriate vehicle to secure access to development funding and property market expertise whilst retaining sufficient control to ensure the City Deal and AMIDS project objectives, including provision of sustainable employment, are delivered.
- 4.2. The City Deal infrastructure has been delivered for the purposes of securing high quality serviced land capacity at AMIDS to support long term development, attracting high quality occupiers and inward investment supporting quality employment and long-term economic growth. Financial modelling for the project is subject to changes in market conditions however indications are that the potential income for the Council through the LLP arrangements, at completion of the AMIDS development, would be greater than current land sale potential. Therefore, although not a primary objective in the delivery of the AMIDS business case, it is anticipated that over the long term, the Council will secure through financial returns via the LLP partnership arrangement, the inherent value in the AMIDS site in addition to achieving the Council's City Deal commitments.
- 4.3. The LLP will be established on a 50:50 Joint Venture Development Partnership between Tarras Park Properties Limited (the Development Partner) and Renfrewshire Council. The Development Partnership will operate under the direction of an LLP Board, consisting of two Council officers and two representatives from Tarras Park Properties Limited. The 50:50 constitution of the LLP board provides comfort that the Council will be able to appropriately and directly influence the project outcomes.
- 4.4. The Development Partner will be responsible for implementation of decisions and actions from the LLP Board in relation to development progression, marketing, and general management of AMIDS. It is recognised that changes in market conditions, requiring differing approaches to maintain progression of AMIDS may emerge given the expectation that achieving full development of the AMIDS site is likely to be a long-term project.

- 4.5. The Development Partner will actively attend/liaise with the AMIDS Strategic Advisory Group and other stakeholders, building on and maximising the benefits from this already established and influential stakeholder group to optimise the industry reach and opportunity to deliver the anticipated outcomes successfully and collaboratively at AMIDS.
- 4.6. The LLP will operate strictly within a defined range of parameters which are set out in the LLP Agreement and will form the basis on which suitable development can be brought forward at AMIDS. Should there be any future proposal by the Development Partner to progress a development phase outwith the parameters, this would require an additional approval of the relevant Council Board. To protect the advanced manufacturing ambition, maximise employment potential and ensure appropriate users locate at AMIDS, all organisations being considered for AMIDS, must align with the Planning Permission in Principle consent (PPiP) approved in March 2019 and the Eligibility Criteria, compiled and agreed with the AMIDS SAG.
- 4.7. The Development Partner will be required to provide the capital to support the LLP's cash requirement in bringing forward suitable occupiers for the AMIDS site. The Development Partner will fund the initial cash requirements to fund the LLP up to £275,000 as a minimum requirement but this figure will increase to match any agreed business plan requirements, in the pre-development and set up stage.
- 4.8. The Development Partner will, through the LLP, commence and fund an early first phase of development on a speculative basis, starting design and technical due diligence within 12 months and completing development within 3 years of joining the LLP. While detailed design and statutory consents require to be progressed, the indicative first phase will extend to circa 37,000sqft of employment space, targeted at start-up companies and SME's. The value of this initial investment is anticipated to be circa £3.8million.
- 4.9. Future phases of development will be progressed based on occupying companies needs and agreed financial terms. The Development Partner has committed to provide development funding up to £7.6million subject to satisfactory business cases for initial phases of AMIDS development though overall this could be significantly more.
- 4.10. It is proposed that the Council Directors appointed are Alastair McArthur, Director of Finance and Resource and Barbara Walker, City Deal and Infrastructure Programme Director.
- 4.11. It is important to note that the Council will only make available individual development parcels to the LLP on a noncash basis upon confirmation that a satisfactory Business Case is in place for each development. The Council will also retain some control over the land drawn down and developed by the LLP through a 150 year ground lease. The land area included in the LLP Agreement (to be drawn down in parcels) is shown at **Appendix A**.

As part of the LLP agreement, the Council and the Development Partner will also enter into the Pre-Development Services Contract (PDSC). The PDSC sets out the terms on which the Development Partner will provide the Services during the Pre-Development phase of each phase of the Project.

