

ANGUS COUNCIL

18 MARCH 2021

TAY CITIES REGION DEAL – PROJECT ACCELERATION

REPORT BY VIVIEN SMITH
DIRECTOR OF STRATEGIC POLICY, TRANSFORMATION & PUBLIC SECTOR REFORM

ABSTRACT

This report provides information on three of the projects currently being developed within Angus through the Tay Cities Region Deal (TCD) and asks the Council to approve the financial support to the projects in order to progress them ahead of the TCD governance arrangements being concluded.

1. RECOMMENDATIONS

It is recommended that the Council:

- (i) note the signing of the Tay Cities Deal on 17 December 2020;
- (ii) note the opportunities and benefits for acceleration of projects as outlined in the report;
- (iii) consider and note the risk assessment outlined in Section 6 of this report; and
- (iv) agree the financial support and funding as outlined in paragraphs 5.1 and 5.2 of this report utilising Council funds, of the following three projects in advance of approval of the Full Business Cases for these projects by the TCD Joint Committee and the drawing down of grant funding from the Tay Cities Deal –
 - TCD 012 – Angus Fund – Mercury Drone Port
 - TCD 012 – Angus Fund – Centre of Agri Tech & Sustainable Innovation (CASI)
 - TCD 005/6 Rural Digital Broadband
- (v) Agree to delegate authority to finalise a specification for the use of the proposed £300k for the Drone project to the Director (Strategic Policy, Transformation and Public Sector Reform) following consultation with the Director of Finance, Leader of the Council and the Leader of the SNP Group.

2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/CORPORATE PLAN

- 2.1 This report contributes to the outcomes contained within the Angus Community Plan and Council Plan, which focus on Economy, People, Place and Our Council.

3. BACKGROUND

- 3.1 The Tay Cities Region Deal was signed by UK and Scottish Government ministers and Tay Cities Region partners on the 17th December 2020. The two governments have pledged £300 million over a 10-year period, which will help to lever a further £400 million of investment to create a smarter and fairer city region with over 6000 new job opportunities.
- 3.2 Within the deal under the heading an Innovative, International Tay, the UK Government will commit up to £26.5million to the Angus Fund.

The Angus Fund will help achieve an investment balance across the region by investing in projects across Angus to be developed collaboratively with Angus Council and other local partners as part of the Deal and our own Mercury Programme.

The purpose of the Mercury Programme is to increase productivity through clean growth, protecting places for future generations. The Angus Fund will contribute to the development and implementation of innovative, clean technologies, which will also significantly reduce the region's carbon footprint, contributing to national reductions in carbon use.

To deliver this purpose the Fund will support three connected components, namely:

- clean growth;
- low carbon; and
- agricultural technology.

3.3 Also within Angus, under the heading a Connected Tay, the Rural Angus and Rural Perth and Kinross - High Speed Broadband project, the UK Government will commit up to £2 million to developing Rural Angus and Rural Perth and Kinross High Speed Broadband. These projects will enhance digital connectivity in rural areas across the region and will be further enhanced by additional funding from the UK Government Local Full Fibre Network programme of £2.9m. Up to £1 million is committed to the Rural Angus project, which will focus on creating a solution to provide remote and rural properties with high quality wireless connectivity.

3.4 The financial profile for the Digital project will see the investment of the full £1m in financial year 2021/22, while the profile for the Angus Fund in the Tay Cities funding starts in year 2023/24. Angus Council has also set aside £6m in the capital programme for Tay Cities work to date and there is now an opportunity to help to accelerate some of the projects in the Angus Fund and to support the cashflow for the digital project as resources are claimed in arrears. In this way, Angus Council can ensure that proposals are brought forward at the earliest possible opportunity to support economic growth and help deliver jobs in Angus.

4. PROPOSALS

4.1 TCD 012 – Angus Fund – Mercury Drone Port

4.1.1 One of the projects identified within the Angus Fund Outline Business Case (OBC), was the creation of a Drone Port located in Montrose. Montrose provides the ideal location for testing and developing new drone flight operations due to the relatively underused air space and control systems, the closest of which are located in Dundee and Aberdeen, outwith the 5-mile recommended perimeter for flight path networks. The emerging offshore wind developments are one of the catalysts for this technology, both in terms of transport costs for equipment and visual testing systems. However, as the technology has advanced, companies across the UK also have a need for a regulated testing area which can be developed on the former airfield site at Montrose, Zero Four.

