

Tay Cities Region Deal Strategic Outline Case

This and the linked documents should be read ahead of completing a Strategic Outline Case (SOC) to ensure that any Project proposer is able to comply with the requirements of the funding. The **deadline for submission of a Strategic Outline Case is 13th March 2026** and should be submitted to reshaping@taycities.co.uk.

Please note that the submission of a Strategic Outline Case does not guarantee funding from the Tay Cities Region Deal. Funding from the Deal is subject to Partnership, Government and ministerial agreement to include the proposed Project within the Deal, as well as the development and approval of an HM Treasury Green Book Business Case.

The Deal

The Scottish Government and the UK Government are investing up to £150 million in the Tay Cities Region Deal (the Deal). This investment has the potential to secure over 6,000 jobs and lever in £400 million of investment over 15 years. It will enable the region to:

- **Empower and promote inclusion** - by ensuring that local people have the skills they need to succeed in the modern workplace and that growth is inclusive;
- **Innovate and internationalise** - by developing globally recognised clusters of academic and business excellence; and
- **Connect** - by improving physical and digital infrastructure.

The Tay Cities partnership comprises Angus, Dundee City, Fife, and Perth and Kinross councils; the Higher Education and Further Education sector; the business sector; the region's third sector interface bodies; Scottish Enterprise and Skills Development Scotland. Sharing the banks of the River Tay, they have a long history of collaboration to build on. The Deal will further energise activity to deliver improved outcomes for the region's people, places, businesses, and communities.

The Deal will catalyse inclusive economic growth across the region. The partnership is future focused, with a clear understanding of the action needed to deliver sustainable economic growth. It is about partnership and effective collaboration, as well as new resources.

The Deal was signed in December 2020, and the full Deal Document can be found [here](#).

Regional Economic Strategy

The first Tay Cities [Regional Economic Strategy](#) and accompanying Tay Cities Deal Proposal were produced in 2017 and set out a regional strategy and more detailed proposals for programmes and projects in relation to a City Deal investment submission supporting economic growth in the region. The 2019 review of the Regional Economic Strategy has been developed to provide an update on the statistical analysis underpinning the economic challenges and the national and strategic context.

A review of the strategy in 2024 resulted in the publication of the [Tay Cities Region: Prospectus for Regional Growth](#).

The purpose and scope of the Prospectus is to help the region to achieve the greatest impact from the Tay Cities Region Deal across the whole of the Region. As many projects have now been delivered, it sets out a revised approach to delivery for the next phase. It restates the Vision from the Tay Cities Regional Economic Strategy 2019 – 2039 to show how Tay Cities Region can support the missions of the Scottish and UK Governments through a tighter focus on growth from collaborative innovation, in four Priority Opportunity Themes (Clean Growth for Smarter and Sustainable Places Life Sciences, Health and Agri Tech, Tourism and Cultural, Creative, Digital, Cyber and Games Economy), and two enablers (Skills and Talent, and Connectivity – Digital and Physical).

Benefits Realisation Plan

The purpose of this Benefits Realisation Plan (BRP) is to demonstrate, to our local, regional and national stakeholders, how the Partnership will capture the outputs, outcomes, and impacts resulting from Tay Cities Region Deal investments. It is the Partnership's approach to monitoring and evaluation.

There are 10 key commitments for the Deal, although Projects may have identified additional outputs and benefits in addition to these. All Projects are expected to contribute to the delivery of at least one of the agreed key commitments. These are:

- New Jobs
- Construction Jobs
- Jobs Protected
- Training Places
- Journey Time Savings
- Development Space Unlocked
- Visitors
- Start-Ups
- SME's Supported
- Leverage

Additional information can be found in the Deal's [Benefits Realisation Plan](#), including definitions and reporting requirements.

Reporting and Forecasting

There are a number of reporting requirements for both the Partnership and Governments. This includes reporting of benefits to 2035 and any Project proposer should ensure that they are able to make this commitment.

Other reporting requirements include financial forecasting, reporting of risks and dependencies and contributing to the Annual Performance Report. All requirements are detailed in the legal agreements issued to Projects on securing Joint Committee approval.

