

**Rural Growth Deal – Resourcing of Outline Business Cases**

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**1.0 INTRODUCTION**

- 1.1 This report seeks approval from the P&R Committee to commit financial resources for the development of Outline Business Cases (OBCs) and project feasibility, design and work required to secure consents as part of the Rural Growth Deal (RGD) process.
- 1.2 It is proposed that a sum of up to £150k be drawn down as required from the Inward Investment Fund that currently stands at £832,500.

**2.0 RECOMMENDATIONS**

- 2.1 It is recommended that authority for approving the drawdown of money from the Inward Investment Fund is delegated to the Chief Executive and 2 Executive Directors of the Council up to a maximum value of £150k and subject to them being satisfied that the monies are for the purpose of delivering the RGD. Any funding required in excess of £150k from the Inward Investment Fund will require further approval of the P&R Committee.

**3.0 DETAIL**

- 3.1 The Council are currently working towards signing a Heads of Terms Agreement for the Rural Growth Deal and it is anticipated that this key milestone will be concluded in late 2020 depending on the availability of Government Ministers. As we move towards signing a Heads of Terms agreement, the Scottish Government have advised Argyll and Bute Council to continue to progress our projects and where possible start developing OBCs. This has resulted in a requirement to now consider committing resources to projects, many of which will require further feasibility and design work to inform OBCs .
- 3.2 At the P&R Committee of the 24th May 2018, it was agreed that any future release of funding from the Council's Inward Investment Fund would be limited to projects that support the vision (Argyll the natural place to live, learn, visit and do business), or key themes of, the Rural Growth Deal. We now require to establish a quick approval process for drawing down Inward Investment Fund monies to support the development of RGD project business cases. Without adequate resources to support the development of business cases the process of signing the full deal and drawing down funding will be delayed.

- 3.3 At present there are 9 projects included within the RGD Programme. The resources required for project development will vary across projects and as such, it is not possible to provide more detailed costings at this stage. Some RGD projects will also be managed and delivered by key stakeholders such as HIE and Scottish Enterprise. To this end, HIE are currently working to identify staff and financial resources to assist with the delivery of a number of RGD OBCs. Scottish Enterprise are also leading on the project associated with the Helensburgh engineering and innovation hub.
- 3.4 Council officers are currently scoping out development costs of the RGD for further consideration by the RGD Programme Board and relevant council committees as appropriate. It should be noted that a significant portion of these costs can be capitalised as part of the RGD total but officers consider that £150k is required at this time to enable a start on developing OBCs and associated feasibility work. The council is also working with partners and other sources of match funding to contribute to the necessary up front development funding prior to project delivery.
- 3.5 The P&R Committee are therefore asked to consider the requirement to start drawing down funding from the Inward Investment Fund to support the development of RGD vision and proposals, in relation to project feasibility, design and specialist advice related to the development of OBCs. Wherever possible, the Council will utilise in-house staff resources to progress Rural Growth Deal work however, it is anticipated that the Programme Management Office and Project Managers will also require to engage the services of specialist consultants and agencies to support the development of OBCs hence the need for the £150k drawdown.
- 3.6 In the interests of speeding up the process of delivery it is proposed that the Councils CE and 2 Executive Directors have delegated authority to approve expenditure up to a maximum of £150k provided they are satisfied that the monies requested will assist the delivery of the RGD.
- 3.7 This work is essential as part of the sign off process with the Scottish and UK Governments for the Rural Growth Deal. At present the budget available via the Inward Investment is believed to be circa £832k. Any additional funding required in excess of the £150k requested will require approval of the P&R Committee.
- 3.8 At this critical stage of the RGD process financial resources are now required for programme and project level support including:-
- Development of robust OBCs in accordance with the Treasury's 5 Case Business Appraisal methodology
  - The provision of supporting feasibility studies, design work and consents as required, to establish business cases in line with the Treasury's 5 case business model for each RGD project (currently 9 projects);
  - Preparation of a detailed deal-wide implementation plan;
  - A financial plan that takes account of affordability over the 10-15 year lifespan of the deal;

- A governance plan for the deal;
- A monitoring and evaluation framework to achieve final Deal document sign off.

3.9 At OBC stage, there is also the requirement for projects to include draft:

- Equality Impact Assessments;
- Fairer Scotland Impact Assessments;
- Environmental Impact Assessments (if required);
- Islands Impact Assessments (if required).

3.10 At full business case stage (FBC) projects will require to include final versions of the above documents and the Scottish Government will also require projects to demonstrate their contribution towards inclusive economic growth.

3.11 Project monitoring and evaluation frameworks will require to align with current Scottish and UK investment policies and priorities and this will assist partners to deliver a robust and cohesive account of the impact of the Rural Growth Deal in terms of economic growth at a regional, Scottish and UK levels.

3.12 In Line with a call from both Governments, Argyll and Bute Council have requested the potential acceleration of the following 3 projects from the Rural Growth Deal programme:-

- Rural Skills Accelerator Programme - STEM skills;
- Marine Industry Training Centre – (part of the wider Marine Aquaculture Programme);
- Engineering and Innovation Hub – Helensburgh.

3.13 A response has recently been received from both governments advising that it may be possible to consider accelerating projects within deals in development, such as Argyll and Bute, but these can only be appraised once fully developed OBCs have been submitted. This is necessary to assess whether the projects can be delivered within the timescales outlined by partners and can be funded within the overall deal envelope. It should be noted that council officers will continue to look for additional funding opportunities to support the delivery of the RGD including match funding.

3.14 Both governments have also advised that they cannot guarantee that requests for flexibility on individual projects can be met however they will, where possible, give full consideration to all requests when made in conjunction with the submission of an OBC.

## **4.0 CONCLUSION**

4.1 There is now a requirement to start drawing down funding from the Inward Investment Fund to support the development of RGD proposals, in particular programme management, project feasibility, design and specialist advice required to support the development of OBCs. It is therefore recommended that authority for approving the drawdown of money from the Inward Investment Fund is delegated to the Chief Executive and 2 Executive Directors of the

Council up to a value of £150k subject to them considering any release of funding will support the delivery of the RGD. This request is necessary to speed up delivery of the RGD. Any additional required drawdown beyond that figure of £150k will be subject to a further reports to P and R Committee. At present the budget available via the Inward Investment is £832k.

## **5.0 IMPLICATIONS**

- 5.1 Policy - The RGD is consistent with the Council's Economic Strategy.
- 5.2 Financial – The RGD requires financial and staff resources from the Council.
- 5.3 Legal – The RGD may require input from Legal Services as this progresses
- 5.4 HR – None at present
- 5.5 Fairer Scotland Duty: Required as part of OBC process
  - 5.5.1 Equalities - protected characteristics - Equality Impact Assessments are required for all RGD projects.
  - 5.5.2 Socio-economic Duty - The Rural Growth Deal will follow Scottish Government guidance on Inclusive growth including measures to address socio-economic disadvantage
  - 5.5.3 Islands – Islands impact assessments required as part of OBC process where necessary.
- 5.6 Risk – Spend incurred in advance of approval of FBCs will be at risk to lead partner.
- 5.7 Customer Service – None at present

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**Councillor Robin Currie – Leader of the Council**

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