

City Chambers  
DUNDEE  
DD1 3BY

12th March, 2021

TO: ALL MEMBERS OF THE TAY  
CITIES REGION JOINT COMMITTEE

Dear Sir/Madam

**TAY CITIES REGION JOINT COMMITTEE**

Will you please attend a MEETING of the **TAY CITIES REGION JOINT COMMITTEE** on Friday, 19th March 2021 at 10:00am, to be held remotely.

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

Members of the Press or Public wishing to join the meeting should contact Veronica Thomson, Committee Services Officer on telephone (01382) 434205 or by e-mail [veronica.thomson@dundee.gov.uk](mailto:veronica.thomson@dundee.gov.uk) by **12 noon on Wednesday, 17th March, 2021.**

Yours faithfully

ROGER MENNIE

Clerk to the Joint Committee

**1 WELCOME AND APOLOGIES**

**2 DECLARATION OF INTEREST**

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

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

**3 MINUTE OF MEETING OF 19TH FEBRUARY, 2021 - Page 1**

(Copy enclosed).

**4 TAY CITIES REGION DEAL**

(Update by Mo Saunders, PMO).

**5 FUTURE PROGRAMME MANAGEMENT OFFICE OPERATIONAL BUDGET - Page 47**

(Report No TCRJC4-2021 enclosed, Presented by Robert Emmott, S95 Officer, Dundee City Council).

**6 TAY CITIES REGION DEAL – BUSINESS CASES FOR APPROVAL - Page 51**

**(i) TCD017 PERTH CULTURAL TRANSFORMATION (INCLUDING PERTH CITY HALL)**

(Report No TCRJC 5-2021 enclosed, and presentation by David Littlejohn, Perth & Kinross Council and Project Lead, Fiona Robertson, Head of Culture & Communities Services, Perth & Kinross Council).

**(ii) TCD010 ADVANCED PLANT GROWTH CENTRE - Page 74**

(Report No TCRJC6-2021 enclosed and presentation by David Littlejohn, Perth & Kinross Council and Professor Colin Campbell, Chief Executive, James Hutton Institute).

**(iii) TCD011 INTERNATIONAL BARLEY HUB - Page 93**

(Report No TRJC7-2021 enclosed and presentation by David Littlejohn, Perth & Kinross Council and Professor Colin Campbell, Chief Executive, James Hutton Institute).

**7 AOCB**

**8 DATE OF NEXT MEETING**

Friday, 23rd April, 2021 at 10 am, to be held remotely.

At a MEETING of the **TAY CITIES REGION JOINT COMMITTEE** held remotely on Friday 19th February, 2021.

Present: -

Angus Council

Councillor Bill DUFF  
Councillor David FAIRWEATHER  
Councillor Mark SALMOND

Dundee City Council

Councillor John ALEXANDER  
Councillor Lynne SHORT  
Councillor Richard McCREADY

Fife Council

Councillor David ROSS  
Councillor Tony MIKLINSKI

Perth & Kinross Council

Councillor Murray LYLE  
Councillor John DUFF  
Councillor Grant LAING

Non-Elected Members

Michael WRIGHT, Scottish Enterprise  
Gordon MCGUINNESS, Skills Development Scotland  
Councillor Andrew PARROTT, TACTRAN  
Alison HENDERSON, Dundee and Angus Chamber of Commerce  
Nigel SEATON, University of Abertay

Also Present

Greg COLGAN, Dundee City Council  
Robin PRESSWOOD, Dundee City Council  
Margo WILLIAMSON, Angus Council  
Vivian SMITH, Angus Council  
Mark SPEED, TACTRAN  
Barbara RENTON, Perth and Kinross Council  
David LITTLEJOHN, Perth and Kinross Council  
Steve GRIMMOND, Fife Council  
Alison SEGGIE, Angus Council  
Ronnie PALIN, Skills Development Scotland  
Gregor HAMILTON, Dundee City Council  
Archie GIBSON, AGRICO  
Dr Morag MARTIN, University of Dundee  
Professor Mike FERGUSON, University of Dundee  
Professor Graham HOUSTON, University of Dundee  
Roger MENNIE, Tay Cities Deal Legal Officer  
Steve BELL, Tay Cities Deal Comms  
Alan DOBSON, Tay Cities Deal Project Manager  
Lauren HOLLAS, Tay Cities Deal Project Officer  
Susan PEART, Tay Cities Project Manager  
Mo SAUNDERS, Tay Cities Deal Programme Manager

Councillor John ALEXANDER, in the Chair.

## **I APOLOGIES**

Apologies had been intimated from Councillor Macmillan Douglas, Councillor Marjoram, Councillor Brett, Ellis Watson, Hayley Mearns and Keith Winter.

## **II DECLARATION OF INTEREST**

Councillor Richard McCready declared a non-financial interest in Article V(i) by virtue of his position as Chair of TACTRAN.

Councillor Andrew Parrott declared a non-financial interest in Article V(i) by virtue of his position as Vice-Chair of TACTRAN.

## **III MINUTE OF MEETING OF 22ND JANUARY 2020**

The minute of meeting of 22nd January 2021 was submitted and approved.

## **IV TAY CITIES DEAL UPDATE**

A presentation by Programme Manager, Mo Saunders, was given to the Joint Committee outlining the current position with regards to the Tay Cities Deal.

It was noted that Full Business Cases (FBC) for TCD005 & TCD006 Rural Angus and Perth and Kinross High Speed Broadband, TCD010 & TCD011 JHI Advanced Plant Growth Centre & International Barley Hub, TCD013 cyberQuarter and TCD017 Perth Cultural Transformation (including Perth City Hall) would be presented to the Joint Committee for approval in due course.

An overview was given of the Draw Down programme for 2021 and the current monitoring framework for this outlined.

In conclusion it was reported that the Tay Cities Partnership had been allocated £220k revenue, as part of the Scottish Government Recovery Programme, to be spent by 31st March 2021. This funding had been made available to support the delivery of City Deal projects, accelerate the implementation of community wealth building to maximise the potential for job creation and to accelerate the development of regional recovery plans.

A brief question and answer session followed after which the Joint Committee thanked Ms Saunders both for her presentation and also for the commitment to achieving the compression of the Deal.

## **V TAY CITIES REGION DEAL – BUSINESS CASES FOR APPROVAL**

### **(i) TCD002 DUNDEE AIRPORT (REVENUE) BUSINESS JUSTIFICATION CASE**

There was submitted Report No TCRJC01-2021 by Robin Presswood, Executive Director of City Development, Dundee City Council seeking approval of the Business Case Justification (BJC) for Dundee Airport Investment – Revenue (TCD002).

A presentation was given to the Joint Committee by Gregor Hamilton, Dundee City Council, to supplement the report, a copy of which is appended to the minute.

The Joint Committee agreed to: -

- (i) Consider the report and the Business Justification Case at Appendix 2;
- (ii) Note that the Management Group had approved the Business Justification Case for Dundee Airport Investment – Revenue (TCD002) and recommended it for approval to the Joint Committee; and

- (iii) Note that an overarching Outline Business Case setting the direction of both revenue and capital elements of the Dundee Airport Project would be brought forward for approval by the Joint Committee as the project was developed.

(ii) TCD012 ANGUS FUND OUTLINE BUSINESS CASE

There was submitted Report No TCRJC02-2021 by Vivian Smith, Director of Strategic Policy, Transformation and Public Sector Reform, Angus Council seeking approval of the Outline Business Case (OBC) for TCD012 The Angus Fund.

A presentation was given to the Joint Committee by Vivian Smith, Angus Council and Archie Gibson, AGRICO, to supplement the report, a copy of which is appended to the minute.

The Joint Committee agreed to: -

- (i) Consider the report and the OBC for TCD012 The Angus Fund attached at Appendix 2;
- (ii) Note that the Management Group had approved the OBC for TCD012 The Angus Fund and recommended it for approval to the Joint Committee; and
- (iii) Note that further Outline and Final Business Cases would be brought forward for approval by the Joint Committee as the projects within the overarching OBC were developed.

(iii) TCD016 GROWING TAY CITIES BIOMEDICAL CLUSTER FULL BUSINESS CASE

There was submitted Report No TCRJC03-2021 by. Robin Presswood, Executive Director of City Development, Dundee City Council seeking approval of the Business Case Justification (BJC) for project TCD016 Growing the Tay Cities Biomedical Cluster.

A presentation was given to the Joint Committee by Dr Morag Martin and Professors Mike Ferguson and Graham Houston from Dundee University, to supplement the report, a copy of which is appended to the minute.

The Joint Committee agreed to:-

- (i) Consider the report and the executive summary of the Full Business Case at Appendix 2.
- (ii) Note that the Management Group had approved the Outline Business Case and Full Business Case for the Growing the Tay Cities Biomedical Cluster and was recommending it for approval to the Joint Committee.
- (iii) Approve the Full Business Case, including the allocation of up to £25 million in capital to the project.

## **VI DATE OF NEXT MEETING**

Friday, 19th March, 2021, to be held remotely.

John ALEXANDER, Chair.

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# Dundee Airport – A Strategic Future



Gregor Hamilton  
Head of Planning & Economic Development, Dundee City Council



# Dundee Airport – Tay Cities Deal Investment

## Dundee Airport Investment

- £9.5M of funding included in TCD
- Enhance Dundee Airport as a regional airport/gateway
- Capital investment in upgraded radar/communications equipment
- Capital investment in passenger terminal and operational areas
- Support for route development to support local business to access wider markets and encourage tourism.





# Dundee Airport – Tay Cities Deal Investment

## Dundee Airport Development Plan

- Phase 1: Secure new routes to London City & Belfast City
- Phase 2: Investment in radar
- Phase 3: Investment in passenger facilities
- Phase 4: Potential further route development support

### New Routes Secured

- £600,000 of investment from TCD to match support from Transport Scotland, UK Government, Dundee City Council
- Fly to London City in just over 70 minutes and Belfast City in 60 minutes
- Supporting demand from local businesses & visitor



# Dundee Airport – Tay Cities Deal Investment

## Dundee Airport Potential

- Increase the number of passengers using the airport
- Develop new routes to support regional connectivity
- Support a range of TCD initiatives e.g. Tayside Aviation Academy, TCD Tourism Programme
- Secure long-term future and enhance sustainability of airport
- London City route seen as key to business growth
- Potential to reroute to Heathrow if 3<sup>rd</sup> runway built



# Angus Fund OBC

- Angus Fund £26.5m agreed in Heads of Terms
- Stakeholder Engagement – Three events with over 100 participants
- Development of Mercury Programme
- Angus Fund to be used as an enabler to support the broader vision



## Our Purpose

*To Increase Productivity through  
Clean Growth, protecting places  
for future generations*



# Mercury Programme Clean Growth

- Offshore Wind O&M
- Former Airfield Site – Zero4 (Crown Estates Scotland)
- Montrose Port & International Business
- Masterplanning Montrose linked to clean growth
- New link road
- Innovative Drone Project
- Potential 5G project

# The Angus Fund Clean Growth

- **£2.6 million** contribution towards the road linking Montrose to A90
- **£2 million** contribution for low carbon business units at Zero4 Montrose (Side Deal agreed additional £1.25m)
- **£1 million** contribution for Drone Hub on Zero4 site

# Mercury Programme Low Carbon

- Low carbon transport – electric/hydrogen/bio methane
- Zero carbon housing – 100 new build/50 retrofit
- Integrated energy solutions
- Low Carbon Hub in Forfar (electric charging)
- Plastic waste links to Beacon Project
- Civil Engineering plastic recycling linked to road development



# The Angus Fund Low Carbon

- **£2.9 million** for low carbon transport corridor, including a transport distribution hub at Brechin.
- **£3 million** for Zero Carbon housing innovation both new build and retrofit.

# The Angus Fund Agri Tech

Archie Gibson from Agrico will now give you a better overview of the CASI and in particular the quality aspect linked to seed potatoes.



# Mercury Programme

Angus Council

Tay Cities Deal

Centre for Agri Technology & Sustainable  
Innovation (CASI)



**CASI**

Centre for Agri Technology &  
Sustainable Innovation



# Agri Tech



## Proposed 4 centres

- ▶ Co/by product use
  - ▶ Arbikie
- ▶ Innovation Hotel
  - ▶ JHI
- ▶ Automation
  - ▶ SoilEssentials
- ▶ Potato Quality Centre
  - ▶ (Agrico UK Ltd)
- ▶ Data – A Common theme across all centres
- ▶ Clean growth and Low Carbon also a theme across all centres?

World leading research to commercial reality with global applicability Significant quantifiable demand for the end product



# THE WORLD'S FIRST CLIMATE POSITIVE SPIRITS.

**NÀDAR VODKA JOINS NÀDAR GIN**

The Creation of an environmentally sustainable neutral spirit plant to supply the Scottish gin and vodka industries, whilst promoting the growth of underutilised crops and valorising lower grade crops and distillery by-products.

### **BUSINESS NEED:**

Although the expertise is in place, the production of neutral spirit within the current distillery set up is not possible at a commercially viable price due to equipment type and scale. The proposal is to set up a new, separate legal entity with specialised neutral spirit production equipment.

To support this a network needs to be established covering, for example: -

- Upstream –
  - Managing farm logistics for raw material collation and delivery.
  - Green energy solutions.
- Downstream –
  - Co-product processing.

Distribution network for neutral spirit and packaging return.

### **POTENTIAL BENEFITS:**

**A circular alcoholic beverage system for positive society-wide benefits in Angus and beyond.**

As well as producing a commercially viable and in demand end product this project has the ability to create significant value to the local economy in terms of jobs, business development and inward investment.

#### **Reform / Reprocess**

- Premiumisation of second grade and excess agricultural crops typically destined for low value animal feed and dumping. Distillery by-products further reprocessed for feed, food, bio actives, energy etc.

#### **Reduce**

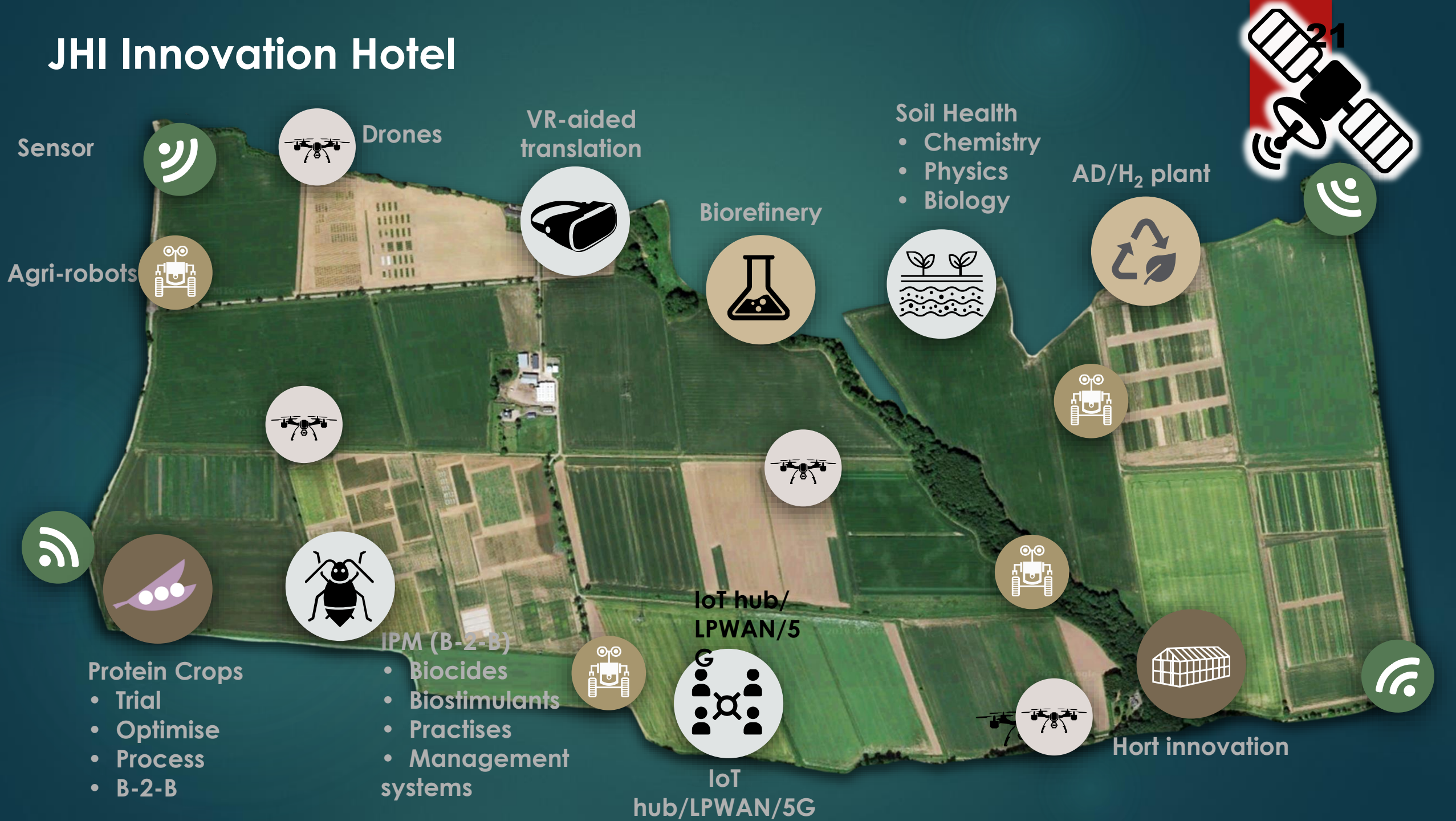
- Supply chains.
- Transportation emissions and costs.
- Farm carbon footprints through farm diversification (legumes, underutilised crops etc), improving soil quality and supporting pollinators.

