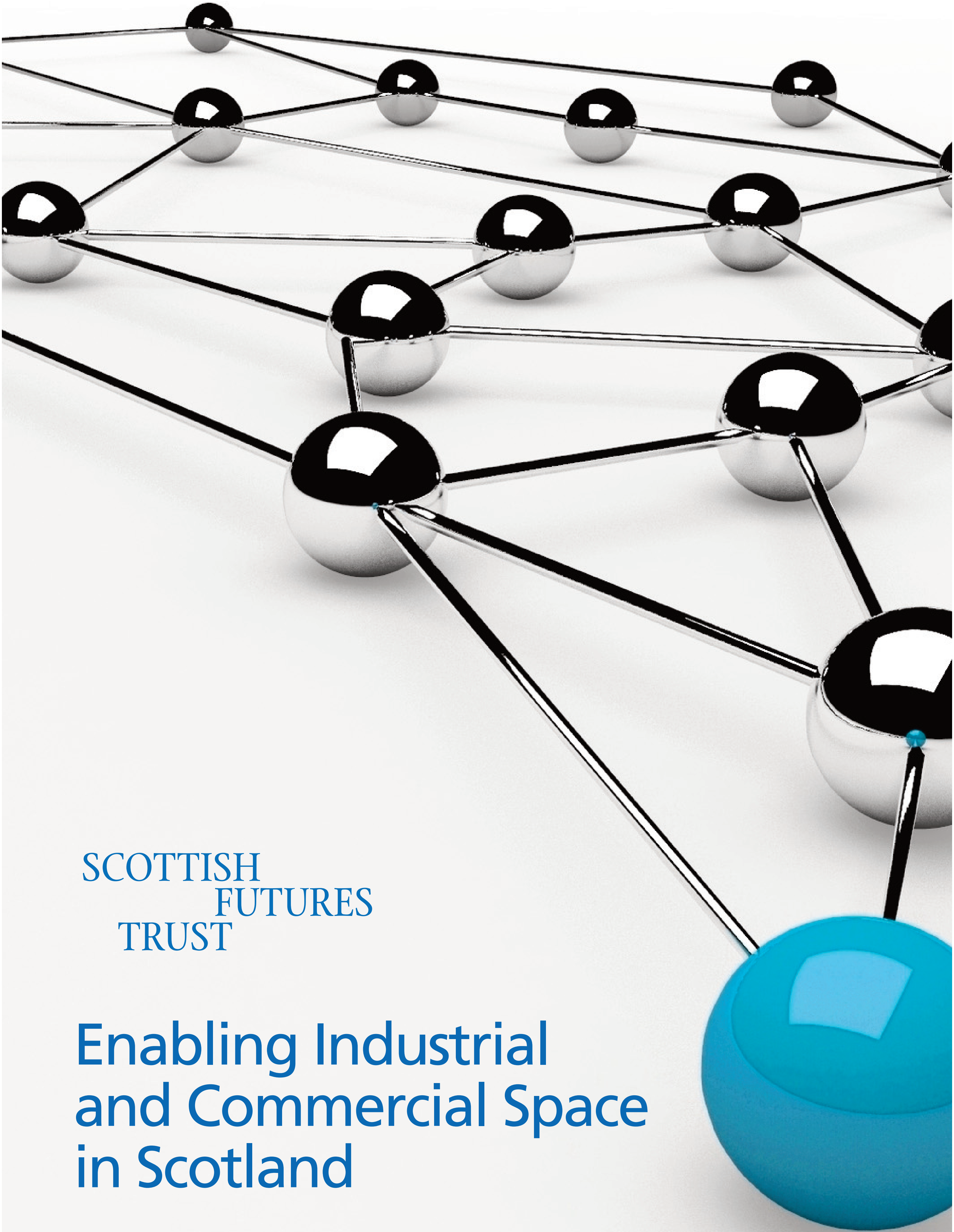

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Enabling Industrial and Commercial Space in Scotland

NOVEMBER 2020

1. Introduction

Recent Programmes for Government recognise the importance of industrial and commercial development and activity for Scotland's future economy. This recognition includes considering how new industrial and commercial space could be enabled and delivered, and indeed, how it can contribute to the Government's key targets: creating sustainable places, delivering inclusive growth and a net zero emissions future. The current COVID-19 outbreak also focuses further thought about how such spaces could deliver future economic growth and contribute to the recovery.