Drawdown of Funding

Draw down of Deal funding is quarterly and in arrears on submission of a completed claim. Submission of claims is only possible following Joint Committee approval of a Green Book Business Case and the return of the signed legal agreement. Completed claims should contain only eligible costs already incurred and in line with the approved Business Case and eligibility criteria (See **Appendix A**).

The Partnerships agreed approval pathway for Business Cases can be found on page 44 of the [Deal Document](#).

HM Treasury Guidance on the preparation of Green Book Business Cases can be found [here](#).

Subsidy Control

The UK subsidy control regime enables UK public authorities, including devolved administrations and local authorities, to give subsidies that are tailored to local needs, and drive economic growth, while minimising distortion to UK competition and protecting our international obligations.

All Projects within the Deal are subject to a review and assessment of subsidy implications.

All Projects are required to provide a Subsidy Control Statement which should consider the 4 limbs test as detailed in the [UK Government Guidance](#).

Projects deemed a subsidy will be required to provide details of any other subsidies / public funding received, the relevant period is the current and previous 2 financial years, or the previous 3 financial years for Subsidies or Schemes of Particular Interest and Subsidies or Schemes of Interest.

Local Authority Contacts

The Local Authority Contact details can be found below and Project Proposers are encouraged to speak to the relevant contact ahead of submission.

Angus Council – Mark Davidson DavidsonMa@angus.gov.uk

Dundee City Council – Ross Mackenzie ross.mackenzie@dundeecity.gov.uk

Fife Council – Paul Vaughan Paul.vaughan@fife.gov.uk

Perth & Kinross Council – Steven Macdonald stevenmacdonald@pkc.gov.uk

Appendix A – Capital Eligible Expenditure Guidance

Summary

This document provides guidance on what is considered eligible capital expenditure within Tay Cities Region Deal. This document is not intended to be prescriptive. Project partners should ensure that they liaise with the Project Management Office regarding eligible spend. Enquiries in the first instance should be directed for the attention of reportingandclaims@taycities.co.uk

The guidance provided below is taken from the Chartered Institute of Public Finance & Accountancy (Cipfa), Code of Practice on Local Authority Accounting in the United Kingdom. In August 2024, it was confirmed by the Accountable Body Finance Team that there were no changes to the Code of Practice that would impact on eligibility.

Although guidance relates to Local Authorities, this document will be used to define eligible expenditure within the project.

The following points highlight some general points regarding eligible Project Expenditure:

- Require a Full Business Case and Full Deal approval will be required before claims for eligible expenditure can be made. Projects intending to claim on expenditure incurred before this date do so at the project owner's risk
- In addition, the Offer of Grants from the Scottish and United Kingdom Governments, will have terms and conditions attached to them advising what the grant can and cannot be used to fund including the dates in which they need to be received
- The funding is for capital grant
- Claims will be based on financial year running from 1st April to 31st March
- Claims are in arrears
- Progress against key metrics and outcomes will be monitored
- Named Projects are eligible to claim back to Heads of Terms, as long as the expenditure is eligible
- Named Projects that are part of a Programme (e.g. the Regional Culture & Tourism Investment Programme, Regional Skills & Employability Development Programme, Angus Fund and the Advanced Manufacturing Programme) are eligible to claim back to the date that the Programme was approved by Joint Committee

Capital Expenditure

The definition of capital expenditure relates to the definition of property, plant and equipment (4.1.2.13 of the Code) and covers expenditure on assets with physical substance (tangible assets), that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Goods must be received before they can be claimed and supported by a purchase order and relevant goods received note/or delivery note.

The Code requires items of property, plant and equipment that qualify for recognition as an asset to be measured at cost and capitalised on an accrual's basis. For assets that have been purchased, cost is defined in paragraph 4.1.2.24 of the Code as:

- purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The code defines purchase price of an asset to include import duties and non-refundable purchase taxes. Acquisitions should therefore be capitalised net of any reductions in prices made as part of the normal course of business, such as bulk purchase discounts. Purchase price is accounted for gross of any grants or contributions towards the authority's acquisition.

Cases where a project involves an exchange of assets, or a leasing arrangement should be referred to the Project Management Office for specific consideration.

Expenditure should be as detailed in the business case.