#### **Reuse**

- Return scheme for bulk containers.



# JHI Innovation Hotel



# Hilton Hive - Offering

- ▶ Specialist Ag Tech hive
- ▶ Dealing with Tech Readiness Level (TRL) 5 and above
- ▶ Focused on tech validation, development, demonstration in a real life environment, operation in a real life environment.
- ▶ Support to entrepreneurs
  - ▶ Office / workshop space
  - ▶ Collaboration opportunities
  - ▶ Business development





# Hilton Hive – UK Companies

- ▶ Innovators / individuals
  - ▶ Angus has a long history of innovation
  - ▶ Farmers / farmworkers often innovate as part of their daily routine
  - ▶ But its hard to take the next step.
- ▶ Established companies looking for support / testbed
  - ▶ Ag engineering companies looking to move more into agtech
  - ▶ Need to trial their products quietly in a real life enviroment





# Target Market – Example Robot Start Ups





# SoilEssentials – Existing Market Connections

- ▶ Machine Control
  - ▶ 5% increase in efficiency on ALL tractor operations
  - ▶ Huge savings on carbon and energy for all agriculture
- ▶ EssentialsNET RTK network
  - ▶ Supplies RTK corrections UK wide
  - ▶ Data connections to each ag vehicle.



Figure 1: EssentialsNet UK Coverage.

# The Potato Scene in Scotland

## Quality Centre

### CASI

- ▶ 90% of all food comes from plants. Potatoes are the 3<sup>rd</sup> or 4<sup>th</sup> most important food crop.
- ▶ There are approximately 250 registered potato seed growers in the UK, 80% in Scotland.
- ▶ Scotland grows ca.12,000 Ha of certified seed > 75% of the UK total production.
- ▶ Scotland has Protected Region status against notifiable diseases, recognised globally.
- ▶ The Scottish seed potato industry produces >216,000t of seed annually. 70,000t going for export ca.22,000t historically being supplied to the EU.
- ▶ Value of Seed exports £42m
- ▶ Value to Scottish economy > £112 m
- ▶ In addition East Perthshire & Angus produce >70% of root vegetables grown in Scotland



# The Vision & Purpose

## CASI

- To create a Quality Centre where crop quality can be independently assessed and overtime bench marked against several parameters; soil health, inputs (fertiliser, Crop protection products), varietal performance, yield, soil health and vitality.
- Invest in a Quality Centre capable of serving the whole UK market handling potato seeds or ware and potentially other root crops e.g. carrots, neaps and parsnips.
- Samples technically assessed using state of the art optical graders capable of measuring size , weight, shape, external and internal disease defects combined with machine learning attributes.
- Data collected being collated and aggregated by the CASI and fed back to the grower.
- Enhanced reputation – Currently Scotland exports seeds to 50 countries the main two being Egypt and Morocco, the potential for growth to the other 48 is therefore considerable and is being actively pursued by Scot Gov through SASA & AHDB Potatoes.



# Opportunity - Quality Centre Concept and Rationale

- ▶ With an investment of @ £ 4.5m the Mercury project has the potential to deliver a technical and quality center for Potato seeds, ware and root crops, the first of its kind in the UK.
- ▶ It will create skilled jobs and combined with the centralised functions of the CASI HIVE will I believe attract technical investment and data management opportunities into the region.
- ▶ With The James Hutton Institute (JHI) and other SEFARI Institutes also locally based the CASI has the potential to bring innovation and excellence to underwrite and compliment the Agri food sector in this region.



# Quality Centre

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## Growing the Tay Cities Region Biomedical Cluster

Delivering a step change in innovation-led growth through new companies, job opportunities and inward investment.

Prof Sir Mike Ferguson

19<sup>th</sup> February 2021





# Exploiting biomedical innovation to drive local economic growth

Regions with strong biomedical offerings can reap the rewards of this investment so long as they have:

1. **Excellence and Scale**
2. The ability to **convert early innovation into investible assets**
3. The credibility and reputation to **attract Venture Capital interest**
4. Appropriate **physical infrastructure and business development environment to anchor company formation and growth** close to the founding expertise and IP

**Top University in UK for Biological Sciences**

Research Excellence Framework



**World's most influential research institution in pharmaceuticals**

Clarivate Analytics

**Top UK Medical School and Medical Technology ranked 5<sup>th</sup> in the UK**

Complete University Guide



**Top University in UK for Impact in Clinical Medicine**

Research Excellence Framework





# Stellar companies and pipeline of spin-out potential

To drive local economic growth, we need them to stay in the Tay Cities Region



**UoD spin out in 2012. World leading artificial intelligence drug design company.**

- Secured over £80million of investment since 2017.
- Delivered the first AI design drug to enter the clinic.
- Sites in Dundee, Oxford, Miami and Osaka.
- Currently 100 employees and growing. 20 Dundee staff.



**UoD spin out in 2017. Innovative biopharma protein degradation platform technology.**

- Founder Alessio Ciulli's work is cited as a paradigm shift in pharmaceutical intervention.
- Expected to grow to >40 employees by 2021
- £6m Series A funding in 2020 and substantial Series B to be announced in 2021.

Lost from Dundee in  
September 2019  
due to lack of appropriate  
drug discovery  
accommodation

**EIGHT NEW BIOMEDICAL SPIN OUT COMPANIES IN UOD PIPELINE.  
THE BIOMEDICAL CLUSTER PROJECT WILL HELP ANCHOR THEM IN THE REGION**



- The COVID-19 pandemic has created a massive disruption and impact across the world
- A strong UK life sciences sector needs to help develop new diagnostics, medical technology, therapeutics and vaccines for public benefit.
- Ensuring the UK has the strong R&D base and supply chain resilience in the future.



- The COVID-19 pandemic has created a massive disruption and impact across the world
- A strong UK life sciences sector needs to help develop new diagnostics, medical technology, therapeutics and vaccines for public benefit.
- Ensuring the UK has the strong R&D base and supply chain resilience in the future.

**The Tay Cities Regional Biomedical sector has the potential to help in post COVID-19 recovery by providing economic and societal benefits both through product development and the provision of much needed jobs.**



# What will the Biomedical Cluster project deliver?



# A strengthened Biomedical cluster ecosystem



# £5m Tayside Medtech Innovation Ecosystem<sup>38</sup>



- MedTech developments, product innovation and commercialisation based on the identification of need within NHS healthcare delivery.
- An environment for medical device manufacturing, trialling and spin-out/spin-in commercialisation.
- Optimising the use of the unique Thiel embalmed cadaveric resource for device development.
- Healthcare training in support of MedTech innovation and its clinical adoption.

Academics





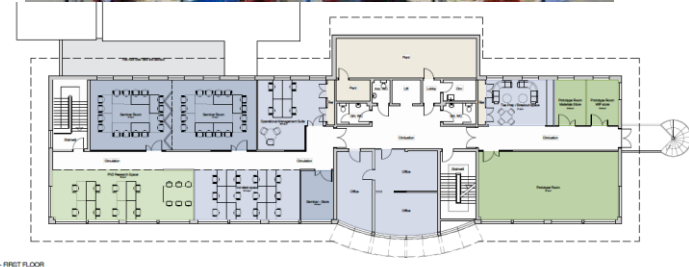
# £5m Tayside Medtech Innovation Ecosystem

39



- Refurbished imaging, laboratory and office space for Medtech R&D, NHS Innovation, Training.
- Sustainable operational model.
- Commercial partnerships leveraging R&D and Innovation.
- Training and re-training opportunities in partnership with D&A , Perth Colleges, Abertay University
- Proactive approach to unlock community engagement and participation from under-represented groups in the regional life sciences sector

**Current projected opening 2022/23.**



2 PROPOSED - FIRST FLOOR





# A strengthened Biomedical cluster ecosystem



DISCOVERY  
BIOMEDICAL  
RESEARCH



DE-RISKING  
INNOVATION TO  
INVESTABLE  
ASSET

TAYSIDE  
MEDTECH  
INNOVATION  
ECOSYSTEM



# A strengthened Biomedical cluster ecosystem



**DISCOVERY  
BIOMEDICAL  
RESEARCH**

**DE-RISKING  
INNOVATION TO  
INVESTABLE  
ASSET**

Pre-incubation of  
investable IP

Active business  
support to  
commercialise  
innovation

**TAYSIDE  
MEDTECH  
INNOVATION  
ECOSYSTEM**





# A strengthened Biomedical cluster ecosystem



DISCOVERY  
BIOMEDICAL  
RESEARCH

DE-RISKING  
INNOVATION TO  
INVESTABLE  
ASSET

Pre-incubation of  
investable IP

Active business  
support to  
commercialise  
innovation

INWARD  
INVESTMENT

BioPharma/BioTech/  
Informatics  
Spin-outs

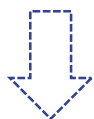
MedTech/Informatics  
Spin-outs

TAYSIDE  
MEDTECH  
INNOVATION  
ECOSYSTEM

TAY CITIES  
REGIONAL  
INNOVATION  
HUB

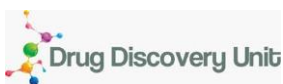


# A strengthened Biomedical cluster ecosystem



DISCOVERY  
BIOMEDICAL  
RESEARCH

DE-RISKING  
INNOVATION TO  
INVESTABLE  
ASSET



Pre-incubation of  
investable IP

Active business  
support to  
commercialise  
innovation

BioPharma/BioTech/  
Informatics  
Spin-outs

INWARD  
INVESTMENT

MedTech/Informatics  
Spin-outs

SPIN-INS AND  
OTHER  
REGIONAL SPIN  
OUTS



TAY CITIES  
REGIONAL  
INNOVATION  
HUB

TAYSIDE  
MEDTECH  
INNOVATION  
ECOSYSTEM

# £20m Tay Cities Regional Innovation Hub

- 4039 sqm of laboratory and office space and scale up facilities for Series A funded spin-outs during their high growth phase
- Sustainable operational model.
- 280 high quality biomedical jobs by 2033 and over 800 over 30 year period
- Training and re-training opportunities in partnership with D&A College
- Attract significant inward investment into regional spin-out companies to enable them to grow and ultimately deliver new therapeutics and diagnostics for public benefit.

**Current projected opening 2023.**



FIRST AND SECOND FLOOR PLANS  
(BOTH IDENTICAL)



**On behalf of the University of Dundee**

**THANK YOU**

**Tay Cities Deal Partnership**

**Scottish Government**

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**REPORT TO:** TAY CITIES REGION JOINT COMMITTEE – 19 MARCH 2021

**REPORT ON:** PROGRAMME MANAGEMENT OFFICE REVENUE (PMO) OPERATIONAL BUDGET 2021-22 AND PROVISIONAL BUDGET 2022-23 AND 2023-24

**REPORT BY:** ROBERT EMMOTT, S95 OFFICER

**REPORT NO:** TCRJC4-2021

## **1.0 PURPOSE OF REPORT**

- 1.1 The purpose of this report is to seek the Joint Committees approval of the Programme Management Office (PMO) agreed operational budget for 2021-22 and provisional operational budget for 2022-23 and 2023-24.

## **2.0 RECOMMENDATIONS**

- 2.1 The Management Group recommend to the Joint Committee that:
- the 2021-22 Revenue Budget for the Tay Cities Region Project Management Office (PMO) as detailed in Appendix A is approved.
  - the provisional budgets for 2022-23 and 2023-24 are approved.
  - Robust monitoring and management of the budet is carried out on behalf of the Joint Committee by the Management Goup

## **3.0 FINANCIAL IMPLICATIONS**

- 3.1 The four constituent Councils and the HE/FE institutions will be required to budget for the 2021-22 contributions to the Tay Cities Region PMO. The Joint Committee is also being asked to consider and agree the provisional 2022-23 and 2023-24 budgets.

## **4.0 BACKGROUND**

- 4.1 On the 22<sup>nd</sup> March 2019 Report No TCRJC1-2019 was submitted and presented by the Tay Cities S95 Officer. The report sought the Joint Committee's approval for the Tay Cities Region 2019-20 to 2021-22 Provisional Revenue Budget.
- 4.2 This report is seeking the Joint Committee's approval on the 2021-22 Revenue Budget, of £336,032 set out in Appendix A. Also included in Appendix A is an Indicative Revenue Budget for 2022-23 and 2023-24. These budgets include provision national pay awards and inflation.
- 4.3 At a meeting on the 28<sup>th</sup> May 2020, the Management Group approved the creation of 2 temporary posts within the PMO, the cost of these posts is being funded from underspends from the PMO revenue budget carried forward from previous years and forecast underspends on the consultancy budget from 2020-21 and 2021-22. A separate report will be presented to the Joint Committee in the future regarding the continued funding of these posts.
- 4.3 The budget is funded by contributions from the four Local Authorities and the HE/FE Forum community. The funding contributions reflect the re-calculated values due to the commitment from the HE/FE sector to support the Project Management Office.

## **5.0 CONCLUSION**

The 2021/22 Revenue Budget is enclosed in order that the Tay Cities Region Joint Committee may approve the Budget and agree the 2021/22 recoveries from the four constituent Councils and other Partners.

## **6.0 POLICY IMPLICATIONS**

**6.1** This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

**6.2** The budgets included in this report are dependent on partners paying their contribution.

## **7.0 CONSULTATIONS**

The Tay Cities Region Deal Management Group were consulted in the preparation of this report.

## **8.0 BACKGROUND PAPERS**

None.