There have been two key elements linked to enabling and delivering such space – the impact of effectively using wider public sector funding towards land remediation and site preparation and; an enablement of development via public-private partnership (i.e. joint ventures). By combining these two elements, the objective is to accelerate the delivery of commercial and industrial space across Scotland. Against the current backdrop, these elements still hold – although they, and other factors, will need to be explored further to see what other elements may need to be in place to deliver activity.

This paper looks to capture the context for much of this, as well as outlining existing approaches and sources of funding to advance current thinking. It also considers the basis upon which public-private partnership arrangements may aid and accelerate delivery, and indeed how the wider public sector could assist interested public sector partners in such endeavours.

Why Scotland needs to invest in its commercial and industrial stock

To drive the economy, Scotland ultimately needs a strong supply of developable land for commercial and industrial development and a strong supply of available, fit for purpose commercial and industrial stock. In the long term, and as part of the recovery response, this supply will be crucial if businesses are to once again grow and if Scotland is to continue to punch above its weight in attracting foreign direct investment and enshrining innovation, as well as further elements such as those captured in the Scottish Government Manufacturing Action Plan[1].

Scotland's current stock of industrial and commercial space is facing many challenges.

1. Much of Scotland's industrial and commercial stock is old, tiring quickly and ill-fitted to modern demands, particularly environmental standards and the drive for a net zero carbon Scotland. Regenerating this stock is often commercially unviable making re-investment difficult. Large elements of the stock sit in the ownership of local authorities.

2. Market failure, particularly outside of larger conurbations and primary locations, means speculative development of commercial and industrial space is often unviable. Market led development across Scotland's industrial heartland and beyond, can be challenging.

3. De-industrialisation over the past 30 years has left many sites in need of regeneration. Often these sites can be of large scale. More and more large sites face regeneration needs as manufacturing and heavy industry face the challenges presented by a dynamic global economy. Scotland's Vacant & Derelict Land Register holds many of these sites with c.4,000 sites in total across Scotland. Consequently, the Scottish Land Commission is leading thinking on potential uses of such land and how we address its adverse impacts upon communities and the environment[2].

1 https://www.gov.scot/publications/a-manufacturing-future-for-scotland-action-plan/
2 https://landcommission.gov.scot/our-work/housing-development/vacant-and-derelict-land

This publication will be available in accessible HTML on the gov.scot website

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These challenges have contributed to "continuing reductions in supply, more industrial estates achieving full occupancy, rising rents and some limited development reaction" according to the Ryden 2018 Property Review of industrial property[3]. This landscape has placed a greater reliance on local and central government, and on bodies such as the Enterprise Agencies and Scottish Futures Trust, to stimulate development and investment.

2. A Place Context

In terms of the context for this paper, understanding Place[4] and the cumulative impacts of how land is used is essential. This includes considering how Place can also enable inclusive growth, a net zero emissions future and Scotland's resilience.

Making sites market/development ready is also not the same as making the surrounding social and economic infrastructure ready to support it. The 'ripples' of industrial and commercial developments, and resultant activity, need to be considered at different spatial levels (relevant to the activity), alongside how we incorporate wider social impact measures i.e. a 'not only for profit' nature.

Public sector investment decision-making needs to take into account these elements such that 'good' decisions can be made. This all needs to be key in mind when reading this paper.

3. Objective of this paper

This paper ultimately has several purposes.

Firstly, it seeks to outline current approaches to funding land remediation and site preparation and potential public and private approaches to delivering commercial and industrial space.

Secondly, it considers how such public-private approaches could be further utilised to deliver industrial and commercial activity, drawing initially upon and combining existing funding sources and potentially identifying whether additional forms of funding could be required to further deliver.

The above, however, should be framed within the wider context of development: essentially the private sector should continue to act in a commercial manner and where it can invest and deliver without public support, it should continue to do so. Public sector funding should not displace this activity. Public sector support should be used to target strategic priorities which will not materialise in the near to medium term to maximise the potential impacts and outcomes of any investment and intervention. This support may be required more than ever given the current environment.