- 4.12. Once a viable Phase Business Case is in place and the Council make the relevant parcel of land required available, the LLP will enter into a Development Management Agreement to cover the management of the physical development of each Phase. The Development Management Fee will be a fixed fee calculated as 3% of the total development costs for the phase.

## 5. Procurement of Preferred Development Partner

- 5.1. The Council used the competitive dialogue procedure to procure a suitable Development Partner and following conclusion of this exercise, Tarras Park Properties Limited has been identified as the preferred partner.

- 5.2. On 21<sup>st</sup> February 2022, Renfrewshire Council published a Contract Notice on the Public Contracts Scotland portal.

The Invitation to Participate in Dialogue and SPD information and instructions were published on PCS-t on the same day. By the request to participate (RTP) deadline on 24<sup>th</sup> March 2022 at 12 noon, two (2) Bidders submitted an RTP. The Council's AMIDS Dialogue team including external Advisers Addleshaw Goddard LLP and Avison Young LLP evaluated the RTP submissions and assessed that both Bidders met the Selection Criteria and demonstrated the experience, financial capacity, development resources and management capability to bring forward the progression of AMIDS.

- 5.3. Following the Selection Stage (SPD stage), the procurement procedure was conducted in successive stages of Draft Tender, Dialogue Phase and Final Tender. By the Draft Tender deadline on 18<sup>th</sup> July 2022, one Bidder advised that a significant investment in Glasgow City Centre would require such focus that they withdraw from the AMIDS procurement process. The Council received one (1) Draft Tender and proceeded to review this submission and dialogue with the remaining Bidder.

- 5.4. The Council conducted dialogue with the remaining Bidder over summer and autumn 2022. The draft documents which form the basis of the LLP Agreement, included a range of aspects to ensure the alignment of the Council's aims for AMIDS were discussed extensively with the Bidder during the dialogue phase. Final drafts were agreed with the Bidder and dialogue phase closed in April 2023.

- 5.5. On 18<sup>th</sup> April 2023, the Bidder submitted their Final Tender. The Council's Dialogue Team assessed the Final Tender against the Award Criteria 30.00% Price/ 70.00% Quality specified in the Contract Notice. The Bidder's scores in respect of the criteria are noted below:

Bidder	Price	Quality	Total
Tarras Park Properties Limited	30.00%	54.00%	84.00%

- 5.6. The outcome of the exercise has identified a preferred Development Partner who will work with the Council to deliver AMIDS. Recent changes in economic

conditions globally suggests that the outcome of this exercise has been timely and a unique opportunity now exists to progress AMIDS with this preferred partner, as other investors seek to hold back on such projects.

- 5.7. The negotiated outcome with the preferred development partner is one which protects the Council's aspirations for high quality outcomes at AMIDS, secures AMIDS as a centre for skilled employment and training into the future and provides a range of checks and balances to effectively manage risk and finance.
- 5.8. Community Benefits were request as part of the procurement process and Tarras Park Properties Limited confirmed the following Community Benefits would be delivered through the construction contract for the initial phase:

<b>Community Benefit Description</b>	<b>No of People / Activity</b>
Job for an unemployed individual from a Priority Group	1
Job for an unemployed individual	2
Modern Apprenticeship	2
Graduate	1
Work Experience Placement for an individual 16+ years of age	1
Work Experience Placement for an individual aged 14 to 16 10 years of age	2
Industry Skill transfer to Schools	1
Event to promote supply chain opportunities	1
Financial Support for a community project	1
Non-Financial support to a community project	1

The Development Partner recognises the opportunity to continue to deliver long-term community benefit outcomes over the remaining phases of development focussing on a rolling programme of employment, skills and training opportunities, supply chain development and community engagement.

- 5.9. Tarras Park Properties Limited are also committed to preparing a Community Benefits Plan under the PDSC and committed to working with the Council's Community Benefit form and partners to ensure additional community benefits are delivered over all phases of development at AMIDS.