REPORT AUTHOR: MARK MITCHELL  
TITLE: PMO FINANCE OFFICER

Date: 22nd February 2021

## APPENDIX A

## TAY CITIES DEAL PMO PROVISIONAL REVENUE BUDGET 2021-22 &amp; PROVISIONAL BUDGET 2022-23 AND 2023-24

	2020-2021 Agreed Revenue Budget £	2021-2022 Proposed Revenue Budget £	2022-2023 Provisional Revenue Budget £	2023-24 Provisional Revenue Budget £
<b>Staff Costs</b>				
Gross Pay	151,300	157,896	162,555	167,185
Superannuation	25,720	26,842	27,770	28,168
National Insurance	16,180	17,066	17,740	17,957
Agency Worker	-	-	-	-
Training and Other Staff Costs	2,000	2,000	2,000	2,000
<b>Total Staff Costs</b>	<b>195,200</b>	<b>203,804</b>	<b>210,065</b>	<b>215,310</b>
<b>Property Costs</b>				
Rent	7,490	7,490	7,490	7,490
<b>Supplies and Services</b>				
Printing	500	500	500	500
Stationery	250	250	250	250
Photocopying	500	500	500	500
Computer Consumables	250	250	250	250
Computer Hardware	600	600	600	600
Postages	250	250	250	250
Telephones	500	500	500	500
Hospitality/Venue Hire	250	250	250	250
External Audit Fees	0	0	0	0
<b>Supplies and Services Total</b>	<b>3,100</b>	<b>3,100</b>	<b>3,100</b>	<b>3,100</b>
<b>Transport Costs</b>				
Car Allowances	1,250	1,250	1,250	1,250
Other Transport Costs	750	750	750	750
<b>Transport Costs Total</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>	<b>2,000</b>
<b>Third Party Payments</b>				
External Consultants	80,000	80,000	80,000	80,000
<b>Support Services - Recharges (DCC)</b>	<b>38,860</b>	<b>39,638</b>	<b>40,431</b>	<b>41,240</b>
<b>Gross Expenditure</b>	<b>326,650</b>	<b>336,032</b>	<b>343,086</b>	<b>349,140</b>
<b>Income - Contributions</b>				
Dundee City Council - maximum contribution	(45,594)	(46,935)	(47,942)	(48,807)
Perth & Kinross Council - maximum contribution	(45,594)	(46,935)	(47,942)	(48,807)
Angus Council - maximum contribution	(45,594)	(46,935)	(47,942)	(48,807)
Fife Council - maximum contribution	(22,798)	(23,466)	(23,972)	(24,404)
James Hutton Institute	(65,828)	(67,763)	(69,218)	(70,467)
University of Dundee	(42,470)	(43,718)	(44,657)	(45,462)
University of St Andrews	(28,136)	(28,963)	(29,585)	(30,119)
Abertay University	(12,422)	(12,788)	(13,062)	(13,298)
University of the Highlands and Islands	(8,600)	(8,853)	(9,043)	(9,206)
Dundee & Angus College	(2,124)	(2,186)	(2,233)	(2,273)
Contribution from DCC - Property Costs	(7,490)	(7,490)	(7,490)	(7,490)
<b>Total Income</b>	<b>(326,650)</b>	<b>(336,032)</b>	<b>(343,086)</b>	<b>(349,140)</b>
<b>Net Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

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**REPORT TO:** TAY CITIES REGION JOINT COMMITTEE – 19 MARCH 2021

**REPORT ON:** TCD017 PERTH CULTURAL TRANSFORMATION PROJECTS (INC CITY HALL) – FULL BUSINESS CASE (FBC)

**REPORT BY:** DAVID LITTLEJOHN

**REPORT NO:** TCRJC 5-2021

## **1.0 PURPOSE OF REPORT**

- 1.1 This report seeks approval of the Full Business Case (FBC) for Perth Cultural Transformation Project (including City Hall) (Ref TCD017).

## **2.0 RECOMMENDATIONS**

- 2.1 The Joint Committee is asked to:
- i. Consider this report, the Executive Summary of the FBC (a copy of the full FBC is available to Committee on request).
  - ii. Approve the FBC.

## **3.0 INTRODUCTION**

- 3.1 This project was awarded up to £10 million capital from the UK Government in the Heads of Terms Agreement dated 22 November 2018. It will transform the cultural offer of Perth as part of the wider regional culture and tourism ambitions. The FBC for Perth Cultural Transformation Project (including City Hall) is presented for approval which if granted will enable the project to draw down the allocated funding. Funding is drawn down when the project submits a claim for money which has already been spent. The key project information is at Appendix 1.

## **4.0 DESCRIPTION OF PROJECT**

- 4.1 The project was named in the Heads of Terms dated 22 November 2018 and stated that it would... 'transform the cultural offer of Perth' and 'create a cultural offer in Perth which responds to both local audiences and tourism visitors, complementing other cultural attractions to produce a compelling, cohesive 'brand' for Perth as a major cultural city.'
- 4.2 The aim of the project was refined in the Deal Document to focus on bringing 'Perth City Hall, a Grade B listed building in the original medieval heart of the city, back to life.' The project's vision being that Perth City Hall will showcase Perth's ancient roots through museum collections. That it 'will become a major cultural venue; a significant addition to the world class offer of the Tay Cities region and a source of civic and community pride, as it was when first built over a hundred years ago. City Hall will also tell the story of the Stone of Destiny, quarried in Perthshire and used to crown every Scottish monarch at Moot Hill in Scone, just outside Perth.'

## 5.0 FINANCIAL IMPLICATIONS

- 5.1 This project is currently profiled to spend a total of up to £10 million capital from the Tay Cities Deal funding. The funding is anticipated to be drawn down and lever in funding as below.

**Table: Profile as agreed on 17/12/20 and leverage set out in the Deal Financial Plan.**

Year	Year1	Year 2	Year 3	Year 4	Year 5	Total
	20/21	21/22	22/23	23/24	24/25	
<b>Profiled draw down (£000)</b>	2,000	4,327	1,373	2,300	0	10,000
<b>Leverage</b>	439	3,829	9,781	807	361	15,217

Further leverage has been agreed to be provided by Perth and Kinross Council and the total leverage as at Dec 2020 is £16.5 million. An increase of £1,283 Million.

## 6.0 IMPLEMENTATION PLAN

- 6.1 The project targets and milestones are set out below.

### 6.2 Targets

Targets	Baseline	Target Uplift	Date
Leverage of other investment	0	£15.2m	2024
Annual visitors to Perth City Hall and Perth Museum (PMAG)	74,000 <sup>1</sup>	216,231	2028/29
Annual visitors to touring exhibitions at Perth City Hall	0	50,000	2028/29
New jobs created	0	34.1FTE	2028/29
Construction jobs		20 FTE	
Annual job generation		185 FTE	2023 - 2033
Community Led Enterprises	0	30	2028
Additional training opportunities, including apprenticeships	0	51	2028

### 6.3 Milestones

Deliverable	Due Date	Status
Tay Cities Region Joint Committee approves Full Business Case	Early 2021	On Track
Hubco Stage 2 approved – final design approved/ construction contract signed	Feb 2021	On Track
Construction start on site	March 2021	On Track
Completion	Aug 2023	Not started
Move in to building completed	Jan 2024	Not started
Perth City Hall opens for visitors	Spring 2024	Not started

<sup>1</sup> Current baseline PMAG only as Perth City Hall is currently vacant

## 7.0 DECISION PATHWAY

7.1 The project has met the decision pathway milestones as follows.

Decision pathway milestones		
Stage	Milestone	Date achieved
OBC	Governments' Approval	3/9/20
	Thematic Board recommendation	11/9/20
	Management Group approval	11/11/20
	Joint Committee informed	11/12/20
FBC	Governments' Approval	17/2/21
	Thematic Board recommendation	22/1/21
	Management Group recommendation	19/2/21

## 8.0 CONDITIONS

8.1 None

## 9.0 POLICY IMPLICATIONS

10.1 An Equalities Impact Assessment has been completed for the project and reviewed positively by Scottish Government.

## 10.0 CONSULTATIONS

10.1 The Management Group were consulted in the preparation of this report.

## 11.0 BACKGROUND PAPERS

11.1 None

DAVID LITTLEJOHN, HEAD OF PLANNING & DEVELOPMENT  
AT PERTH & KINROSS COUNCIL

DATE: 4<sup>th</sup> March 2021

## APPENDIX 1

Project Information	
Project number	TCD017
Project name	Perth Cultural Transformation
Project owner	Fiona Robertson
Project Finance Director	Stewart MacKenzie
Management Group Sponsor	David Littlejohn
Award amount under TCD	Up to £10 million
Jobs: Target number of jobs to be created	54
Leverage to be achieved	£15.217 million (NB Increased leverage of £16.5 million is now anticipated).



EXECUTIVE SUMMARY - ATTACHED

APPENDIX 2

# PERTH CITY HALL

## FULL BUSINESS CASE

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## 1. Contacts

**Lead Organisation:** Perth and Kinross Council

**Address:** 2 High Street, Perth PH1 5PH

**Table 1: Contacts**

<b>Project Lead</b>	
<b>Name:</b>	Fiona Robertson, Head of Culture & Community Services/SRO
<b>Email:</b>	
<b>Telephone:</b>	
<b>Authorised Signatory (City Deal Agreement)</b>	
<b>Name:</b>	Barbara Renton, Interim Chief Executive
<b>Email:</b>	
<b>Telephone:</b>	
<b>Finance Contact</b>	
<b>Name:</b>	Stewart MacKenzie, Head of Corporate Finance
<b>Email:</b>	
<b>Telephone:</b>	
<b>Other Contacts (if appropriate)</b>	
<b>Name:</b>	Stephen Crawford, Head of Property Services, client lead John Fyfe, Project Manager
<b>Email:</b>	
<b>Telephone:</b>	

## 2. Executive Summary

### 2.1 Introduction

Included below, information of initial 'ask' and value awarded in Heads of Terms, including output and benefits of the project.

**Table 2: Heads of Terms, Output and Benefits**

	Capital (£)
City Deal Ask	10,000,000
Value Awarded in HoT	10,000,000
	Capital (£)
City Deal Leverage in SOC	10,000,000
City Deal Leverage in OBC	13,232,000
City Deal Leverage in FBC	16,500,000
Output / Benefits	Target
Annual Visitors to City Hall (projections revised Oct 2020)	137,000-167,000
Annual visitors to touring exhibitions at City Hall <sup>1</sup>	50,000
Visitor GVA - Perth and Kinross (average over 10 years)	£2.5M <sup>2</sup>
Visitor GVA – Scotland (average over 10 years)	£1.0M
Gross visitor expenditure over 10 years	£101.1M
New job creation (adjusted to remove construction sector jobs – City Hall direct employment only)	19.7
Additional training opportunities, including apprenticeships	51
Volunteers in the cultural sector	1,500
Community Led enterprises	30

<sup>1</sup> The projected additional 162,000 visitors to Perth by Year 3 of opening is inclusive of the projected 50,000 visitors to City Hall for touring exhibitions.

<sup>2</sup> Full analysis of the GVA is included within the updated Economic Impact Assessment revised by Bellerby Economics in January 2021 (Appendix B).



## 2.2 The Strategic Case

### 2.2.1 Project Background & The Case for Change

In 2016 Perth and Kinross Council and its partners embarked on a 20-year programme to regenerate and renew Perth as one of Europe's great small cities. A key element of this is the Perth Cultural Transformation Programme (PCTP) with Perth City Hall as a headline cultural regeneration project, alongside the refurbishment of Perth Museum and the creation of a new Museum Collections Centre<sup>3</sup>. City Hall will transform the city's former civic seat into a headline new museum showcasing Perth's '**Ancient Roots**'- how ancient and modern Scotland was shaped. In December 2020 it was confirmed that the Stone of Destiny, one of the most iconic cultural objects in Scottish and UK history, will be relocated from Edinburgh Castle to Perth City Hall as the centrepiece of the '**Ancient Roots**' story.

City Hall is a £26.5M capital project funded through the Tay Cities Deal (£10M) and Perth and Kinross Council (£16.5M). The project will be delivered through a Design and Build construction contract via HubCo East Central with work due to start in February 2021 and scheduled to open in spring 2024.

Historically Perth City has underperformed markedly as a visitor destination in comparison to the rest of Perth and Kinross and Eastern Scotland, particularly Highland Perthshire which attracts 85% of all tourism visits to the area. Detailed market appraisal carried out from 2014-2017 showed that no single capital project/new cultural attraction would address either market failure or opportunity.

A range of interventions are needed to address this by enhancing the overall visitor package. Different developments are underway: new high-quality hotel accommodation and increased bed stock; major transport infrastructure improvements; improving the public realm and cityscape; and transforming the High Street experience. A strong cultural offer is one of these key interventions, via the PCTP and City Hall.

This transformed cultural offer is the **Ancient Roots/Modern Scots** story of how ancient Scotland was forged in Perth, the nation's first capital, and where modern Scotland was shaped through the 20<sup>th</sup> century Cultural Renaissance. Joint marketing and branding of relevant attractions in Perth and Kinross will create a cohesive, easy to navigate offer for all visitor market segments. City Hall will also deliver a temporary exhibitions programme and touring shows with national, UK and international partners, working in collaboration with other cultural venues to create strong visitor itineraries across the Region. This is key to maximising local and day visitor market markets which are critical for Perth because of its central location and 90-minute travel time for 70%+ of the Scottish population.

The cultural vision behind **Ancient Roots/Modern Scots** is consciously different, but complementary, to Dundee's successful repositioning in recent years as Scotland's city of design. Together with other emerging cultural attractions across the Region **Ancient Roots/Modern Scots** will support delivery of the key Tay Cities Deal target of 3% year on year growth in the value of overnight stays.<sup>4</sup>

<sup>3</sup> Perth Museum and the Collections Centre are fully funded projects totalling a further £10M investment from the Council's capital programme. They are currently being rescheduled in light of Covid and consequential changes to timelines.

<sup>4</sup> Tay Cities, *Tay Cities Region Tourism Strategy 2019-2024*, July 2019. Strategic targets will be re-assessed in light of emerging data in 2020 to assess Covid impact.

The PCTP is now more important than ever in light of Covid. The renewal of Perth through culture-led regeneration remains a priority for the Council and underlined in the Council's recently published *Economic Well Being Plan*.

The central aim of the Tay City Deal is to create smarter, fairer work for all to reduce long-term dependency on tourism, hospitality and service sectors. This dependency is underlined by the rise in unemployment due to Covid across Perth and Kinross with a 145% increase since March 2020.<sup>5</sup> In the local cultural sector, 138 jobs have been lost since August 2020. Continued, sustained effort to grow the productivity of the tourism sector and to diversify employment sectors to create more high value jobs is now vital.

Whilst Covid has brought huge challenges it has also catalysed new opportunity. Perth is superbly positioned as a small walkable city which has quickly adapted to Covid compliance requirements. The strategic ambition to make Perth and Kinross the best place in Scotland to live life well as part of the new 'Perth and Kinross Offer' is underlined by the Council's funding commitment to City Hall and other investment including the £120M Cross Tay Link Road.

### 2.2.2 Strategic Context

Pre-Covid, the culture and creative industries sector was the fastest growing in the UK and remains of key strategic importance to the UK economy. The importance of cultural tourism to Scotland's economic wellbeing is similarly reflected in key national strategies for culture, heritage and tourism as well as the Scottish Government's *National Economic Strategy*. UK Government has therefore specifically identified £10M funding for the City Hall project in the Tay Cities Deal.

In September 2020 the Council formally reassessed the strategic case for City Hall in light of the wider impact of Covid on its current and future financial position.<sup>6</sup> It concluded that the project remains a strategic priority for the economic renewal of the local area and the Region as a whole. The *Perth and Kinross Economic Wellbeing Plan* reviews the planning assumptions for the local area in light of the impact of Covid. These underline the long-term imperative to shift the dependency on tourism, hospitality and service sector jobs set out in the *Perth City Plan* and *Local Development Plan 2*, and which is also central to the Tay City Deal.

The *Regional Tourism Strategy* sets out the foundation for marketing complementary cultural attractions to create an overall offer which grows, in particular, UK and international staying visitors whilst building the day visitor market as the largest potential market for Perth.

In this strategic context the Council's focus is on city and town centre renewal projects of which the PCTP is a major part: building the resilience of key sectors including cultural tourism and creative industry. Placemaking remains central to the transformation of Perth via public realm improvements; sustainable and green transport routes and improvements to the built heritage. This sits alongside wider infrastructure investment including the Cross Tay Link Road and visitor accommodation

<sup>5</sup> Within this, unemployment in 18-24-year range has increased by 174% since March 2020.