Finally, its looks to explore how public sector parties could utilise and implement key elements from the paper and where support may be available.

In terms of the context for the paper, as with any activity in the public sector, understanding the local Place context and the cumulative economic impact of how vacant land is used, such as the impact on Town Centres, is essential. Issues at a regional and national level, for example declining working age population, will also be a fundamental driver for public sector support within a particular geography.

3 https://www.ryden.co.uk/advice/knowledge/videos-podcasts/scottish-property-review-2018
4 https://www.gov.scot/publications/place-principle-introduction/

4. Public sector led funding and activity of commercial and industrial space in Scotland

This section considers different approaches open to the public sector to fund and deliver commercial and industrial land. It also provides a series of short case studies to show such approaches in action. This draws from a number of sources. It also complements the recent valuable Scottish Land Commission report: A Review of Funding Sources for the Re-use of Vacant and Derelict Land[5].

Existing land funding approaches

> Local Authorities in Scotland continue to invest in regenerating land, reinvesting in existing stock and building new stock. This is done from existing capital budgets and related income, however, local authorities remain under significant financial pressures and the ability of councils to fund, finance and physically deliver projects is diminishing.

> The Vacant & Derelict Land Fund is a £10m per annum Scottish Government grant fund administered by the Scottish Government's Regeneration Team. Five local authorities in Scotland are eligible for the fund based on the scale of their holdings of sites on the Vacant & Derelict Land Fund register. These authorities are Glasgow, North Lanarkshire, South Lanarkshire, North Ayrshire and Fife. The local authorities receive an allocation of the £10m per annum.

> The Vacant & Derelict Land Register is a Scotland wide database that includes some 4,000 sites, 1,700 of which are in public sector ownership. In 2018, the Vacant & Derelict Land Taskforce was established. The objective of the Taskforce is to drive more economic value from the assets on the Vacant & Derelict Land register. The Taskforce is developing tools and approaches to unlock economic value from sites including solutions that will stimulate the development of industrial and commercial space and consider a wider a range of uses to benefit the economy and the environment.

> The Regeneration Capital Grant Fund is administered by the Scottish Government's Regeneration team. Its focus is on projects that wish to deliver physical, economic and social change for Scotland's places and communities. An outcome of some of the projects selected for funding can be new industrial and commercial space, however, this tends to be on a smaller scale.

> Once all approved, Scotland will have 12 City Region and Growth Deals that will together deliver a pipeline of £4 billion of investments from across the UK Government, the Scottish Government and local partners. A number of the deals have reached Heads of Terms and other full agreement. A smaller number (two at the time of writing) have still to enter discussions with the Scottish and UK Governments. The deals will deliver a broad range of projects from infrastructure, to innovation, to tourism to skills projects. A number of the deals have produced funding streams to promote and deliver commercial and industrial business space, most notably the Edinburgh & South East Scotland Deal, the Stirling & Clackmannanshire and Tay Cities Deals and the Ayrshire Growth Deal. Upcoming deals, such as the Borderlands and Falkirk deals also have a strong focus on unlocking sites for business growth. Funding for City Region and Growth Deals is provided in the form of capital grant. Across the deals, the investment to unlock sites or directly deliver new commercial and industrial space is around £250m.

5 https://landcommission.gov.scot/wp-content/uploads/2019/10/Understanding-funding-sources-for-VDL-20191008-FINAL.pdf