Examples of directly attributable costs include:

- construction costs specifically identified with the project
- stamp duty where relates to the acquisition of a specific asset as agreed in the project
- project management costs (e.g. site manager salary) provided it relates directly to the agreed capital project
- enhancement of an asset (e.g. refurbishment) if it improves the lifespan of the asset
- professional fees relating to a Capital project, such as Architect, Engineer's fees. Fees for speculative or aborted projects are ineligible
- the costs of site preparation
- initial delivery and handling costs
- installation and assembly costs
- costs of testing whether the asset is working properly (after deducting net proceeds from the sale of any items produced during the commissioning period)
- specific administration and overhead costs which are incremental costs to the authority that would have been avoided only if the asset had not been constructed, e.g. the costs of a temporary office on the site of the development that would not have been incurred but for the project.
- staff costs which are specifically allocated to the project e.g. officers are supervising the work of others to secure the completion of a project according to its intended design, are allowable to the extent that they are specifically identifiable to particular projects
- costs of making material and transport available to construction projects

- start-up or commissioning period should be included in the cost of an asset only up to the point that the item becomes capable of operating in the manner intended by management
- costs of dismantling and removing an item and restoring the site on which it is located should be included in the measurement of the cost of the asset, whether these obligations are incurred when the item is acquired or because of having used the asset
- rental of property or equipment acquired for the express purpose of facilitating the capital works (e.g. portacabin accommodation, specialist equipment needed for carrying out works) All other rental costs are revenue., e.g. renting accommodation for staff while the capital works are ongoing would be deemed revenue as they relate to the operation of the building
- broadband installation – the cost of installing the hardware for broadband and WI Fi can be capitalised. The running costs are considered revenue
- site security – treat as revenue unless costs deemed to be protecting damage to asset under construction
- training costs – the cost of training staff to use new equipment should be treated as revenue as they are operating costs rather than directly attributable to the asset

Capitalisation of Staff Costs

Staff time generally should not be capitalised. However, staff costs directly attributed to bringing a specific, separately identifiable asset into working condition or substantially enhancing the working life of an existing asset may be included. In such a case salaries (based on daily or hourly rate and time spent on project) and On-Costs (Employers NI and Pension contributions) can be included. For staff costs to be eligible, it needs to be demonstrated that costs were incurred in order to bring asset into working condition (i.e. not admin tasks) and need appropriate records detailing time spent e.g. an appropriately authorised timesheet which states hours and activity on a particular asset must be in place.

Staff costs that are ineligible as capital expenditure include:

- staff time spent scoping potential solutions / choosing between sites – feasibility
- business case development costs
- admin and general overhead costs
- training staff to use new assets
- staff time spent on an aborted capital scheme

As a rule, internal staff costs should always be actual costs to the organisation. For external staff it is acceptable to capitalise the entire price of the services rendered, which can include items that are not capitalised for internal staff, such as allocated overheads of the external company's back-office staff and any profit included in the price you pay.

Research and Development

The guidance on Research and Development costs is taken from Annexe C (P159) of the Consolidated Budgeting Guidance (2022-23) of the Scottish Government.

It may be possible for projects to claim capital grant on Research & Development expenditure which falls within the criteria of Research and Development expenditure contained within ESA10. Information on this definition is contained in Appendix A to this guidance.

Expenditure that is currently capitalised under IFRS (International Financial Reporting Standards) for in-year accounting should be capitalised and depreciated in budgets and national accounts. Expenditure that does not meet the criteria for capitalisation under IFRS but fits with the ESA10 definition of R&D will be treated as an expense in departmental accounts and as capital within budgets.

Identification of eligible expenditure under ESA 10 guidelines would remain at the Projects risk, and any Project highlighting that they could use this option, would be asked to provide assurance on this to the Partnership.

A review of the assurance provided by a project will be carried out by DCC Finance and a decision on whether ESA 10 applies would be made on a case-by-case basis.

Where business cases are still being developed, Projects must identify if they believe they are able to use ESA 10 for research and development expenditure at the earliest opportunity and ahead of any business case being presented to Management Group.

Appendix A includes information on the definition of Research and Development Expenditure under ESA 10, including a flow chart on diagram to assist with the process, along with examples of what is, and is not, included within the definition.