<sup>6</sup> Perth and Kinross Council, 30<sup>th</sup> September 2020 Full Council meeting to review Capital Budget Investment Blueprint 2020/21- 2028/29: [CMIS > Meetings](#).

improvements including the repurposing of the Council's former City Chambers into a 55-room boutique hotel and redevelopment of the Murrayshall Hotel just outside the city centre.

Collectively these interventions will grow cultural tourism market share but also catalyse sector diversification and inward investment. In particular, the proposed Eco-Innovation Hub at Broxden will provide renewable energy to charge electric cars/transport, and investment in solar energy at Perth West will enable Perth to reduce carbon emissions and lead the way as a sustainable small city. Alongside, the quality of the cultural offer is vital for creating the contemporary 'buzz' which will bring talented, creative people to live and work in the city.

Prior to Covid, Perth and Kinross had significant success in international visitor growth and business tourism growth. This was largely through attracting UK and international events including the BBC Radio 2 Biggest Weekend (2018), Women's Cycle Tour of Scotland (2019), Solheim Cup (2019) and the Royal National Mod (2022). The current PKC Events Strategy is being refreshed to focus on the period 2020-2024. Whilst Covid will have a long-term impact on visitor market behaviours, a key assumption is that visitor numbers and levels of confidence will return to pre-Covid levels by 2024/25 when City Hall will open.<sup>7</sup> Key strategic objectives for the Council's *Events Strategy* therefore remain focused on growing the value of events from the current £26M to £31M in the next 10 years. A key driver is using events to improve accommodation occupancy levels beyond the high visitor season (June-October). This will also strengthen the overall productivity of the local tourism sector. the second and third quarters of the year. In turn, this will improve tourism sector productivity as a high-quality events portfolio strengthens the case for wider infrastructure improvements like increased bed stock.

In common with local authorities in the Region and beyond, culture-led regeneration will therefore continue to be central to Perth and Kinross Council as we move beyond the immediate Covid emergency response and recovery phases. The Council has therefore established a Cultural Task Force of key local, regional and national experts and chaired by James Boyle to inform future strategic investment priorities.<sup>8</sup> This will report its conclusions shortly. Current delivery models for culture – the Council currently commissions cultural services from two arms-length charitable Trusts – are also being reviewed to ensure the most efficient and economic delivery model is in place, enabling strong collaborative working on public programmes, marketing and visitor infrastructure such as joint ticketing.

### 2.2.3 Perth City Hall and the Proposed New Museum

The City Hall project will transform one of Scotland's great historic civic seats into a museum of national and UK significance focused on Perth's **Ancient Roots**. From the 8<sup>th</sup> century when the first Scottish King was crowned on the Stone of Destiny just outside Perth, the city became a medieval powerhouse driven by technological innovation, powerful national and international political alliances, and major economic forces which shaped both ancient and modern Scotland. The Council's cultural vision is to bring the story of Perth, at the heart of Scotland's story to life through City Hall and linked attractions across the area, with the Stone of Destiny now confirmed as the centrepiece of

<sup>7</sup> Visitor projections will be kept under regular review as new evidence and estimates emerge on tourism market recovery.

<sup>8</sup> Perth and Kinross Council, *Strategic Priorities for Culture 2016-2021* [accessed October 2020]: <https://www.pkc.gov.uk/article/18617/Strategic-priorities-for-culture->

the City Hall displays. The project will also help unify the current disparate approach to cultural programming and marketing in Perth and Kinross, through the **Ancient Roots/Modern Scots** brand, to grow visitor market share in line with the objectives of the Tay Cities Deal.

City Hall first opened in 1912. Throughout the 20<sup>th</sup> century it witnessed key moments in Scottish history, just as neighbouring St John's Kirk did from the 16<sup>th</sup> century onwards when the Scottish Reformation was sparked in Perth. Margaret Thatcher made her maiden Scottish speech as Prime Minister at City Hall and shortly afterwards Arthur Scargill made it his platform for the miners' strike. For the people of Perth and Kinross, City Hall has also witnessed innumerable personal landmarks. From the 1970s onwards as Perth declined as an industrial city, every major British music act played there before the building closed in 2004. In the ensuing years a commercial use for the building could not be found, although cultural use was identified as a potential option. City Hall is now on the Buildings at Risk Register and Historic Environment Scotland has been fully supportive of the current project, which received planning consent and Listed Building Consent in January 2019.

The Stone of Destiny is intrinsic to **Ancient Roots**. The interpretation plan for City Hall provides the essential context for the Stone. It places the Stone close to its place of origin at Scone where it was quarried, in what was the medieval powerhouse of Perth and at the centre of the Kingdom of Alba which emerged from the earlier realms of Picts and Scots. In Perth, the Stone can be shown in context with major Neolithic, Iron Age, Bronze Age and Pictish stone objects from the museum collections owned by the Council and which have National Recognition Status and augmented by further major loans.

Crucially, admission to the Stone will be free: this is important not just to create a significant further visitor draw for all visitor markets, but as a tenet of the Council's Placemaking approach. During community consultation to support the UK City of Culture 2021 bid for Perth, the importance of the Stone as an icon of local pride and identity alongside its national significance was repeatedly raised in the 2,000 responses gathered by the Council. The Council and Historic Environment Scotland have formally agreed the principles of joint working to care for the Stone when it moves to Perth. An Expert Advisory Panel of leading academics will help guide the final interpretation approach, creating a new body of research and discourse on the Stone and its origins and meanings.

City Hall will also have 500sqm of temporary exhibition space, enabling the visitor offer to be regularly refreshed through paid touring shows and Spotlight displays from the permanent collections. This is key to maximising local and day visitor market opportunity, markets which have always been critical for Perth because of its central location and 90-minute travel time for 70%+ of the Scottish population. These markets have now become even more important because of Covid. Consumer preference data highlights that many potential visitors are concerned about overnight visitor trips.<sup>9</sup> International inbound tourism markets are also currently constrained.<sup>10</sup> VisitScotland's *ScotlandLovesLocal* campaign is designed in light of these factors to maximise domestic and local visitor markets for Scottish visitor attractions, businesses and destinations.<sup>11</sup> As such, local/day visitors will be looking for high quality visitor experiences with minimal travel time as to avoid unnecessary travel and risk. This

<sup>9</sup> VisitScotland, *UK Consumer Tracking Report*, data gathered between 12<sup>th</sup> October – 6<sup>th</sup> December 2020.

<sup>10</sup> DCMS, *Impact of Covid-19 on DCMS Sectors: First Report*, July 2020. Note: Although printed in July 2020, recent transmission figures for Covid-19 (January 2021) have returned to that which was seen in April-May 2020, and so reported restrictions surrounding quarantining and air bridge risks remain in place.

<sup>11</sup> VisitScotland, *Scotland Loves Local*, December 2020.

is reflected in revised visitor projections for City Hall prepared in October 2020 which project growth in local and day visitor numbers, plus more repeat visits from these markets.

To build on this increased local/day visitor market and convert day visits into overnight stays, the **Ancient Roots** story in City Hall will also signpost visitors to other relevant key sites across Perth and Kinross, such as the current Perth Museum (which will focus on **Modern Scots**, the complementary narrative to **Ancient Roots** and showcasing the modernist John Duncan Fergusson art collection), the Black Watch Museum, the Iron Age Scottish Crannog Centre and more. A Marketing and Programming Sub-Group of the City Hall Senior Officer Group will now take this more integrated approach to programming and marketing forward, creating the **Ancient Roots** itinerary and brand. Visit Scotland will be represented on the Marketing and Programming Sub-Group.

#### 2.2.4 Investment Objectives and Project Benefits

Table 3: Project Objectives

##### THE PROJECT OBJECTIVES ARE:

1. CONTRIBUTE TO A WORLD CLASS TOURISM OFFER OF SCALE BY GROWING THE VISITOR ECONOMY IN THE REGION AND CONTRIBUTING TO THE REGIONAL TOURISM STRATEGY TARGET TO GROW OVERNIGHT STAYING VISITORS BY 3% YEAR ON YEAR, FROM £433M IN 2016 TO £550M IN 2024.
2. ADDRESS SPECIFIC TOURISM MARKET FAILURE AND OPPORTUNITY IN THE CITY OF PERTH BY ATTRACTING AN ADDITIONAL MAXIMUM 162,000 VISITORS TO PERTH BY 2027/28 .
3. ADDRESS LOW PRODUCTIVITY IN THE CREATIVE SECTOR OF PERTH AND KINROSS BY GROWING OPPORTUNITIES FOR CREATIVE INDUSTRY TO LOCATE AND PROSPER IN PERTH.
4. ENHANCE OVERALL APPEAL/QUALITY OF LIFE OF THE AREA TO ATTRACT WIDER INWARD INVESTMENT FROM HIGH VALUE SECTORS AND DIVERSIFY THE REGIONAL ECONOMY.
5. GROW THE SOCIAL CAPITAL/ASSET BASE OF PERTH AND KINROSS THROUGH INCREASED CULTURAL PARTICIPATION AND COMMUNITY CO-PRODUCTION.

Table 4: Project Benefits

## THE PROJECT BENEFITS ARE:

1. A MAXIMUM 167,000 ADDITIONAL VISITORS TO PERTH BY YEAR 3 OF OPENING
2. AN AVERAGE ADDITIONAL £2.5M GVA ANNUALLY
3. £101.1M ADDITIONAL GROSS VISITOR EXPENDITURE GENERATED OVER 10 YEARS.
4. 19.7FTE DIRECT EMPLOYMENT OPPORTUNITIES AND 51 TRAINING AND SKILLS OPPORTUNITIES
5. 1,500 VOLUNTEERING OPPORTUNITIES AND 30 COMMUNITY ENTERPRISES.

## 2.2.5 Reassessing Project Objectives, Benefits and Deliverables

The original visitor and revenue assumptions for City Hall were independently reassessed in light of Covid during October 2020 to inform the Full Business Case. This identified a small net impact on visitor assumptions, caused by market growth potential in the local and day visitor markets which effectively compensates for an expected initial reduction in international visitors. Conservative, mid-range assumptions have been retained. Economic impact metrics have been reviewed but left unchanged as net impact on previous visitor projects is small.

The outline operating model for City Hall, including income and expenditure assumptions for the new 10-year planning period of 2023/24-2033/34 has been further developed to identify efficiencies and minimise projected operating deficit.

## 2.3 The Economic Case

The economic case for City Hall is built on the direct qualitative and quantitative impact it will have on current tourism market failure and opportunity in Perth. The day visitor market has always been the largest potential market for Perth because of its central location and 90-minute travel time for 70+% of the Scottish population – around 3.6M people. But market appraisal from 2014-17 showed a 17% decline in local visitors (i.e. those within a 30-minute drive time) from 2012-2017, fuelled by falling numbers of business and tourism visitors from the domestic market. There was some recovery from 2017 when domestic tourism visitors began to rise again, and it was clear there was significant untapped visitor potential from the local and day visitor markets. 46% of Perth and Kinross residents never visit Perth at night and community/civic pride in Perth has declined since the 1980s.

A key driver for underperformance is lack of a major headline attraction i.e. one capable of generating annual 100,000+ visits. But market appraisal also showed that no single attraction would address market failure or opportunity: a suite of complementary attractions was needed along with a unified culture programme, effectively marketed and built on audience data and a compelling narrative (and subsequently developed as **Ancient Roots/Modern Scots**).

There are also underlying weaknesses in the wider tourism sector performance within the Tay Cities Region which negatively impact on Perth's performance. The *Tay Cities Region Tourism Study*

published in 2016, analysed the economic value of tourism within the Region.<sup>12</sup> This highlighted decline in the total number of staying visitors between 2009 and 2015, particularly UK visitors. The report also highlights a productivity gap (as measured by GVA per employee) in comparison with the rest of Scotland.

Failure to address these factors means Perth's market performance will continue to decline whilst growth elsewhere in the Region accelerates through existing and planned investment.

A key working assumption is that visitor numbers and customer confidence levels will return to pre-Covid levels by 2024/25, the year City Hall is now scheduled to open. A reassessment of the visitor projections for City Hall carried out in October 2020 assumes two key changes to the visitor market: market growth in local/day visitor numbers and initial market contraction in international visitors. These assumptions are being kept under close review.

As well as tackling tourism market failure the project is designed to deliver indirect impacts which will address low productivity of the local creative sector. This productivity issue was identified through a baseline study of the local creative sector commissioned by the Council in 2017 to support Perth's UK City of Culture 2021 bid<sup>13</sup>. The creative sector in the Tay Cities Region contributes an estimated £44.6M in GVA to the Scottish economy which is approximately 1.9% of total GVA. But Perth has a significantly lower share of national creative sector employment and GVA than its overall share of national employment and GVA.

### 2.3.1 Options Appraisal

An OA process determined the scale of a new cultural attraction and identified City Hall as the preferred site for the new attraction, based on market appraisal findings:

- Do-Nothing/Status Quo: This option was not viable as continued visitor decline in Perth would significantly impact on inclusive economic growth for Perth and Kinross as a whole. Complete transformation of the cultural offer was required if Perth was to address market failure and maximise market opportunity.
- Do Minimum, by enhancing the existing Perth Museum and Art Gallery was rejected as this would clearly be insufficient to address market opportunity.

### 2.3.2 Key Conclusions of the Economic Impact Assessment

The new museum will provide **19.7** gross FTEs. The net additional employment is estimated as jobs: **21 FTEs** at the P&K level; **14 FTEs** at the Scotland level; and **3 FTEs at the UK level**.

Sensitivity Analysis on GVA impacts and Net Present Value Impacts has been conducted to exhibit the benefits of the successful Stone of Destiny bid and its subsequent placement as a key exhibition item within the City Hall museum.<sup>14</sup>

<sup>12</sup> SQW, *Tay Cities Region Tourism Study: A Report to Angus Council*, December 2016.

<sup>13</sup> Hall Aitken, *Baseline Study of the Creative Sector in the Perth City Region*, commissioned by Perth and Kinross Council, 2017.

<sup>14</sup> Bellerby Economics, *Revised Economic Impact Assessment of the Proposed New Museum*, January 2021.



Table 5: GVA Impacts

YEAR	WITH THE STONE OF DESTINY			WITHOUT STONE OF DESTINY		
	Local Level	Scotland Level	UK level	Local Level	Scotland Level	UK level
2024	£2.2m	£1.0m	£0.2m	£2.1m	£0.9m	£0.2m
2025	£2.0m	£0.8m	£0.2m	£1.9m	£0.8m	£0.2m
2026	£2.4m	£0.9m	£0.2m	£2.2m	£0.9m	£0.2m
2027	£2.2m	£0.9m	£0.2m	£2.1m	£0.8m	£0.2m
2028	£2.3m	£0.9m	£0.2m	£2.2m	£0.9m	£0.2m
2029	£2.8m	£1.1m	£0.3m	£2.6m	£1.0m	£0.2m
2030	£2.6m	£1.0m	£0.2m	£2.4m	£1.0m	£0.2m
2031	£2.7m	£1.1m	£0.2m	£2.5m	£1.0m	£0.2m
2032	£3.2m	£1.3m	£0.3m	£3.0m	£1.2m	£0.3m
2033	£3.0m	£1.2m	£0.3m	£2.8m	£1.1m	£0.3m
<b>Total</b>	<b>£25.4m</b>	<b>£10.2m</b>	<b>£2.3m</b>	<b>£23.8m</b>	<b>£9.6m</b>	<b>£2.2m</b>

**Table 3** outlines the net present value (monetary benefits) associated with the expenditure of visitors and the associated GVA relating to the supported employment.

Table 6: Net Present Values (Monetary Benefits)

SOURCE	WITH THE STONY OF DESTINY			WITHOUT THE STONE OF DESTINY		
	Local Level	Scotland Level	UK level	Local Level	Scotland Level	UK level
Visitor Expenditure	£39.8m	£19.5m	£2.2m	£37.0m	£18.1m	£2.1m
GVA	£21.0m	£8.6m	£1.9m	£19.5m	£7.9m	£1.8m

## 2.4 The Commercial Case

The commercial case for City Hall this project is founded on the need to address long-term dependency on tourism, hospitality and service sectors, now heightened by the urgency of the economic renewal agenda for Perth and Kinross and the Region. A suite of wider interventions and investments are underway to support this agenda.