> Tax Incremental Financing and Growth Accelerator are two innovative mechanisms developed by Scottish Government in collaboration with Scottish Futures Trust, with the objective of stimulating development of commercial and industrial space. Tax Incremental Financing (TIF) has been part of the Scottish Government funding toolkit since the launch of the first pilot schemes in 2010. The model sees local authorities borrow up front to pay for enabling infrastructure that will catalyse private sector development and unlock additional future business rates. Those business rates are then ring-fenced over a 25-year period and used to repay the initial borrowing. Local authorities therefore accept the risk of private sector development occurring. The legislative basis of TIF permitted six pilot projects, all of which have been identified and are advancing. As an evolution of TIF, the Growth Accelerator sees local authorities fund up-front enabling infrastructure and other assets that will catalyse economic activity. That activity is captured in a series of pre-agreed target outcomes and on achieving those outcomes government pays revenue grant to the local authority to meet the upfront funding basis of the project. Local authorities therefore accept the risk of outcome targets being met. Two schemes exist to date with £61m of investment in progress in Edinburgh at the St James Quarter and £64m in progress in Dundee at the Dundee Waterfront development which includes the iconic V&A Museum. The use of Growth Accelerator is predicated upon early engagement with Scottish Government and SFT, with agreement needed to move to business case development.

> The Scottish enterprise agencies - Scottish Enterprise, Highlands & Islands Enterprise, South of Scotland Enterprise (SoSE) continue to provide strategic and financial support to unlock business infrastructure development. The agencies are able to source and provide grants and often provide ad-hoc funding support based on the strength of individual cases. Enterprise agency involvement can extend to formal partnerships and long-term investments in projects – examples include Ravenscraig Ltd where Scottish Enterprise are a formal partner and in the Scottish Borders at Tweedbank, where Scottish Enterprise have built small flexible units aligned to the Borders Railway network.

- The Scottish Government (often working with key partners such as the Enterprise Agencies and Scottish Futures Trust ('SFT')) can provide targeted support in specific circumstances, for example when major employers announce an intention to cease operations. Recent examples include Tullis Russell in Fife and Michelin in Dundee. The Scottish Government response to these situations is tailored to individual circumstances, for example the creation of a formal taskforce to bring together the skills and strengths of both the wider public sector and its partners in the private and third sectors. Regardless of the structure of the response, a common outcome is investment in site remediation and infrastructure to ready the site for re-use. In the case of Tullis Russel this extended to the development of small flexible units.
- Equity and loans are available through the Scottish Partnership Regeneration in Urban Centres (SPRUCE) Fund. SPRUCE provides finance that can be utilised to deliver urban regeneration projects (including industrial and commercial space, brownfield land decontamination and energy efficiency, amongst other elements). The Fund utilises Scottish Government and European Regional Development Fund money to offer such loans and equity investments to eligible infrastructure and energy-efficiency projects. A key aim of SPRUCE is to recycle its funds to maximise its impact and support future regeneration projects. SPRUCE was established with a 10-year investment period, which ends in November 2021. Fusion Assets has successfully employed the SPRUCE Fund, combining this with VDLF to successfully deliver a speculative development in North Lanarkshire. Likewise, other bespoke debt and equity solutions are available through the Enterprise Agencies and through initiatives such as the Building Scotland Fund[6], the precursor to the Scottish National Infrastructure Bank[7].

Public sector led new commercial and industrial spaces

In addition to public sector funding and wider activity to enable the development of industrial and commercial space, the public sector may also take a lead role in developing space themselves. This traditionally manifests itself in different ways.

- Local authority led

  Local Authorities remain a major enabler and deliverer of commercial and industrial space. In many areas the local authority is the largest commercial landlord. Local councils continue to develop, let and manage council owned properties. For example, a 2015 report for the Scottish Cities Alliance identified almost 1,000 industrial units in local authority ownership across the seven cities[8].

- Enterprise Agency led

  Scottish Enterprise, Highlands & Islands Enterprise and South of Scotland Enterprise are and can be strategic partners in development through direct grant funding and as partners in delivery.

6 https://www.gov.scot/policies/economic-growth/building-scotland-fund/
7 https://www.gov.scot/policies/economic-growth/scottish-national-investment-bank/
8 https://www.scottishcities.org.uk/site/assets/files/1192/housing_and_commercial_report.pdf

> Scottish Government led

The Scottish Government do not typically own, manage and let spaces on their own, however, SG have supported bespoke vehicles to undertake that activity. In the late 2000's, the Scottish Government established and funded six Urban Regeneration Companies. The focus of the URCs was broad and included efforts to unlock business growth. Of the six, Clyde Gateway and Irvine Bay both undertook significant work to remediate land and then build out business units. Irvine Bay ceased activity in 2018, with its activities folded into North Ayrshire Council, including its ownership and management of a number of small business units. Clyde Gateway remains as a functioning URC. It continues a successful focus of regenerating and building out sites for business growth.