Examples of Ineligible Capital Expenditure

The Code excludes certain costs from being directly attributable and cannot be included as capital expenditure and are therefore not claimable for.

- costs not directly attributable to a project
- costs of opening a new facility
- costs of introducing a new product or service (including costs of advertising and promotional activities)
- costs of conducting business in a new location or with a new class of customer (including costs of staff training)
- administration and other general overhead costs
- non-incremental overheads should be counted, such as the costs of support services that are apportioned across the authority on a per capita basis
- any costs from before the project start date shown in the applicant's offer letter
- financial charges, such as bank charges and interest
- VAT that can be recovered

- fines
- training
- salaries and running costs (with some exceptions – see capitalising staff costs below)
- advance payments
- contingency costs
- bad debts
- travel
- cleaning materials
- food
- licences and extended warranties
- payments into pension schemes
- aborted capital schemes
- supplier profit mark up, margin or administration charge that is added to the actual bought in costs of goods or services procured from third parties
- dividends
- payments for unfair dismissal
- interest and financing charges
- feasibility Study in general should be treated as revenue expenditure as incurred before project reaches development stage (i.e. the authority has a definite objective to acquire, construct or enhance an asset).
- renting Alternative Accommodation - any incremental costs of carrying on an authority's day to day business whilst a capital project is underway should be treated as Revenue.

Administration and other general overhead costs cannot be capitalised. However, this does not mean that all costs that are recharged to a project have to be excluded. The distinction needs to be made between overheads falling generally on an authority and support services that might contribute directly to the successful completion of a project.

The test is, again, not whether costs could have been avoided if a project had not taken place but whether they contribute directly to the relevant non-current assets.

Accounts and Records

The applicant shall keep separate, accurate and up to date accounts and records of the receipt and expenditure of the capital grant monies received by it.

The applicant will keep all invoices, receipts and accounts and any other relevant documents relating to the expenditure of the capital grant for a period of at least six years following receipt of the grant monies to which they relate as set out in the Grant Offer Letter.

The PMO, Treasurer and/or the External Auditors will have the right to review, at reasonable request, the applicant's accounts and records that relate to the expenditure of the capital grant and shall have the right to take copies of such accounts and records.

It is the responsibility of the project lead to ensure the projects included within the OBC meet the criteria set in Capital definition listed above. If assistance is required in deciding whether a

project spend should be classified as capital, you should liaise with the Project Management Office.

De Minimis Limits

The Accountable Body operates a de minimis level of £6,000 for recognising capital expenditure.

Expenditure which meets the definition of capital expenditure, but which is less than the de minimis level should be accounted for as revenue.

Where a number of similar assets are acquired, which individually are below de minimis, but collectively are above the threshold, can be grouped together and classified as capital expenditure.

Appendix B – Strategic Outline Case Checklist

The Strategic Outline Case		
<p>The key purpose of the SOC is to:</p> <ul style="list-style-type: none"> - establish the strategic context for the spending proposal - evidence the case for change - establish the preferred way forward. 		
Key Review Criteria	Main Evidence Required	Status
Strategic case 1 Is the proposed scheme an integral part of the organisation's business strategy?	<input type="checkbox"/> Extracts from business and other relevant strategies.	
	<input type="checkbox"/> Reference to relevant government and organisational policies.	
2 Is the proposed scheme sufficiently large and stand-alone to form a project or could it be more sensibly undertaken as part of another programme or project?	<input type="checkbox"/> Relevant extracts from business and other strategies.	
	<input type="checkbox"/> Reference to scoping documentation.	
	<input type="checkbox"/> Relevant extracts from strategy board minutes.	
3 Are the spending objectives and underpinning business needs defined clearly and supported by the key stakeholders and customers?	<input type="checkbox"/> SMART spending objectives.	
	<input type="checkbox"/> Evidence of stakeholder and customer involvement and support.	
4 Is the scope for potential change to current services and business processes clearly defined?	<input type="checkbox"/> Clear statement of business outcomes and service outputs.	
	<input type="checkbox"/> Statement of any security and confidentiality issues.	
5 Have the main benefits been clearly defined by key stakeholders and customers, alongside arrangements for their realisation?	<input type="checkbox"/> Outline of benefits realisation plan.	
	<input type="checkbox"/> Direct and indirect to the organisation and wider public sector.	
	<input type="checkbox"/> Cash (£) and non-cash-releasing.	
	Ranking of benefits by key stakeholder.	
6 Have the main risks been identified, alongside arrangements for their management and control?	<input type="checkbox"/> Outline of risk management strategy. Business risks. Service risks.	
	<input type="checkbox"/> Likely probabilities and impact (high, medium or low).	
	<input type="checkbox"/> Evidence of critical path	