### 2.4.1 Procurement Strategy and Required Services

An OA process determined the procurement strategy for City Hall with the preferred option, approved by Council in October 2016, procurement via Design and Build contracts via HubCo. HubCo is the main route used by the Council for delivering major capital projects. The City Hall project is particularly complex, located on a dense urban site with adjacent residential and business properties and in the heart of the original historic city centre. Design and Build de-risks the construction phase of the project significantly.

### 2.4.2 Implementation Timescales

Key milestones for the project are as follows, having been revised where necessary in light of Covid-19 impacts:

**Table 7: Key Milestones**

Milestone	Description	Due Date
<b>Final Design Submission to PKC</b>	Final design information and fully costed project submitted to Perth and Kinross Council for Programme Board approval	December 2020
<b>Final Design Approved</b>	Programme Board review and sign off on final project design, cost and construction programme <sup>15</sup>	January 2021
<b>Financial Close</b>	Contract finalisation and signing to allow construction to commence	February 2021
<b>Construction start</b>	Main work starts on site	February 2021
<b>Completion</b>	All works completed on site and building handed back to Perth and Kinross Council	Early 2023
<b>Specialist Fit Out</b>	Museum fit out and installation of objects from the permanent collections of Perth and Kinross Council	Early 2023 – Autumn 2023
<b>Client Move-In Period (20 weeks)</b>	Culture Perth & Kinross move in period of objects and preparation for opening.	Autumn 2023 – early 2024
<b>Building Open</b>	Facilities completed and open to the public	2024

### 2.4.3 Potential for Risk Transfer and Potential Payment Mechanisms

During the design phase risks are being jointly managed by PKC and HubCo through the commissioning of intrusive site surveys and investigations. Upon reaching financial close and contract signings remaining risks will be managed by HubCo and BAM as the main contractor. The main risks which will remain with the Local Authority are design changes requested by the client and any remaining utilities or archaeology risks following the intrusive site investigations which are ongoing.

<sup>15</sup> The City Hall final design has been submitted to Perth and Kinross Council and the review process has been underway for several weeks. This will be approved and approved before starting on site in February 2021.

The payment mechanism for the project will be through the terms of the HubCo Design and Build Development Agreement. Payment will be made by the Local Authority to HubCo based on monthly valuations of the work completed.

## 2.5 The Financial Case

Perth City Hall is an asset wholly owned by Perth and Kinross Council. The Council bears the asset liability and wishes to see it brought back into use as a cornerstone of the city's emerging creative economy. Previous options for the building, including demolition and commercial use, have been thoroughly tested over the past decade and are unviable. If the project does not proceed, Perth will continue to fall behind the rest of the Region as a visitor destination and the broader cultural tourism objectives of the TCD will be constrained. City Hall itself will become a deteriorating local asset in the heart of the city centre.

### 2.5.1 Capital

The total level of capital investment in City Hall is within the delegated authority of the Council. The Council has also committed additional £0.5 M recurring revenue to the projected annual operating costs of City Hall, in addition to the £720,000 annual revenue investment (2020/21) which it already provides for museums operated by Culture Perth and Kinross.

### 2.5.2 Revenue

10-year revenue income/expenditure projections for City Hall have been prepared with a planning horizon of 2023/24-2033/34. Efficiencies have been identified to address the original projected operating deficit set out in the OBC.

### 2.5.3 Impact on Balance Sheet and Overall Affordability

Relevant Capital Expenditure will be added to the existing City Hall asset within the Council's Fixed Asset Register and included in the Council's Balance Sheet. The expenditure will be included at Historic Cost whilst the work is undertaken. When the City Hall asset becomes operational, it will be depreciated using the Straight-Line method over its useful life. In future years, the City Hall will be revalued every 5 years as part of the Council's rolling revaluation programme, measured at the relevant basis for valuation in line with CIPFA/RICS guidance.

The amount of borrowing required for the City Hall project will be included within the Council's Long-Term Liabilities. Borrowing will be managed as part of the Council's overall Loans Fund.

Project costs are reviewed on a monthly basis and reported to the Programme Board. To date the project has remained affordable through appropriate management of costs via the HubCo design process and project management arrangements.

## 2.6 The Management Case

### 2.6.1 Project Management Arrangements

The City Hall project will be delivered in partnership with Culture Perth and Kinross (CPK) from which the Council commissions museum and public library services with a total annual revenue investment of £3.3M, of which 21% is allocated to museum provision with an additional £500,000 annual recurring revenue commitment built in from 2019/20 onwards to support City Hall. A formal Project Management Agreement (PMA) including cost risk management arrangements (change controls) is in place between the two parties.

The project is overseen by a Programme Board chaired by the Leader of the Council with senior Councillors and CPK Board representatives as members. The Board is supported by a Senior Officer Group of Council and CPK officers. The SRO for all capital projects in the PCTP is the Head of Culture and Community Services, Perth and Kinross Council. The strategic risk profile for City Hall is overseen by the Programme Board and strategic/operational risks are monitored and managed by the Senior Officer Group chaired by the Senior Responsible Owner for the project, reporting to the Board. Post project evaluation will be carried out in line with the Council's wider capital programme monitoring arrangements

A formal agreement is in place with Historic Environment Scotland for the care and conservation of the Stone of Destiny.

#### 2.6.2 Benefits Realisation and Risk Management

The strategic risk profile for City Hall is overseen by the Programme Board and strategic/operational risks are monitored and managed by the Senior Officer Group chaired by the Senior Responsible Owner for the project, reporting to the Board. Benefits Realisation is described in Section 2.8 of the Full Business Case.

#### 2.6.3 Post-Project Evaluation

Post project evaluation will be carried out in line with the Council's wider capital programme monitoring arrangements. A Lessons Learned exercise proportionate to the scale of the project will be completed and disseminated to the Capital Programme Office and Programme Board/SRO and reported to Full Council.

### 3. Authorised Signatories

#### Project Lead

**Name:** Fiona Robertson, Head of Culture and Community Services, Perth and Kinross Council

**Signature:**

**Date:**

#### Contract Signatory

**Name:** Barbara Renton, Interim Chief Executive, Perth and Kinross Council

**Signature:**

**Date:**

#### Finance Director (or other senior Finance Representative)

**Name:** Stewart Mackenzie, Head of Corporate Finance, Perth and Kinross Council

**Signature:**

**Date:**

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**REPORT TO:** TAY CITIES REGION JOINT COMMITTEE – 19 MARCH 2021

**REPORT ON:** TCD010 ADVANCED PLANT GROWTH CENTRE – FULL BUSINESS CASE

**REPORT BY:** DAVID LITTLEJOHN, HEAD OF PLANNING & DEVELOPMENT AT PERTH & KINROSS COUNCIL

**REPORT NO:** TCRJC6-2021

### 1. PURPOSE OF REPORT

- 1.1. This report seeks approval of the Full Business Case (FBC) for the **Advanced Plant Growth Centre (TCD010)**.

### 2. RECOMMENDATIONS

- 2.1. The Joint Committee is asked to:
- a. Consider this report and the executive summary of the FBC at Appendix 2 (a copy of the FBC is available to the Committee on request).
  - b. Note that the Management Group has approved the Outline Business Case and Full Business Case for the TCD010 Advanced Plant Growth Centre and is recommending it for approval to the Joint Committee.
  - c. Approve the FBC, approving the allocation of up to £27 million in capital to the project.

### 3. INTRODUCTION

- 3.1. The Advanced Plant Growth Centre (APGC) project at the James Hutton Institute (JHI) was awarded up to £25 million capital grant from the UK Government (UKG). The Scottish Government (SG) also awarded funding to JHI in the Heads of Terms Agreement dated 22 November 2018 and later confirmed their award was up to £2 million capital grant in addition to asset transfer.
- 3.2. The FBC is presented for recommendation for approval to the Joint Committee which if granted, and on confirmation that the condition has been met, will enable the project to drawdown funding. The key project information is at Appendix 1.



#### 4. DESCRIPTION OF PROJECT IN THE DEAL DOCUMENT

- 4.1. The UKG will commit up to £25 million and the SG will commit up to £2 million to the creation of the APGC at JHI. It will build on existing expertise to deliver a cutting-edge plant research facility bringing together industry, advanced technology and world class scientists. The Centre embodies the idea of Agriculture 4.0, a green revolution with science and technology at its heart, with the aim of feeding future populations.
- 4.2. The APGC will be at the heart of plant and crop research and innovation in the Tay Cities region. It will develop the underpinning science and translate that science into industry, which will in turn increase the commercial, economic and environmental benefits of agriculture and the food and drink sector. The APGC will integrate:
- a plant characterisation facility, which uses imaging to quickly understand (before harvest) how crops respond and perform in different environments;
  - post-harvest storage facilities;
  - vertical growth facilities; and
  - next-generation controlled environments which can simulate any current or future environment anywhere in the world (for example, increased greenhouse gases) to test the effect on crops.

#### 5. MILESTONES AND OUTCOMES

##### 5.1. Milestones

Deliverable	Due Date	Status
Masterplan completion	2019	Completed
Joint Committee approval of Full Business Case	2020	Underway
Land purchase completed	2020/21	Underway
Planning permission granted	2020/21	Completed
Site construction commences	2020/21	Not Started
Construction completed	2023/24	Not Started
Building occupied	2023/24	Not Started

##### 5.2. Outcomes and Targets

Targets	Baseline	Target Uplift	Date
Creation of new jobs in Scotland (FTE)	0	540*	2034/35
Creation of new jobs in UK	0	834	2034/35
Number of new fruit, vegetable and crop varieties (breeding lines).	0	88	2033/34
Number of research projects secured	19	690	2033/34
Value of research income secured	0	£35.4m	2033/34
Spin in/out business	0	11	2033/34
GVA in Scotland	0	£219 million	GVA in Scotland
GVA in UK	0	£330 million	GVA in UK
Inclusive growth target/s	tbc	tbc	tbc

The outcomes and targets are part of the ongoing discussions with both governments and the partnership.

\*The target for direct and indirect jobs at a Scotland level is 540 and for direct jobs is 194.

## 6. FINANCIAL IMPLICATIONS

- 6.1. This project is profiled to spend a total of up to £27 million capital from the Tay Cities Deal funding. The OBC was submitted before Deal signing. At that time the profiled drawdown for the two James Hutton Institute projects was different to that agreed at the time of Deal signing as follows:

	Yr. 0	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8	Yr. 9	Yr. 10	Total
	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	
<b>APGC</b> OBC profile	390	80	2,653	2,653	7,959	5,306	2,653	2,653	2,653			27,000
<b>APGC</b> Final Deal funding								2,500	6,250	6,250	12,000	27,000
<b>IBH</b> OBC profile	370	4,600	3,003	3,003	9,009	6,006	3,003	3,003	3,003	-	-	35,000
<b>IBH</b> Final Deal funding			6,250	6,250	6,250	6,250	6,250	3,750				35,000

- 6.2. This profile was very challenging for the two James Hutton Institute projects, moving funding for the APGC project further into the future as shown above. The Joint Committee therefore approved the profile to enter into Deal with both governments with the following caveats:
- An ongoing commitment by the partnership to seek acceleration of funding in Years 1 to 5 to enable the earlier delivery of the James Hutton Institute projects.
  - The order of project drawdown and delivery may change as business cases develop.
  - There will be ongoing monitoring of the programme including the active management of any reported underspend on drawdown through bringing forward projects which can demonstrate spend and have an approved Full Business Case in place. Where spend has occurred, at the project owners own risk, which exceeds the partnerships drawdown profile, active dialogue with Governments will be held to identify if there are any opportunities through other City Deal reported underspends to bring forward earlier additional funds from within the wider Tay Cities programme.
- 6.3. The APGC is profiled to drawdown considerable later than anticipated. Following discussion with both Governments and the Partnership, in Jan 2021 the Scottish Government offered, subject to all the appropriate governance approvals being secured:
- the land transfer – payable in Y1 20/21
  - reimbursement of the eligible capital project development costs incurred to date - Y1 20/21
  - to make payment of funding from Yr10 29/30 available in Y1 20/21 through a one off payment of £5M to the Accountable Body to 'hold' for payment to address the gap in Y2 21/22 profiled spend by JHI against the agreed Deal profile. Noting that this is subject to S95 officer agreement following clarification from the Scottish Government on any conditions and approach. Noting that it would need to meet any Audit Scotland requirements.

- 6.4. This offer has the following condition that states that the Tay Cities Deal will fund drawdown of spend as per the profile and other spend out with this is at the risk of JHI.
- 6.5. The funding is anticipated to drawn down as below. However, it is anticipated that the exact funding arrangements will be flexible over time.

	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8	Yr. 9	Yr. 10	
	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	Total
<b>APGC</b> Final Deal funding	1,089	4,493	2,702	3,029	3,461	2,835	2,835	2,835	2,835	885	27,000

## 7. DECISION PATHWAY

- 7.1. The project met the decision pathway milestones, set out below, and the next steps are also indicated.

Decision pathway milestones and planned timeline			
Stage	Milestone	Planned date	Date achieved
<b>OBC</b>	Governments' approval	-	18/8/20
	Thematic Board recommendation	-	4/9/20
	Management Group approval	-	26/11/20
	Joint Committee informed	-	11/12/20
<b>FBC</b>	Submission of FBC (to PMO who forward to governments)	-	FBCv1 on 14/10/20. FBCv2 on 15/2/21 FBCv3 on 3/3/21
	Governments' approval	-	10/3/21
	Thematic Board recommendation	-	18/2/21
	Management Group recommendation	-	5/3/21
	Joint Committee approval	19/3/21	

## 8. POLICY IMPLICATIONS

- 8.1. The project has carried out the Equalities and Fairer Scotland assessments and these are annexed to the FBC.

## 9. CONSULTATIONS

- 9.1. The Tay Cities Region Deal Management Group were consulted in the preparation of this report.

**10. BACKGROUND PAPERS**

None

DAVID LITTLEJOHN - HEAD OF PLANNING & DEVELOPMENT AT PERTH & KINROSS COUNCIL

DATE: 10/3/21

## APPENDIX 1

Project Information		
Project number	TCD010	
Project name	Advanced Plant Growth Centre	
Project owner	Alasdair Cox	
Project Finance Director	Hugh Darby	
Management Group Sponsor	David Littlejohn	
Award amount under TCD	Up to £27 million	
Jobs: Target number of jobs to be created	540 indirect and direct at a Scotland level (being 194 direct jobs).	By 2034/35
Leverage to be achieved	0	-

Executive Summary (attached)



## **Project Title:**

# **The Advanced Plant Growth Centre (APGC)**

## **Executive Summary Extract from V3 (2) FBC**



## **The James Hutton Institute**



Version No: **Three (2) (Executive Summary) Reprofiled Drawdown 2**

Date: 09 March 2021



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- 1 APGC Economic Impact Assessment (Jean Hamilton Ltd)
- 2 APGC Market Assessment Executive Summary (IP Pragmatics)
- 3 APGC/IBH Combined Risk Register - Updated
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- 10 Social Value and Community Benefits - New
- 11 RIBA Stage 2 Report – Updated (V6)
- 12 Contracts Summary - Updated
- 13 APGC Workstream Leaders and Activities
- 14 APGC Masterplan (Oberlanders) - Updated
- 15 Inclusive Growth – New/Updated
- 16 SOC/OBC (Shortlisting Process) - Updated
- 17 Project Acronyms - New

## CONTACTS

Lead Organisation: James Hutton Institute

Address: Invergowrie, DD2 5DA

Project Lead and Executive Director of Operations	
Name:	Alasdair Cox
Authorised Signatory (City Deal Agreement) and SRO/CEO	
Name:	Colin Campbell
Finance Contact – Executive Director of Finance	
Name:	Hugh Darby
Other Contacts	
Name:	Lesley Torrance
Role:	Executive Director of Science
Name:	Derek Stewart
Role:	APGC Centre Director
Name:	Philip Gane
Role:	Capital Project Manager
Name:	Jesse Tomalin
Role:	Head of Finance
Name:	Donna Cumming
Role:	Project Administration

## INTRODUCTION

### What is the APGC?

The Advanced Plant Growth Centre (APGC) will be an innovation centre project led by UK and International Industry, delivered by the James Hutton Institute (the Institute or Hutton) in partnership with a range of HEIs. This will place Tayside at the heart of the emerging disruptive global technologies of total controlled environment agriculture and help to create new technology industries and enhance existing agri/horticulture systems across the full supply and value chains by:

- Supporting new high-tech breeding industries ensuring local agricultural industries stay at the cutting edge of plant research
- Developing sustainable, environmentally benign and economically viable produce storage facilities
- Delivering plant varieties required to protect the UK food & drink sectors from the impact of climate change and reduce risks to the global food supply chain
- Enabling and translate innovation in crops grown under cover
- Enabling the translation of innovations in vertical farming and controlled environment production to existing protected cropping agriculture
- Reducing the development cycle for new crop varieties by up to **50%**
- Reducing the climate and environmental impact of food production and food waste

The APGC will ensure that Tayside, Scotland and the UK become a globally recognised centre of research excellence in protected, and total environmental control, crop production and crop storage research.