> Public / private / third sector partnerships

Partnership structures, often led by local authorities in partnership with the private sector, have been prominent for decades. In the late 1990's and early 2000's local authorities showed increasing appetite for risk sharing in property ventures with special purpose vehicles in various formats taking shape. This appetite has diminished significantly since the financial crash in 2008 but a number of examples (often of a similar nature) remain active and highly relevant.

Joint Ventures (JVs): Formal joint ventures are a common undertaking for local authorities and enterprise agencies as they seek to secure private sector investment. Fusion Assets is an excellent example of this approach.

Special Purpose Vehicles (SPVs): Special Purpose Vehicles, particular to individual projects and developments, have been frequently used to unlock development opportunities. These structures are used to manage risk and provide protection for the wider activities of parent organisations.

Local Asset Backed Vehicles (LABVIs): Local Asset Backed Vehicles see local authorities invest assets (often land and buildings) as equity stakes with private sector partners investing money or development capital. The Scottish Land Commission March 2018 paper[9] on public interest led development cited Oxford City Council as an example of this mechanism.

The forms of delivery vary in complexity and risk.

Ultimately, all of the above also needs to be considered as part of the COVID-19 recovery response. Thought needs to be given as to how sources of funding are applied and how other forms are targeted to maximise the recovery of the economy and the most effective use of resources at present.

9 https://landcommission.gov.scot/wp-content/uploads/2018/03/Land-Lines-Public-Interest-Led-Development-Steven-Tolson-March-2018.pdf

5. Case Studies: Delivery Routes in Action

To demonstrate the possibilities of such activity, a series of case studies are outlined below offering lessons in best practice for other public sector organisations in Scotland. These are captured for illustrative purposes, and as with everything at the moment, thought needs to be given as to how similar future approaches can be used to deliver the key outcomes currently targeted by both the public, private and third sectors.

Case Study 1:
Fife Industrial Regeneration Programme

The Edinburgh & South East Scotland City Region Deal contains a £35m capital grant fund for Fife Council to invest in commercial and industrial stock. The Fife Industrial Regeneration Programme will invest around 25% of the funding into site remediation and site enabling works and the remaining 75% into the physical building of small flexible commercial and industrial units. The programme will invest over a 10-year terms, flexing for demand and uptake and will stretch across Fife's industrial heartland.

The Fife Industrial Regeneration Investment plan will deliver a major investment programme in infrastructure and modern business premises to support economic development in Fife. Such investment will increase the supply of serviced employment land and new industrial, office and business centre space in Fife. This will be achieved through direct investment by Fife Council in its existing land holdings, as well as partnership working with private sector landowners and developers to leverage additional investment.The investment consists of £35m of funding from Scottish Government and £9.2m by Fife Council to deliver significant infrastructure and business premises development projects in key locations in Fife.The proposals will contribute to the Council's aim to make Fife the "Best Place to Do Business", making the area an even more attractive place to do business and invest. The aim is to create long term investment opportunities in Fife that secure income that can be reinvested in the region into other economic development and investment projects.

Funding method:	**City Deal capital grant funding**
Delivery method:	**Local authority led**

Case Study 2:

Fusion Assets

A market exemplar for the public / private approach is Fusion Assets, a development company which is owned by one of Scotland's larger local authorities, North Lanarkshire Council. The catalyst and seed funding for Fusion Assets came from the closure of the Boots' factory in Airdrie and since then it has used land and financial resources to enable development land and utilise this in partnership arrangements.

Fusion Assets is tasked with delivering change in North Lanarkshire through enabling and delivering property development and regeneration. It utilises a number of different funding sources to deliver its aspirations: local authority funding, VDLF and SPRUCE, amongst others, combining these to great effect. It also has a proven track record of considering and utilising public-private partnerships, looking to joint ventures and development partners to forward its ambitions for the area. This includes developments such as Gartcosh Industrial Park, Lanarkshire Enterprise Park (Chapelhall) and Western Campus (Strathclyde Business Park). Fusion Assets was the first organisation in Scotland to access SPRUCE funding (£1.8m) for its industrial scheme at Dundyvan Enterprise Park, Coatbridge, which has successfully repaid, further using the Fund for further activity. All of the above allows Fusion to undertake speculative development and respond to a market where development can be challenging in the current climate.