7 Have the key organisational constraints and business dependencies been identified?	<input type="checkbox"/> Related programmes and projects.	
	<input type="checkbox"/> Assessment of internal and external constraints.	
Economic case 8 Have the Critical Success Factors (CSFs) for options appraisal been identified?	<input type="checkbox"/> Prioritised Critical Success Factors (CSFs) (high, medium or low).	
	<input type="checkbox"/> Relevant performance measures	
9 Has a sufficiently wide range of options been identified and assessed within the long-list?	<input type="checkbox"/> Use of a feasibility study.	
	<input type="checkbox"/> main options – full description.	
	<input type="checkbox"/> Use of the Options Framework filter for: <ul style="list-style-type: none"> - potential scopes - potential solutions - methods of service delivery - implementation - funding sources 	
10 Has a preferred way forward been identified following robust analysis of the available options?	<input type="checkbox"/> SWOT analysis of options against: <ul style="list-style-type: none"> - spending objectives - critical success factors - benefits criteria - evidence of likely support from key stakeholders. 	
11 Has a short-list with indicative Net Present Social Values (NPSV) been prepared for further examination and appraisal?	<input type="checkbox"/> Minimum of three to four options, including: <ul style="list-style-type: none"> - Business As Usual (BAU) - Preferred way forward - Do minimum (if different) - Public Sector Comparator (if required) 	
Commercial case 12 Has a requirements analysis been undertaken? 13 Has a market analysis been undertaken? 14 Has the project been prepared in accordance with the organisation's arrangements in response to the Government	<input type="checkbox"/> Description of potential Deal	
	<input type="checkbox"/> Market surroundings	
	<input type="checkbox"/> Existing service providers	
	<input type="checkbox"/> Requirements analysis	
	<input type="checkbox"/> Government commercial operating standards for: <ul style="list-style-type: none"> - 1. blueprint and resources 	

commercial operating standards?	<ul style="list-style-type: none"> - 2. pipeline and planning - 3. senior responsible owners and expertise - 4. early cross-functional analysis of options - 5. maximising competition - 6. contracting - 7. contract management - 8. Supplier relationships. 	
Financial case	<input type="checkbox"/> Indicative costs (£).	
15 Has a high-level assessment of affordability and source(s) of required funding been undertaken?	<input type="checkbox"/> Likely sources or organisational funding.	
Management case	<input type="checkbox"/> Indicative timescales.	
16 Has a high-level assessment of the achievability and deliverability of the project been undertaken?	<input type="checkbox"/> Use of special advisors.	
	<input type="checkbox"/> Feasibility study.	
	<input type="checkbox"/> Peer Review.	
17 Are all the necessary arrangements in place for the successful completion of the next phase?	<input type="checkbox"/> Outline Programme and Project Board and reporting arrangements.	
	<input type="checkbox"/> Project manager and team.	
	<input type="checkbox"/> Project plan and agree deliverables.	
	<input type="checkbox"/> Budget allocation and resources.	
Other Key Partnership Considerations:		
a) Subsidy Control	<input type="checkbox"/> Statement assessed against the Four Limbs	
	<input type="checkbox"/> Applied Subsidy Control guidance	
b) Mandatory Spreadsheet	<input type="checkbox"/> To show indicative income and expenditure. This should show total project costs as well as TCRD ask.	

	<input type="checkbox"/> Irrecoverable VAT should be shown.	
	<input type="checkbox"/> Insert template	
c) City Region and Growth Deals Carbon Management Guidance for Projects and Programmes	<input type="checkbox"/> Carbon categorisation and requirements for a business case to be included. These are set out in the Guidance	