### Background to this FBC

**£62m** funding has been announced by the Tay City Deal to the Institute to develop the 'Advanced Plant Growth Centre' (**APGC**) and 'International Barley Hub' (**IBH**).

This Full Business Case (FBC) for the Advanced Plant Growth Centre (APGC) is based on the Outline Business Case (OBC), formally approved by Scottish Government and HMG – confirmed by the PMO on 18<sup>th</sup> August 2020. Where the OBC demonstrates the chosen solution will deliver value for money and sets out a strategy for successful delivery; the focus of the FBC is to demonstrate that the investment can be *practically* delivered – in particular, that:

- The preferred option continues to optimise value for money to deliver the required outcomes, with economic assessments updated in light of tendered prices, refined benefits assumptions and specification (where necessary)
- An appropriate procurement process has been conducted and formally recorded in the FBC, to select preferred bidder(s) to deliver the required services and contract(s) have been prepared for approval
- The solution is affordable in capital and revenue terms, over the lifespan of the proposed investment
- Practical delivery plans and associated governance have been developed and the project is able to demonstrate there is the required capacity to manage successful delivery of the project

Maturation of the proposal to FBC stage is therefore built on the agreement to the preferred solution proposed at OBC stage and the outline arrangements it set out to deliver that solution. While the FBC

checks and updates all relevant assumptions made at OBC, its purpose is not to provide project justification, but to demonstrate the project can be successfully delivered.

The APGC has been developed in parallel with the proposal for an International Barley Hub (IBH) and at the request of the Approval Authorities these have been maintained as separate business case documents, although they ultimately result in the same physical infrastructure investment (new research facilities). The broad approach to this has been discussed with the PMO and it has been agreed that while both APGC and IBH FBCs will maintain separate strategic and economic cases, the content of the 'delivery cases' (commercial, financial and management cases) to deliver the shared infrastructure will be very similar (with some minor differences to reflect the different services that will be delivered using the infrastructure).

### This version 3 (2) FBC

This third FBC has been updated to reflect the comments received on the second version, submitted in January 2021. Most changes are minor and reflect requests for greater clarity and exposition on certain points. The only significant change has been to the Financial Case, which has been redrafted in light of the signed Tay Cities Deal, the resulting availability of TCD funding and Hutton's proposed solution to bridge the resulting funding gap.

### City Deal funding request

	Capital (£'000)	Revenue (£'000)
City Deal Ask	£25,587,487	£2,412,513
Value Awarded in HoT	£27,000,000	Nil

Table 1a

## EXECUTIVE SUMMARY

### Strategic case

The Institute conducts research into soil, plant and environmental sciences, leading to knowledge, innovation and services to meet the multiple demands on land and natural resources<sup>1</sup> and plays a major role in the Scottish knowledge economy.

This proposal responds to a wide range of strategic drivers at a UK, Scotland and regional level and will deliver the following outcomes (investment objectives):

1. To develop a centre of excellence to accelerate sustainable agricultural productivity in total controlled environmental agriculture and associated technologies
2. To support existing and emerging high-value crop industries and the translation of new technology to the wider agricultural sector
3. To improve global crop resilience to climate change and evolving disease challenges.
4. To accelerate crop variety development to meet market demand
5. To reduce reliance on imports by making national production more efficient
6. To develop sustainable, viable post-harvest solutions
7. To develop the skill base required to meet future agricultural crop production challenges across the entire supply chain

The case for change for this investment is predicated on creating critical mass for agri-tech research in the UK:

- Ensuring the Institute's ongoing viability
- Reducing the UK's reliance on imports and increasing productivity
- Supporting high-value businesses, benefiting Tayside and the Scottish economy and sustainability of agri-tech research
- Making supply chains more robust and resilient
- Addressing environmental and disease challenges – accelerating development of future plant varieties and translating science to the wider market
- Reducing carbon emissions through reduced transportation and waste
- Developing new technologies and their uptake through more joint ventures/research projects with breeders to foster high-tech plant-based companies, developing technology and expanding the breadth of research

A successful APGC will benefit a wide range of stakeholders:

- **Academia** – through greater research output and an enhanced pool of scientific knowledge; supporting development of skills and knowledge
- **Industry** – more industry supported PhD researchers and MSc students will expand the sector skills base and increase industry engagement:
  - Enabling expansion and creation of new products and establishing new/growing existing markets, including exports

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<sup>1</sup>[https://www.hutton.ac.uk/sites/default/files/files/publications/Legal%20and%20Financial/Legal\\_and\\_Financial\\_Hutton\\_Signed\\_Year\\_End\\_Accounts\\_31March2018.pdf](https://www.hutton.ac.uk/sites/default/files/files/publications/Legal%20and%20Financial/Legal_and_Financial_Hutton_Signed_Year_End_Accounts_31March2018.pdf)

- Increasing efficiency and reducing costs, mitigating risk and increasing sustainability
- Improving resilience against imports and reduce production costs
- Improving competitiveness through higher quality products and greater exports
- Improving knowledge exchange and technology transfer
- **Government** – supporting evidence-based policymaking:
  - Supporting delivery of international development and sustainable development goals
  - Meeting objectives to be less reliant on imported goods
- **The Tay Cities region** to become a global centre of excellence, creating knowledgeable industry sectors:
  - Supporting local, high value, high quality agri-tech jobs
  - Creating long-term high-quality jobs at all levels in the food and drink and mechanical/electrical technology and software development sectors

## Economic case

The Economic Case demonstrates a preferred project option has been selected that optimises overall economic value to the UK – and to Scotland in the context of the TCD.

As per best practice, four possible options were identified at OBC stage:

- **Option 1** represents the counterfactual and is used as the 'benchmark for value for money'
- **Option 3** was the preferred option (following the preferred solution for each category and sub-category of choice considered in the short-listing process)
- **Option 2** was a less ambitious option that had a reduced service scope and required a less capital-intensive service solution
- **Option 4** was a more ambitious option that had an increased service scope and a more intensively specified service solution

Each option was rigorously appraised at the OBC stage using CBA. The analysis compared the discounted economic costs, risks and benefits over a **30-year** analysis period for each option, to identify a preferred option most likely to optimise UK public value.

The results showed that all three 'with-project' options were expected to generate positive net economic benefits to the UK. Option 3 was preferred.

Since OBC development in October/November **2019**, a number of changes have been made to the specification of the preferred option. Despite making some savings, the impacts of inflation over the past year mean that further revisions have been necessary to keep the APGC on budget. In particular, the remaining elements of the APGC have been descoped by changing the preferred service solution for the vertical farming research. Although vertical farming is still part of APGC's preferred scope, the revised service solution involves the Institute buying an experimental rig for this work, rather than buying its own towers. Descoping the APGC project in this manner reflects the options considered at OBC stage, where the 'less ambitious' option also cut back on the vertical farming and post-harvest research elements of the project.

Both benefits and costs have been updated and refined at FBC stage.

The resulting net impact of the revised option at both the UK and Scotland levels is shown below. The APGC is expected to generate almost **£900m** in net benefit to the UK over the next **30** years and nearly **£160m** net benefit to Scotland.

Based on an investment it can be anticipated that the APGC will have an impact of **540 FTE** jobs in Scotland increasing to **834 FTE jobs** at the UK level after **10** years, net of all displacement, leakage and deadweight including multiplier effects (**Appendix 1**).

Region	Direct Jobs	Indirect Jobs	Total Jobs
Tayside	96	173	<b>269</b>
Scotland	194	346	<b>540</b>
UK	299	535	<b>834</b>

Table 1b

The results are in-line with the results of the CBA at the OBC stage, with the modelled benefits coming out somewhere between the preferred and less ambitious options, as would be expected given the slight descope of the project. However, the more detailed financial modelling that has been undertaken since OBC mean these benefits are now expected to be realised from lower operating costs. The net effect is to raise the BCR of the preferred option to **7.8** to **10.9**.

Results of the CBA – Additional NPV and BCR to UK and Scotland (**£'000s**)

Project Costs	Impact at UK Level	Impact at Scotland Level
Total Costs	89,903	74,065
Project Benefits		
Total Benefits	977,523	231,490
Net Benefits and BCR		
Net Benefits	887,620	157,424
Benefit Cost Ratio	10.9	3.1

Table 2

Overall, the results clearly demonstrate the significant economic value that would be realised from this investment. That the BCRs shown above are significantly higher at UK level than at Scotland level reflects the location where the crops most likely to be affected by the APGC are grown.

### Commercial case

The commercial case focuses on the service streams for **infrastructure design and build** and purchase and installation of bespoke research **equipment**.

Joint procurement has been undertaken for both IBH and APGC facilities to deliver maximum economies of scale and efficiencies:

- **Design and build** – to deliver the design of the infrastructure for the APGC and then deliver the buildings infrastructure with construction over an **18** month period (total construction value **£33m**)
- **Equipment** – to deliver the required equipment for the APGC



The procurement of these services has been staggered to align with the RIBA stages, with design and build delivered in two stages:

- **Stage 1: Pre-construction services** – the contractor provides pre-construction advisory services covering programme, value engineering, phasing, supply chain input on costs etc. The contractor works in partnership with the Institute’s directly appointed design team to develop the design through RIBA Design Stages 2, 3 and 4. Institute approval will enable progress to Contract Stage 2
- **Stage 2: Build contract** – the design team will be novated to the main contractor to complete the remainder of the design from RIBA design Stage 4 onwards. The main contractor will manage delivery of key construction phases (see below), supported by the novated design team

The project is currently completing RIBA Stage 2 and Planning Permission in Principle (outline application) has been approved for the entire project.

The construction contract will include the following phases:

- **Phase 0** Relocation of polytunnels away from build site
- **Phase 1** Construction of new access road
- **Phase 2a** Construction of a Barley Field Research Centre (replacement building R - farm side aspects of IBH research)
- **Phase 2b** Construction of Integrated Field Facilities (IFF)
- **Phase 3** Phased demolition works
- **Phase 4** Construction of main IBH/APGC building
- **Phase 5** Support by the main contractor to integrate specialist-controlled environment and phenotyping systems into new building supplied by specialist company
- **Phase 6** Support by the main contractor to integrate furniture, IT and other equipment procured by the Institute direct
- **Phase 7** Landscaping and minor works including “soft landing” to support migration and occupation

Progressing to RIBA Stage 3 will cost approximately **£900k** and will develop a detailed performance specification and constructor’s proposals for each phase. This will be further developed at RIBA Stage 4 where the contractor obtains quotes for the work packages and firms up costs. At this point the design team will be novated to the main contractor.

RIBA Stages 5 and 6 will cover all construction and commissioning work and hand over each phase to the Institute.

Equipment spend for APGC will be **£0.5m** (ex VAT) and will be procured direct by the Institute (separate to the D&B contract).

Contract terms are largely set by the Scape Framework Agreement, using the NEC3 Engineering Construction Contract **2013**, Option A ‘lump sum’ with early contractor involvement using standard terms and conditions.

The building(s) will be owned by the Institute and will sit on the Institute’s balance sheet.

Both projects (APGC and IBH) do not constitute state aid.

There are no TUPE implications associated with the establishment of the APGC.

## Financial case

The Tay Cities Deal has allocated **£62m** in capital funding to develop the APGC (**£27m**) and IBH (**£35m**). Since the first version of this FBC was submitted, the Tay Cities Deal was signed in December 2020. The funding profile allocated to Hutton in this signed deal does not match the expected profile of project expenditure, resulting in a **£31m** funding gap by **2023/24**, **£14.5m** of which is attributable to APGC.

Hutton has investigated how to address this shortfall. Various funding sources continue to be considered, but it is likely an appropriate loan would be provided through Perth & Kinross Council (PKC) to cover cashflow requirements during peak spend.

The required loan depends on the actual spend profile (as well as Hutton's actual income and expenditure); however, it is expected to be in the region of **£35.5m**, commencing in **2022/23**. Principal repayment can commence in **2024/25** (as the capital works come to completion), with the loan fully paid off by **2028/29**. Total interest costs over this period are expected to amount to **£3.4m**, thereby adding **5.6%** to the total capital spend. Any interest costs will be funded from a combination of the revenues generated by APGC/IBH and from wider Hutton activities / reserves. For the purposes of apportioning financing costs between IBH and APGC, **£5.8m** of the facility would be deemed attributable to APGC in **2022/23**, plus a further **£9.8m** in **2023/24**. The interest costs attributed to APGC would peak at nearly **£0.4m** in **2024/25**, and total **£1.5m**.

This solution solves the affordability issue and allows the project to proceed without de-scoping and impeding delivery of benefits. However, it would increase the total project cost and reduce Hutton's ability to reinvest in the project or in other, similar, value-generating projects going forward.

Various actions are being explored that may reduce this additional cost burden, including:

- Ongoing discussions with PKC to explore how their loan funding solution could be optimised to minimise interest costs
- Discussions ongoing with debt/capital market advisers, the British Business Bank and Scottish Enterprise about wider funding opportunities, given the principal repayments will be fully supported by government grant over the loan period

From a project value and organisational sustainability perspective, any reduction in additional costs that might be offered by mitigating measures, would be welcomed. However, in the worst-case scenario that these do not transpire, the project is now affordable and therefore viable.

## Management case

The project structure will evolve over time, with an initial focus on construction, then operations as the APGC is established and Hutton's ways of working evolve.

A robust governance structure is in place, with:

- A Project Board at the centre, driving the development and delivery of the project through the construction phase
- An APGC Directorate to provide oversight and strategic direction and which will be expanded on completion of the required infrastructure
- An APGC science and industry advisory panel managing technical input from a range of sector and issue specific cluster groups
- Overarching oversight and approval from the Hutton Executive, reporting to the Hutton Board

The construction project plan is aligned with the commercial arrangements to develop and deliver the infrastructure with the following key milestones:

Stage	Expected start	Expected completion Prog ref V6 01/03/2021
Masterplan		December 2019
Planning in Principle Application for all works (Outline) Ref: 20/01103/IPM	09/09/2020	19/11/2020
Full Planning for new road Ref: 20/01104/FLL	25/09/2020	24/11/2020
Site acquisition	January '21	March '21
<b>Construction section 0</b> – Relocation of polytunnels away from build site	01/04/2021	30/04/2021
<b>Construction section 1</b> – Construction of new access road	14/06/21	20/08/2021
<b>Construction section 2a</b> – Construction of a Barley Field Research Centre (replacement building R - farm side aspects of IBH research) <b>2b</b> - Construction of Integrated Field Facilities (IFF)	23/08/21	18/02/22
<b>Construction section 3</b> – Phased demolition works	Phase (a) – 17/05/21 Phase (b) – 07/03/22 Phase (c) – 06/11/23	Phase (a) – 28/05/21 Phase (b) – 18/03/22 Phase (c) – 01/12/23
<b>Construction section 4</b> – Construction of main IBH/APGC building	21/03/22	29/09/23
<b>Construction section 5</b> – Support by the main contractor to integrate specialist-controlled environment and phenotyping systems into new IBH/APGC building supplied by specialist company	14/11/22 (off site)	06/10/23
	NB: Construction Section 5 is not relevant to IBH	
<b>Construction section 6</b> - Support by the main contractor to integrate furniture, IT and other equipment directly procured by the Institute direct	IFF – 21/02/22 IBH/APGC – 02/10/23	IFF – 25/02/22 IBH/APGC – 20/10/23
<b>Construction section 7</b> – Landscaping and minor works including “soft landing” to support migration and occupation	04/12/23	26/01/24
Post implementation review		Jan 24
Post evaluation review		Jan 25

Table 3

The key workstreams to successfully deliver the operational services will be directed by the Industry Advisory Panel informed by the issue specific cluster groups.