Funding method:	**SPRUCE and Vacant & Derelict Land Fund**
Delivery method:	**Formal Joint Ventures with private sector partners**

Case Study 3:

Clyde Gateway

"The biggest changes to Shawfield will emerge after the M74 extension is completed. Much of Clyde Gateway's early activities in the area will centre around the continued acquisition of sites, as well as major investment in remediation works given the history of chromium contamination in the area. The long-term vision is to deliver quality business and office space.The promises made in Clyde Gateway's first ever publication have been kept. More than £20 million has been invested in site infrastructure at Shawfield together with the construction of a new pedestrian bridge to provide direct access to Dalmarnock Station.An affordable and environmentally acceptable solution, involving the importation under license of a chemical solution from Japan, enabled the long-standing issues of chromium contamination to be solved.All of which led to Clyde Gateway, in October 2016, attracting a commercial partner for Phase 1 of Shawfield which takes in the former Industrial Estate, bounded on one side by the River Clyde and on the other by the famous old football and greyhound stadium.Highbridge Properties, a specialist business park developer with more than 25 years of experience in the field, is the partner in Magenta at Clyde Gateway. It is the largest office development in Scotland with the capacity to bring 12,000 new jobs within Grade A space designed to meet precise requirements and standards.Further information on Magenta at Clyde Gateway and other development opportunities across the Clyde Gateway area can be found at www.investinclydegateway.com

Funding method:	**Regeneration Capital Grant Funding and Vacant & Derelict Land Fund**
Delivery method:	**Formal Joint Venture with private sector partners**

6. A Potential Opportunity for Delivering Industrial and Commercial Space: The Use of Public-Private Partnership Arrangements

The paper has highlighted a number of options available to fund and deliver potential industrial and commercial activity. One area highlighted earlier in the paper is the use of public-private partnerships in the form of some sort of joint venture. Such approaches have been traditionally used and may have a fit as part of the recovery. Given this position, consideration should be given to their use. This should extend to consider how grant funding (e.g. vacant & derelict land funding, Growth Accelerator) and finance (e.g. SPRUCE, SNIB) could be applied to enable and maximise the potential outcomes from such an approach.

Going forward and for ease of language, the term joint venture (JV) will be used to describe the public-private partnership approach. To aid thinking, the paper also provides an overview of the approach, looking at its mechanics, application and strengths and weaknesses. Ultimately, the JV approach is not a 'silver bullet', but rather a tool which can be applied to meet and balance the needs of the public and private sectors. The Fusion Assets Case Study above, is a good example of this.

High level outline of the approach

Under the JV approach, the public and private sector come together to deliver a project or a series of projects in the form of a programme. Both partners would have certain rights under the arrangements and would bring a variety of resources to the table: these could include physical assets, land, funding, specialised staff and expertise, technology, etc. For each element a value would be ascribed, and this would then equate to a shareholding within the new JV entity. Such an approach allows both the public and private sector access to shared resources and can help aggregate support, building capability and capacity.

The key difference to funding from the public sector being provided as a grant or funding support for the private sector, is that the public sector would become a partner in the new entity, sharing in both the risks and returns of the entity. The risk would be limited to the joint venture and any assets contributed as part of its set-up, whilst it would share in the financial performance of the entity should it make distributable profits from its core focus.

The use of such a JV approach is likely to be driven by synergies, which may also be achievable from combining the public and private aspects of the deal. That said, the JV would need to work at arms-length from the public sector partner and act in a commercial nature. The JV partner may therefore need to be procured, and accordingly a suitable process may need to be put in place to achieve this. Likewise, consideration needs to be given to the classification of the JV i.e. is it a public or private sector entity? This classification can have implications for the accounting and budgeting treatments of the parent organisations, and indeed the sources of funding and finance open to it. For example, BSF funding is not available for entities classified to the public sector.