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## **Implications of the Report**

- Financial** – The Council's financial contribution to the LLP for Phase 1 is zero (£0) in monetary terms. As outlined at 4.11 the Council's investment in the LLP is by way of non-cash capital investment of the AMID Land subject to business case agreement by the LLP Board.

Financial outlay to progress future development will be returned out of future profits generated through the LLP. Subject to the Council not defaulting on any

contractual obligations through the LLP, financial risk rests with the Development Partner.

Tarras Park Properties Limited's financial standing was assessed as part of the procurement process and to satisfy the Council's minimum requirements, Tarras Park Properties Limited is providing security in the form of a Parent Company Guarantee from The MDS Estates Limited

2. **HR & Organisational Development** – two officers of Renfrewshire Council will serve on the LLP board

3. **Community/Council Planning** –

- *Our Renfrewshire is thriving* – This project will provide properties for advanced manufacturing employers to locate. This will facilitate business growth and improve skills development for people within the local communities. The projects align with and aid the outcomes of the Renfrewshire Economic Strategy 2020 -2030 and the Renfrewshire Economic Recovery Plan.
- *Our Renfrewshire is well* – Increased employment opportunities will aid health and social outcomes within Renfrewshire.
- *Reshaping our place, our economy and our future* – The project will result in progression of the Advanced Manufacturing Innovation District in a form which directly aligns with the council's policies and ambitions. During the project construction period jobs will be created and existing jobs supported. The new occupiers of buildings created will result in additional employment within Renfrewshire, which will be accessible by people in our communities.
- *Tackling inequality, ensuring opportunities for all* – The location of AMIDS, adjacent to residential communities and the infrastructure and active travel links to education and skills development centres will ensure our less advantaged communities are able to access the opportunities provided.
- *Creating a sustainable Renfrewshire for all to enjoy* – The design ethos adopted at AMIDS is one which relies on sustainable transport, active travel, includes a District Heating Network and all property designs will align with the Councils net Zero Carbon target.
- *Working together to improve outcomes* – Officers are working closely with local communities, neighbouring councils, private sector organisations, Scottish Government, Scottish Enterprise and other partners to ensure the maximisation of positive outcomes from the project.

4. **Legal** – as set out in the report

5. **Property/Assets** - The land area included in the LLP Agreement (to be drawn down in parcels) is shown at Appendix A. Once the land is made available to the LLP, the Council will retain some control over the land through a 150 year ground lease. Renfrewshire Council will only make available to the LLP land parcels upon agreement by the LLP of a business plan for each development.

6. **Information Technology** – none.
7. **Equality & Human Rights** -
  - (a) The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report because it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.
8. **Health & Safety** – Tarras Park Properties Limited health and safety credentials were evaluated by Corporate Health and Safety and met the Council's minimum requirements regarding health and safety.
9. **Procurement** – The procurement process outlined in this report ensures that the Council meets its statutory requirements in respect of procurement procedures, efficiency and modern Government.
10. **Risk** – Project and Programme level risk registers have been established for the project. These are kept under regular review and reported to the Council's internal City Deal and Infrastructure Programme Board. The Council is not contractually obliged to provide any capital to funding the LLP other than the land injection in parcels as outlined in this report. In the event of a default or winding up situation affecting the LLP situation the Council would have the option to purchase the interests of the LLP, independently valued at Fair Value.
11. **Privacy Impact** - No Privacy Impact implications have been identified or are anticipated.
12. **COSLA Policy Position** – No COSLA Policy Position implications have arisen or are anticipated.
13. **Climate Risk** – The level of impact associated with the AMIDS Development has been assessed using the Scottish Government Sustainability Test and is considered High Risk.

The Development Partner is required to develop a Carbon Reduction Plan under the PDSC and confirmed that all Contractors, Designers etc appointed by the LLP will have suitable ISO 14001 or equivalent Environment Management System accreditations.

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### List of Background Papers

- a) City Deal and AMIDS Projects Update report, Leadership Board, November 2022
- b) Renfrewshire's City Deal Projects – Final Delivery Phase report, Leadership Board, February 2021

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Appendix A