Delivering the required organisational structure will require significant change, which will involve significant evolution of Hutton, its people and its ways of working.

The Institute has assessed the required changes against a good practice change management framework. A key change will be the services offered, the mix of clients and the way research is funded, rebalancing income between public and private sources.

Different skills will be required to secure and deliver this new profile of work – the workforce's base science skills are sufficient to support new research areas with some recruitment of specialists. But business development, marketing, commercial costing and pricing and in project delivery will be improved through increased training and recruitment.

The change management strategy will develop for each area based on an assessment of impact and the extent of change required and will put in place the support functions to ensure staff are confident in making and embracing the new ways of working required.

**Project benefits** are identified in a benefits register, identifying benefits that can be influenced (and any actions required by the Institute to facilitate their delivery and if appropriate, staff members responsible for taking action); as well as benefits that cannot be controlled, but should be monitored. This is maintained by the project team and monitored by the Project Board at its monthly meetings.

Benefits' realisation will be monitored every four years through an Economic Impact Assessment which will feed into the Deal-wide Benefits Realisation plan. Frequency and content to be agreed with the regional partnership.

**Project risks** are managed using a master risk register, reviewed monthly by the Project Board including specific infrastructure related risks. Significant risks and changes are elevated to the Executive and if required to the Institute Board. The Project Lead maintains the master risk register (*Appendix 3*).



**REPORT TO:** TAY CITIES REGION JOINT COMMITTEE – 19 MARCH 2021

**REPORT ON:** TCD011 INTERNATIONAL BARLEY HUB – FULL BUSINESS CASE

**REPORT BY:** DAVID LITTLEJOHN, HEAD OF PLANNING & DEVELOPMENT AT PERTH & KINROSS COUNCIL

**REPORT NO:** TCRJC7-2021

## 1.0 PURPOSE OF REPORT

- 1.1 This report seeks approval of the Full Business Case (FBC) for **TCD011 International Barley Hub**.

## 2.0 RECOMMENDATIONS

- 2.1 The Joint Committee is asked to:
- a. Consider this report and the executive summary of the FBC Appendix 2 (a copy of the Full Business Case is available to the Committee on request).
  - b. Note that the Management Group has approved the Outline Business Case and Full Business Case for the TCD011 International Barley Hub and is recommending it for approval to the Joint Committee.
  - c. Approve the FBC, approving the allocation of up to £35 million in capital to the project.

## 3.0 INTRODUCTION

- 3.1 The International Barley Hub (IBH) was awarded up to £20 million capital from the UKG. The Scottish Government awarded funding to the James Hutton Institute (where the International Barley Hub will be based) in the Heads of Terms Agreement dated 22 November 2018. The Scottish Government later confirmed their award was up to £15 million capital making a total award of up to £35 million.
- 3.2 The FBC is presented for recommendation for approval to the Joint Committee which if granted, and on confirmation that the conditions have been met, will enable the project to drawdown funding. The key project information is at Appendix 1.

## 4.0 DESCRIPTION OF PROJECT IN THE DEAL DOCUMENT

- 4.1 The UK Government will commit up to £20 million and the Scottish Government will commit up to £15 million to the creation of an International Barley Hub (IBH) at the James Hutton Institute. Barley is indispensable to the Scottish and UK economies, being vital to the distilling, brewing and food industries. It also has the potential for emerging uses in the health, chemical and energy sectors. However, future barley supply is increasingly uncertain due to the impact of climate

change, developing worldwide demand, evolving pest and disease risks and pressure on managing soil health to enable crops to grow.

- 4.2 The IBH will establish a world-leading research facility for barley science, bringing together industry, dedicated facilities and world class scientists. It will:
- expand the scale and excellence of barley research and innovation, operating across a broad spectrum of disciplines;
  - provide state of the art research equipment on site and at industry partners premises;
  - have the capability to support work from the molecular, to the field level;
  - increase the translation and application of this research around the globe;
  - support a “Barley Cluster” of related processing, innovation and product interests; and
  - develop a supporting skills and knowledge programme.

## 5.0 MILESTONES AND TARGETS

### 5.1 Milestones

Deliverable	Due Date	Status
Masterplan completion	2019	Completed
Approval of Full Business Case by the Tay Cities Joint Committee	2020/21	Underway
Land purchase completed	2020/21	Underway
Planning permission granted	2020	Underway
Site construction commences	2021	Not Started
Construction completed	2022/23	Not Started
Building occupied	2022/23	Not Started

### 5.2 Outcomes and Targets

Targets	Baseline	Target Uplift	Date
Creation of additional jobs in Scotland	0	1,281*	2034/35
Creation of additional jobs in UK	0	1,838	2034/35
Industry collaborative projects	12	258	2033/34
Academic project income	£2.5m	£33.8m	2033/34
Industry project income	£1.1m	£26.8m	2033/34
GVA in Scotland	0	£278m	2034/35
GVA in UK	0	£586m	2034/35
Inclusive growth target/s	tbc	tbc	tbc

The outcomes and targets are part of the ongoing discussions with both Governments and the Partnership.

\*The target for direct and indirect jobs at a Scotland level is 1,281 and for direct jobs is 103.

## 6.0 FINANCIAL IMPLICATIONS

- 6.1 This project is profiled to spend a total of up to £35 million capital from the Tay Cities Deal funding. The OBC was submitted before Deal signing. At that time the profiled drawdown for the

two James Hutton Institute (JHI) projects was different to that agreed at the time of Deal signing as follows:

	Yr. 0	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	Yr. 6	Yr. 7	Yr. 8	Yr. 9	Yr. 10	Total
	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	
<b>IBH OBC profile</b>	370	4,600	3003	3,003	9,009	6,006	3,003	3,003	3,003	-	-	35,000
Final Deal funding			6,250	6,250	6,250	6,250	6,250	3,750				35,000
<b>APGC OBC profile</b>	390	80	2,653	2,653	7,959	5,306	2,653	2,653	2,653			27,000
Final Deal funding								2,500	6,250	6,250	12,000	27,000

6.2 This profile was very challenging for the two James Hutton Institute projects, moving funding for the APGC project further into the future as shown above. The Joint Committee therefore approved the profile to enter into Deal with both governments with the following caveats:

- An ongoing commitment by the partnership to seek acceleration of funding in Years 1 to 5 to enable the earlier delivery of the James Hutton Institute projects.
- The order of project drawdown and delivery may change as business cases develop.
- There will be ongoing monitoring of the programme including the active management of any reported underspend on drawdown through bringing forward projects which can demonstrate spend and have an approved Full Business Case in place. Where spend has occurred, at the project owners own risk, which exceeds the partnerships drawdown profile, active dialogue with Governments will be held to identify if there are any opportunities through other City Deal reported underspends to bring forward earlier additional funds from within the wider Tay Cities programme

6.3 While the IBH project was identified as being drawn down first it shares capital costs with the APGC project which was profiled later. Following discussion with both Governments and the Partnership, in Jan 2021 the Scottish Government offered, subject to all the appropriate governance approvals being secured:

- the land transfer – payable in Year 1 20/21
- reimbursement of the eligible capital project development costs incurred to date – Year 1 20/21
- to make funding from Year 10 29/30 available in Year 1 20/21 through a one-off payment of £5m to the Accountable Body to 'hold' for payment to address the gap in Y2 21/22 profiled spend by JHI against the agreed Deal profile (noting that this is subject to S95 officer agreement following clarification from the Scottish Government on any conditions and approach. Noting that it would need to meet any Audit Scotland requirements.

6.4 This offer has the following condition that states that the Tay Cities Deal will fund drawdown of spend as per the profile and other spend out with this is at the risk of JHI.

6.5 The funding is anticipated to be drawn down as below. However, it is anticipated that the exact funding arrangements will be flexible over time.

Year	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Total
	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	
<b>IBH Final Deal Funding</b>	3,961	6,757	3,548	3,221	2,789	3,415	3,415	3,415	3,415	1,065	35,000



## 7.0 DECISION PATHWAY

7.1 The project has met the decision pathway milestones as set out below.

Decision pathway milestones			
Stage	Milestone	Planned date	Date achieved
<b>OBC</b>	Governments' approval	-	18/8/20
	Thematic Board recommendation	-	4/9/20
	Management Group approval	-	26/11/20
	Joint Committee informed	-	11/12/20
<b>FBC</b>	Submission of FBC (to PMO who forward to governments)	-	FBCv1 on 14/10/20 FBCv2 on 15/2/21 FBCv3 on 3/3/21
	Governments' approval	-	10/3/21
	Thematic Board recommendation	-	18/2/21
	Management Group recommendation	-	5/3/21
	Joint Committee approval	19/3/21	

## 8.0 POLICY IMPLICATIONS

8.1 The project has carried out the Equalities and Fairer Scotland assessments and these are annexed to the FBC.

## 9.0 CONSULTATIONS

9.1 The Tay Cities Region Deal Management Group were consulted in the preparation of this report.

## 10.0 BACKGROUND PAPERS

10.1 none

DAVID LITTLEJOHN - HEAD OF PLANNING & DEVELOPMENT AT PERTH & KINROSS COUNCIL

DATE: 10/3/21

## APPENDIX 1

Project Information		
Project number	TCD011	
Project name	International Barley Hub	
Project owner	Alasdair Cox	
Project Finance Director	Hugh Darby	
Management Group Sponsor	David Littlejohn	
Award amount under TCD	Up to £35 million	
Jobs: Target number of jobs to be created	1,838 indirect and direct at a Scotland level (being 103 direct jobs).	By 2034/35
Leverage to be achieved	0	-

Executive Summary (attached)



**Project Title:**

**The International Barley Hub (IBH)**

**Executive Summary Extract from V3 (2) FBC**



**The James Hutton Institute**



Version No: **Three (2) (Executive Summary) Reprofiled Drawdown 2**

Date: 09 March 2021

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## LIST OF APPENDICES (for info – not included)

1	Economic Impact Assessment (Jean Hamilton Ltd)
2	Market Assessment Executive Summary (IP Pragmatics)
3	IBH/APGC Risk Register - Updated
4	IBH Lab/Equipment List
5	State Aid Assessment
6	Project Programme (Pick Everard) - Updated
7	Financial Plan - Updated
8	Estate Strategy – Summary for Masterplan Tenders
9	Cost Benefit Analysis - Updated
10	SOC/OBC (Shortlisting process) - Updated
11	RIBA Stage 2 Report (Pick Everard) – Updated (V6)
12	Contract Summary - Updated
13	Workstreams
14	Masterplan Study (Oberlanders, November 2019) – Updated
15	Inclusive Growth – New/Updated
16	IBH Science Strategy - New
17	Social Value and Community Benefits - New
18	TCD Project Acronyms - New

## CONTACTS

Lead Organisation: James Hutton Institute

Address: Invergowrie, DD2 5DA

<b>Project Lead and Executive Director of Operations</b>	
Name:	Alasdair Cox
<b>Authorised Signatory (City Deal Agreement) and SRO/CEO</b>	
Name:	Colin Campbell
<b>Finance Contact – Executive Director of Finance</b>	
Name:	Hugh Darby
<b>Other Contacts</b>	
Name:	Lesley Torrance
Role:	<b>Executive Director of Science</b>
Name:	Derek Stewart
Role:	<b>APGC Centre Director</b>
Name:	Philip Gane
Role:	<b>Capital Project Manager</b>
Name:	Jesse Tomalin
Role:	<b>Head of Finance</b>
Name:	Donna Cumming
Role:	<b>Project Administration</b>

## INTRODUCTION

### What is the International Barley Hub (IBH)?

The International Barley Hub (IBH) will be a world-class, state of the art, contemporary plant science innovation hub and translational research centre of excellence, located within the James Hutton Institute (Hutton or Institute) campus in Invergowrie, Perth & Kinross (PKC), on the western fringe of Dundee, central to Tayside.

It will promote Scientific Discovery, Innovation and Internationalisation, supporting cereal growers, brewers, distillers, the knowledge economy and innovative new business in Tayside. It will enhance the production of premium quality barley by:

- Focusing on the whole barley supply and value chain, delivering a step change in barley research capability with modern facilities, better equipment, increased staffing and business support to attract commercial engagement to provide new sources of income
- Addressing key sectoral skills development and long-term succession by attracting a new cohort of world leading scientists who will focus on high impact discovery, translational and applied barley research, delivering measurable economic and social impacts
- Building effective links between research outcomes and commercial impact
- Providing modern and contemporary spaces for medium sized scientific, institutional and business events, and 'open facilities' for short term commercial placements/projects
- Enhancing the reputation of Tayside as a crop growing region and global centre for contemporary plant science
- Provide opportunities and space for both 'Spin in' and 'Spin Out' companies to locate to Invergowrie which complements the Institute's Open Science Campus agenda

Enhancing the production of premium quality barley is very important to the economy. It is the UK's most valuable crop commodity which directly and indirectly returns **>£20bn** to the UK economy and supports thousands of jobs in rural Scotland.

In addition, it will provide long-term support for the food, drink and agricultural sectors' supply chain, will create inclusive growth (**Appendix 15**), ensure sustainable expansion, mitigate risks and develop skills at all levels.

### Background to this FBC

**£62m** funding has been announced by the Tay City Deal to the Institute to develop the 'International Barley Hub' (IBH) and the 'Advanced Plant Growth Centre' (APGC).

This Full Business Case (FBC) for the IBH is based on the Outline Business Case (OBC), formally approved by Scottish Government and HMG – confirmed by the PMO on **18<sup>th</sup> August 2020**. Where the OBC demonstrates the chosen solution will deliver value for money and sets out a strategy for successful delivery; the focus of the FBC is to demonstrate that the investment can be *practically* delivered – in particular, that:

- The preferred option continues to optimise value for money to deliver the required outcomes, with economic assessments updated in light of tendered prices, refined benefits assumptions and specification (where necessary)
- An appropriate procurement process has been conducted and formally recorded in the FBC, to select preferred bidder(s) to deliver the required services and contract(s) have been prepared for approval
- The solution is affordable in capital and revenue terms, over the lifespan of the proposed investment
- Practical delivery plans and associated governance have been developed and the project is able to demonstrate there is the required capacity to manage successful delivery of the project

Maturation of the proposal to FBC stage is therefore built on the agreement to the preferred solution proposed at OBC stage and the outline arrangements it set out to deliver that solution. While the FBC checks and updates all relevant assumptions made at OBC, its purpose is not to provide project justification, but to demonstrate the project can be successfully delivered.

The IBH has been developed in parallel with the proposal for the APGC and at the request of the Approval Authorities these have been maintained as separate business case documents, although they ultimately result in the same physical infrastructure investment (new research facilities). The broad approach to this has been discussed with the PMO and it has been agreed that while both IBH and APGC FBCs will maintain separate strategic and economic cases, the content of the 'delivery cases' (commercial, financial and management cases) to deliver the shared infrastructure will be very similar (with some minor differences to reflect the different services that will be delivered using the infrastructure).