From a private sector perspective, any project would need to provide a viable transaction which produces an acceptable level of return (although as discussed in the paper, the approach could possibly be used to change behaviours to reflect wider societal goals alongside these elements). The public sector also needs to be comfortable with the potential outcomes and returns of the project. It may be that it considers this in different ways from the private sector: inclusive economic growth, climate change, placemaking, regeneration, etc, as well as financially.

In terms of the injection of resources by the public sector these could take different forms:

> Public sector owned assets: this could include elements such as land and buildings.

> Funding: Through participation in a JV, both the public and private sector can provide investment through cash, access to funding, etc. This can assist in the set-up of the organisation, as well as providing ongoing operational funding, particularly in the early periods of activity.

> Staff, expertise and technology: These elements can be brought to bear, along with others, to ensure the organisation creates the right conditions to establish itself and grow. It also ensures from day one that appropriate resources and capability are in place are in place to deliver the objectives of the JV.

> Access to Finance: Combining the identity of the JV partners, plus the elements outlined above, can make access to finance more readily available. This include accessing SPRUCE and many of the current public sector financing led approaches e.g. financial transactions, the Building Scotland Fund and the Scottish National Investment Bank (SNIB). All of these could be considered to support such activity where the JV vehicle is classified as a private entity.

Ultimately, the key challenge for the public sector is to understand how it could maximise the impact of any intervention or agreement with the private sector and the future viability, deliverability and success of the JV.

Governance arrangements

The structure of such an organisation would look to introduce efficiency for the public sector, however, this would need to be considered as part of the wider aspects of the joint venture. It may therefore be the new entity could be a limited company or a limited liability partnership. It may also provide the opportunity to partner with socially focussed organisations such as social enterprises, whereby upside is applied for the benefit of a community or put back to furthering the organisation's aims. Thought would need to be given as to the suitability of any corporate form to ensure that the objectives of both the public and private sector organisations would be met.

The governance arrangements would likely reflect the shareholding split between the two parties, and therefore the organisation with the greatest shareholding in the entity would likely have a greater degree of control. As highlighted, this would be key from a classification perspective.

Operational approach

In the event of a JV structure being adopted, the operational arrangements of the newly formed entity would need to be formalised. Historically, JVs are formed to draw upon the expertise and resources of the different partners.

The JV may also wish to put in place itself a series of contracts and / or sub-contracts to address any construction and operational aspects of the JV with an independent third party. Such an approach could drive risk sharing against cost certainty for the provision of the JV activities.

The public sector would have a governance role, alongside the investment (or contribution) of assets or other resources.

Advantages and disadvantages

In terms of the key advantages and disadvantages of Joint Ventures, these can be captured as follows:

Advantages of the Approach	Disadvantages of the Approach
The creation of a standalone vehicle with a focussed purpose. This could include delivering regeneration and inclusive economic growth.	Loss of / ceding direct public sector control over assets, resources. These elements would be controlled and managed by the JV (albeit within the agreed purpose the new entity).
Secures additional resources, expertise and technology.	The benefits of the venture are shared, rather than sitting with the public sector.
Sets up a commercial, delivery focussed vehicle, which can provide a return for the entity participants. This includes the vehicle operating on an 'open book' basis, whereby the public sector gets greater access / visibility of the JV's operations (and related information) as a result of the JV relationship.	The amalgamation of different cultures, management styles may hinder start up.
Shared risk approach, which could include facilitating private sector investment.	The direction of the JV may change overtime, causing tension with the original strategy. May also mean a divergence from the public sector requirements.
Access to finance, out with public sector budgets.	Both parties need to be comfortable with the aims and ethos of the joint venture, otherwise issues can arise. Likewise, there needs to be confidence that the private sector partner can deliver, or the outcomes of the JV will not be achieved.
The JV can deliver flexibility, with a small nimble, organisation tasked with undertaking a certain task, or delivering a specific vision. This can mean it is time limited in its efforts.	

Key Risks and Their Management

In terms of the risks (and their related mitigants), these can be primarily characterised as follows:

Selecting the Right Partner: Ultimately the success of the JV will be in the public sector selecting the right partner. A process would likely underpin this selection process. There are a number of options for doing this (drawing upon wider public sector JV experience) to shape any ask.

The objectives of the venture may not be clear and communicated: From the outset, this can hamper the organisation and its staff in terms of focussing progress on meeting its vision, strategy and objectives. From the outset it is important that the JV formalise a number of aspects and enshrine these within a JV agreement. This includes addressing the following elements:

> The nature of the business and the parties' objectives. For instance, whether the joint venture is required for a one-off transaction or for long term business activity;

> How the joint venture will be directed and controlled;

> How change is addressed and effected;

> How funding requirements will be shared;

> How and when profits and losses will be met or shared; and

> What each partner's obligations to the joint venture will be.

Ultimately by doing this, the JV's capability and focus is enhanced, which will support it in its efforts to deliver.

An inequitable arrangement: At the outset of the JV there may be an imbalance in the levels of expertise, investment and resources brought into the venture, creating a venture stacked towards one of the parties. This can then result in the organisation being run like an extension of a partner body.

Prior to selecting a partner, the public sector should be clear (as highlighted above) as to the nature and requirements of the JV, how it expects it to be established and operated. Prior to reaching this position, the public sector should consult and consider the basis and likely classification of the JV and its attractiveness to the private sector. By doing this, the public sector can be very clear about what is expected from it and the private sector partner at the outset.

The partners don't provide sufficient leadership and support in the early stages: Allied to the above elements, is the importance of leadership and support in the early years. It is therefore vital that the partners put in place appropriate governance arrangements and identify adequate resources and experienced individuals, with a clear understanding of the JV's remit. This will assist in the set up and early years approach.

What rules need to be followed?: Any joint venture needs to consider which rules will and / or should apply to them. For instance, what rules should be followed or be required by the public sector partner? How does state aid apply to any potential transaction, or on what basis is any activity seen as essentially a 'market' transaction? These elements need to be considered, alongside others, to assess the viability of any potential transaction.

7. A Shared Understanding of Good Practice and Next Steps

This paper seeks to bring together, in one place, a summary of the funding and financing tools available to public sector economic development practitioners to enable and deliver industrial and commercial space. The paper recognises that the list of funding and financing tools and structures and mechanisms is not exhaustive, and a range of other options will be available. In addition, economic development is an area where change and innovation are constant, particularly where a response is needed to the current COVID-19 pandemic. New ways of funding and delivering industrial space will continue to develop over the next few weeks and months and not least through the wider thinking of existing activity such as the Vacant and Derelict Land Taskforce work highlighted earlier.

Through case studies, the paper also sought to highlight examples of structuring possibilities and best practice, particularly where grant and finance have been blended.

Finally, the paper sought to highlight the potential benefits of long-term investment and activity through public-private partnerships (JVs) and how these may offer another tool for delivery.

Next Steps

Public-private partnerships may well have a role to play in delivering commercial and industrial space in Scotland, alongside a series of other levers. Particularly, given the current environment. To this end, SFT, linking in other key partners such as Scottish Government and the Enterprise Agencies, would be content to discuss the basis of this paper, exploring how different approaches can be enshrined within thinking and / or consider new approaches that see greater levels of additional activity in the space and that aid the recovery. We would see this focussing on three key elements:

1. Engaging with key parties to consider how best practice, alternative delivery mechanisms and innovation can be disseminated;
2. Engaging with recipients of existing land and / or industrial and commercial space grant funding and finance to understand their use of such tools (and potential opportunities for doing so), related delivery mechanisms and successes / challenges. This includes recipients of Vacant & Derelict Land Funding and City and Growth Deal funding, amongst others. This also includes engaging with existing providers of funding and finance to understand their application, raise awareness and understand how such elements can be stapled together; and
3. Consider the application of the Joint Venture approach and gauge interest in its use, building upon the themes and issue of this paper, particularly at this time.

Public sector entities interested in any aspect of the above should feel free to initially contact SFT (details provided below), or indeed other public sector organisations such as the Enterprise Agencies, to discuss such matters.

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