### This version 3 (2) FBC

This third FBC has been updated to reflect the comments received on the second version, submitted in January 2021. Most changes are minor and reflect requests for greater clarity and exposition on certain points. The only significant change has been to the Financial Case, which has been redrafted in light of the signed Tay Cities Deal, the resulting availability of TCD funding and Hutton's proposed solution to bridge the resulting funding gap.

### City Deal funding request

	Capital (£'000)	Revenue (£'000)
City Deal Ask	£35,101,000	£4,897,000
Value Awarded in HoT	£35,000,000	Nil

Table 1a.



## EXECUTIVE SUMMARY

### Strategic Case

The Institute conducts research into soil, plant and environmental sciences, leading to knowledge, innovation and services to meet the multiple demands on land and natural resources<sup>1</sup> and plays a major role in the Scottish knowledge economy.

This proposal responds to a wide range of strategic drivers at a UK, Scotland and regional level and will deliver the following outcomes (investment objectives):

- 1 To increase the resilience of barley crops to biotic and abiotic stressors (effects of the climate and pests and disease)
- 2 To increase/maintain barley crop yields with reduced environmental impact and waste
- 3 To support the development and evolution of the wider barley supply and value chains
- 4 To enable world class barley research by joining up people and knowledge to create critical mass
- 5 To improve or maintain barley malting quality
- 6 To promote the wider use of barley across different sectors including feed, food and fibre
- 7 To attract, retain and develop the next generation of barley scientists
- 8 To address climate change through the development of zero carbon barley

The case for change for this investment is predicated on matching supply and demand in the barley market and the need for research and development in barley science:

- Addressing the threat to sufficient supply of high quality, local barley grain to meet the needs of the most valuable food and drink supply chain in the UK
- Applying R&D knowledge to increase the yield and reduce environmental impact
- Long-term innovation is being stifled by a short-term focus and there is an opportunity for cultural change. There is a need to bridge the gap between research outcomes and commercial impacts
- The opportunity is to build on the existing mass at the Institute and in the absence of investment, the UK risks losing its current major knowledge base. World class science requires world class facilities – existing facilities are no longer fit for purpose and wholesale upgrade is required to maintain competitiveness and make the most of scalable opportunities
- The supply of high-quality malting barley is increasingly inconsistent, being vulnerable to environmental variation. The opportunity is to improve quality, consistency and reduce reliance on imports
- Opportunity to expand the scope of barley use as a health food, food ingredient and high value co-products such as beta glucan and resistant starch. Opportunity to derive added value from waste products, for example, biofuels, fibreboards and construction materials

<sup>1</sup>[https://www.hutton.ac.uk/sites/default/files/files/publications/Legal%20and%20Financial/Legal\\_and\\_Financial\\_Hutton\\_Signed\\_Year\\_End\\_Accounts\\_31March2018.pdf](https://www.hutton.ac.uk/sites/default/files/files/publications/Legal%20and%20Financial/Legal_and_Financial_Hutton_Signed_Year_End_Accounts_31March2018.pdf)

- New approaches and technologies demand a re-appraisal of the scope and type of research undertaken. Tools and resources developed over the past decades can be used to attract fundamental plant scientists to focus their research on barley

A successful IBH will benefit a wide range of stakeholders:

- **Academia** – potential to commercialise new varieties, supporting further R&D and making barley research sustainable through formal national and international networks to share research and co-ordinate projects increasing research output and fundamental research
- More PhD researchers and MSc students will expand the sector skills base and addresses succession planning and provides an enhanced pool of scientific knowledge, germplasm resources and varieties
- **Industry** – will benefit from improved yields and better quality with the opportunity to expand in a sustainable way taking advantage of new products, markets and mechanisms to increase efficiency, reduce costs, mitigate risk and increase sustainability
- Industry input into the research strategy will facilitate quicker commercialisation of benefits and greater sustainability, particularly supporting expansion of the UK and Scottish barley sector and downstream industries – particularly distilling and brewing
- Knowledge exchange, short courses, seminars, conferences and other events will inform the industry sector, up-skilling and delivering the benefits of translational research
- **Government** – this will increase the sustainability of this valuable economic sector
- Increased scientific knowledge supports evidence-based policymaking and supports delivery of International Development Objectives and a more informed and knowledgeable industry sector expands more quickly and takes advantage of new opportunities
- Higher quality barley supports UK distilling and brewing which bring significant tax revenues at home and from export
- **Tay Cities Deal** - collaborative research & ‘spin in’ opportunities increase skills and supply chain development in the region and supports making the Institute sustainable with increasing numbers of direct high-quality jobs and supply chain jobs
- **The Food & Drink** sector will experience sustainable expansion and create long-term high-quality jobs at all levels
- **Tayside** will become established as a global centre of excellence in Barley Research, improving quality supports local Tayside businesses (breeders, farmers and maltsters)

## Economic Case

The Economic Case demonstrates a preferred project option has been selected that optimises overall economic value to the UK – and to Scotland in the context of the TCD.

As per best practice, four possible options were identified at OBC stage:

- **Option 1** represents the counterfactual and is used as the ‘benchmark for value for money’
- **Option 3** was the preferred option (following the preferred solution for each category and sub-category of choice considered in the short-listing process) *Appendix 10*

- **Option 2** was a less ambitious option that had a reduced service scope and required a less capital-intensive service solution
- **Option 4** was a more ambitious option that had an increased service scope and a more intensively specified service solution

Each option was rigorously appraised at the OBC stage using CBA. The analysis compared the discounted economic costs, risks and benefits over a **30-year** analysis period for each option, to identify a preferred option most likely to optimise UK public value.

The results showed that all three 'with-project' options were expected to generate positive net economic benefits to the UK. Option 3 is preferred.

Since OBC development in October/November **2019**, a number of minor changes have been made to the specification of overall IBH/APGC project. Capital and operating costs have changed slightly but the value engineering process has so far been successful in limiting any changes in project specification to infrastructure works. Scientific functionality has not been affected. The preferred option in terms of scientific services, equipment and expected outputs for the IBH therefore remains the same as it did at OBC.

Both benefits and costs have been updated and refined at FBC stage.

The resulting net impact of the revised preferred option at both the UK and Scotland levels is shown below. IBH is expected to generate over **£105m** net benefit to the UK over the next **30 years**, and nearly **£60m** net benefit to Scotland.

Based on an investment it can be anticipated that the IBH will have an impact of **1,281** FTE jobs in Scotland increases to **1,838** FTE jobs at the UK level after **10** years, net of all displacement, leakage and deadweight including multiplier effects (**Appendix 1**).

Region	Direct Jobs	Indirect & Induced Jobs	Total Jobs
Tayside	103	101	<b>204</b>
Scotland	103	1,178	<b>1,281</b>
UK	103	1,735	<b>1,838</b>

Table 1b

The benefit cost ratio of **2.1** is in-line with the results from the preferred option at OBC stage.

Table 1: Results of the CBA – Additional NPV and BCR to UK and Scotland (£'000s)

Project Costs	Impact at UK Level	Impact at Scotland Level
Total Costs	95,574	82,560
Project Benefits		
Total Benefits	201,522	141,581
Net Benefits and BCR		
Net Benefits	105,948	59,021
Benefit Cost Ratio	2.1	1.7

Table 2

Overall, the results clearly demonstrate the significant economic value that would be realised from this investment.

## Commercial Case

The commercial case focuses on the service streams for **infrastructure design** and **build** and purchase and installation of bespoke research **equipment**.

Joint procurement has been undertaken for both IBH and APGC facilities to deliver maximum economies of scale and efficiencies:

- **Design and build** – to deliver the design of the infrastructure for the IBH and then deliver the buildings infrastructure with construction over an **18** month period (total construction value **£33m**)
- **Equipment** – to deliver the required equipment for the IBH

The procurement of these services has been staggered to align with the RIBA stages, with design and build delivered in three stages:

- **Stage 1: Pre-construction services** – the contractor provides pre-construction advisory services covering programme, value engineering, phasing, supply chain input on costs etc. The contractor works in partnership with the Institute’s directly appointed design team to develop the design through RIBA design Stages 2, 3 and 4. Institute approval will enable progress to Contract Stage 2
- **Stage 2: Build contract** – the design team will be novated to the main contractor to complete the remainder of the design from RIBA design Stage 4 onwards. The main contractor will manage delivery of key construction phases (see below), supported by the novated design team

The project is currently completing RIBA Stage 2 and Planning Permission in Principle (outline application) has been approved for the entire project.

The construction contract will include the following phases:

- **Phase 0** Relocation of polytunnels away from build site
- **Phase 1** Construction of new access road
- **Phase 2a** Construction of a Barley Field Research Centre
- **Phase 2b** Construction of Integrated Field Facilities (IFF)
- **Phase 3** Phased demolition works
- **Phase 4** Construction of main IBH/APGC building
- **Phase 5** Support by the main contractor to integrate specialist controlled environment and phenotyping systems into new building supplied by specialist company
- **Phase 6** Support by the main contractor to integrate furniture, IT and other equipment procured by the Institute direct
- **Phase 7** Landscaping and minor works including “soft landing” to support migration and occupation

Progressing to RIBA Stage 3 will cost approximately **£900k** and will develop a detailed performance specification and constructor’s proposals for each phase. This will be further developed at RIBA Stage 4 where the contractor obtains quotes for the work packages and firms up costs. At this point the design team will be novated to the main contractor.

RIBA Stages 5 and 6 will cover all construction and commissioning work and hand over each phase to the Institute.

Equipment spend for IBH will be **£4m** (ex VAT) and will be procured direct by the Institute (separate to the D&B contract).

Contract terms are largely set by the Scape Framework Agreement, using the NEC3 Engineering Construction Contract **2013**, Option A 'lump sum' with early contractor involvement using standard terms and conditions.

The building will be owned by the Institute and will sit on the Institute's balance sheet.

Both projects (IBH and APGC) do not constitute state aid.

There are no TUPE implications associated with the establishment of the IBH.

### Financial Case

The Tay Cities Deal has allocated **£62m** in capital funding to develop the IBH (**£35m**) and APGC (**£27m**). Since the first version of this FBC was submitted, the Tay Cities Deal was signed in December **2020**. The funding profile allocated to Hutton in this signed deal does not match the expected profile of project expenditure, resulting in a **£31m** funding gap by **2023/24**, **£16.5m** of which is attributable to IBH. Hutton has investigated how to address this shortfall. Various funding sources continue to be considered, but it is likely an appropriate loan would be provided through Perth & Kinross Council (PKC) to cover cashflow requirements during peak spend.

The required loan depends on the actual spend profile (as well as the Institute's actual income and expenditure); however, it is expected to be in the region of **£35.5m**, commencing in **2022/23**. Principal repayment can commence in **2024/25** (as the capital works come to completion), with the loan fully paid off by **2028/29**. Total interest costs over this period are expected to amount to **£3.4m**, thereby adding **5.6%** to the total capital spend. Any interest costs will be funded from a combination of the revenues generated by APGC/IBH and from wider Hutton activities / reserves. For the purposes of apportioning financing costs between IBH and APGC, **£7.2m** of the facility would be deemed attributable to IBH in **2022/23**, plus a further **£12.7m** in **2023/24**. The interest costs attributed to IBH would peak at nearly **£0.5m** in **2024/25**, and total **£1.9m**.

This solution solves the affordability issue and allows the project to proceed without de-scoping and impeding delivery of benefits. However, it would increase the total project cost and reduce Hutton's ability to reinvest in the project or in other, similar, value-generating projects going forward.

Various actions are being explored that may reduce this additional cost burden, including:

- Ongoing discussions with PKC to explore how their loan funding solution could be optimised to minimise interest costs
- Discussions ongoing with debt/capital market advisers, the British Business Bank and Scottish Enterprise about wider funding opportunities, given the principal repayments will be fully supported by government grant over the loan period

From a project value and organisational sustainability perspective, any reduction in additional costs that might be offered by mitigating measures, would be welcomed. However, in the worst-case scenario that these do not transpire, the project is now affordable and therefore viable.

## Management case

The project structure will evolve over time, with an initial focus on construction, then operations as the IBH is established and the Institute's ways of working evolve.

A robust governance structure is in place, with:

- A Project Board at the centre, driving the development and delivery of the project through the construction phase
- An IBH Directorate to provide oversight and strategic direction and which will be expanded on completion of the required infrastructure
- An IBH science and industry advisory panel managing technical input from a range of sector and issue specific cluster groups
- Overarching oversight and approval from the Hutton Executive, reporting to the Hutton Board

The construction project plan is aligned with the commercial arrangements to develop and deliver the infrastructure with the following key milestones:

Stage	Expected start	Expected completion Prog V6 01/03/2021
<b>Masterplan</b>		December 2019
<b>Planning in Principle Application for all works (Outline)</b> Ref: 20/01103/IPM	09/09/2020	19/11/2020
<b>Full Planning for new road</b> Ref: 20/01104/FLL	25/09/2020	24/11/2020
<b>Site acquisition</b>	January '21	March '21
<b>Construction section 0</b> – Relocation of polytunnels away from build site	01/04/2021	30/04/2021
<b>Construction section 1</b> – Construction of new access road	14/06/21	20/08/2021
<b>Construction section 2a</b> – Construction of a Barley Field Research Centre (replacement building R - farm side aspects of IBH research) <b>2b</b> – Construction of Integrated Field Facilities (IFF)	23/08/21	18/02/22
<b>Construction section 3</b> – Phased demolition works	Phase (a) – 17/05/21 Phase (b) – 07/03/22 Phase (c) – 06/11/23	Phase (a) – 28/05/21 Phase (b) – 18/03/22 Phase (c) – 01/12/23
<b>Construction section 4</b> – Construction of main IBH/APGC building	21/03/22	29/09/23
<b>Construction section 5</b> – Support by the main contractor to integrate specialist-controlled environment and phenotyping systems into new IBH/APGC building supplied by specialist company	14/11/22 (off site)	06/10/23
	<b>NB: Construction Section 5 is not relevant to IBH</b>	
<b>Construction section 6</b> - Support by the main contractor to integrate furniture, IT and other equipment directly procured by the Institute direct	IFF – 21/02/22 IBH/APGC – 02/10/23	IFF – 25/02/22 IBH/APGC – 20/10/23
<b>Construction section 7</b> – Landscaping and minor works including “soft landing” to support migration and occupation	04/12/23	26/01/24
<b>Post implementation review</b>		Jan 24
<b>Post evaluation review</b>		Jan 25

Table 3

The key workstreams to successfully deliver the operational services will be directed by the Industry Advisory Panel informed by the issue specific cluster groups.

Delivering the required organisational structure will require significant change, which will involve significant evolution of the Institute, its people and its ways of working.

The Institute has assessed the required changes against a good practice change management framework. A key change will be the services offered, the mix of clients and the way research is funded, rebalancing income between public and private sources.

Different skills will be required to secure and deliver this new profile of work – the workforce's base science skills are sufficient to support new research areas with some recruitment of specialists. But business development, marketing, commercial costing and pricing and project delivery will be improved through increased training and recruitment.

The change management strategy will develop for each area based on an assessment of impact and the extent of change required and will put in place the support functions to ensure staff are confident in making and embracing the new ways of working required.

**Project benefits** are identified in a benefits register, identifying benefits that can be influenced (and any actions required by the Institute to facilitate their delivery and if appropriate, staff members responsible for taking action); as well as benefits that cannot be controlled, but should be monitored. This is maintained by the project team and monitored by the Project Board at its monthly meetings.

Benefits' realisation will be monitored every four years through an Economic Impact Assessment which will feed into the Deal-wide Benefits Realisation plan. Frequency and content to be agreed with the regional partnership.

**Project risks** are managed using a master risk register, reviewed monthly by the Project Board including specific infrastructure related risks. Significant risks and changes are elevated to the Executive and if required to the Hutton Board. The Project Lead/Project Board maintains the master risk register (**Appendix 3**).