4.1.2 Angus Council has invested a small revenue resource to commission the development of the necessary licencing arrangements and designated air space for the operation of Unmanned Aircraft Systems, Beyond Visual Line of Sight (BVLOS) in unsegregated airspace. These permissions will allow the development of the Mercury Drone Port, subject to approval of the Outline Business Case (OBC) and Full Business Case (FBC) required by UK Government and the Tay Cities Joint Committee.

4.1.3 From the initial announcement of the Mercury Drone Port, there has been significant interest in this development from several sectors including windfarm operators and oil and gas sectors. It was proposed to focus the Mercury Drone Port on the offshore sector and progress onshore as the Civil Aviation Authority as the regulatory body developed the legislation around the use of drones. However, the Covid-19 pandemic has accelerated the use of drones onshore, as demonstrated by recent “use case” trials undertaken in Argyll & Bute flying medical supplies between NHS hospitals.

4.1.4 The consortium involved in the development of these ‘use cases’ in Argyll and Bute, have been in advanced discussions with a number of major delivery companies and public sector bodies. They now want to bring this trial project to Montrose to demonstrate ‘use cases’ for the logistical medical support to the NHS and/or Angus Health & Social Care Partnership, provision of veterinary and other supplies to farms in isolated locations, remote inspection of rural infrastructure (e.g. roads and bridges), provision of ad hoc supplies to, and between, isolated communities, extended duration agriculture survey and package delivery & consultation for delivery companies.

4.1.5 The demonstration of these “use cases” will support the development of the OBC and FBC for the Mercury Drone Port, as well as demonstrating to the drone sector and other businesses that Angus can be a leader in drone technology and associated benefits. It may also help in developing public acceptance of the technology.

4.1.6 In order to develop these ‘use cases’ and obtain approvals from the Civil Aviation Authority, landowners and other statutory bodies, initial funding of £0.3m is sought from the Angus Council Capital Plan provision to support this work in advance of the approvals of the OBC & FBC by the Joint Committee, and open up further opportunities for the Mercury Drone Port going forward.

- (i) These 'use cases' will include the consortium developing a programme of Unmanned Aircraft Systems, Beyond Visual Line of Sight (BVLOS) drone flights over a six to eight month period in different locations around Angus, subject to all statutory approvals being obtained, as well as gaining local support for the use of drones in the area. The creation of this infrastructure for drone flights will provide the Mercury Drone Port with landward airspace infrastructure for deliveries and other opportunities in Angus, as well as developing the Mercury Drone Port in Angus which will support the business case going forward. It is proposed to engage consultants who will work with the Civil Aviation Authority to create the air infrastructure inland and develop the 'use case' scenarios with both the public and private sector in tandem. Further detail will be developed through a specification in relation to the appropriate use of the resource. It is proposed that a delegation to the Director (Strategic Policy, Transformation and Public Sector Reform) following consultation with the Director of Finance, Leader of the Council and the Leader of the SNP Group is agreed by Council which will provide authority to finalise a specification for the use of the proposed £300k for the Drone project.

Members are being asked to accelerate this funding at risk until the FBC can be approved by Joint Committee over the course of 2021/22. This project is significantly innovative at this time and has the potential to deliver economic growth and future jobs for Angus which is a key priority for Angus Council.

4.2 TCD 012 – Angus Fund – Centre of Agri Tech & Sustainable Innovation (CASI)

4.2.1 The CASI is to facilitate collaboration between agri businesses and promote farm based innovations within a central hub coordinating activities across a network of participating sites. This will establish Angus as an area of agricultural research excellence, attracting further jobs and investment. In addition, the work will help feed the country while reducing the environmental impact of established farming methods and address the new challenges presented by climate change, such as altered risks from pests and diseases.

4.2.2 The project will have four main areas across the CASI, while stressing that data sharing, clean growth and low carbon will also feature across all centres.

- **Neutral Spirit Plant**
- **Innovation Farm**
- **Precision Farming Facilities**
- **Technical Quality Centre**

4.2.3 The central hub of the CASI project is proposed to be located at a headquarters building in Forfar. The partners have agreed the ideal location would be in Forfar. It is proposed that the surplus council property located at 48 John Street, Forfar, would make an ideal location for the project within Angus, especially with The Mart being located in the same street, serving the farming community.

4.2.4 Whilst the partners are establishing the governance model for this project, it is proposed that the building is purchased utilising funds from the Council's Tay Cities Capital Budget provision until the FBC is approved by the TCD Joint Committee and grant funding from the Tay Cities Deal can be transferred to assist with this. It is anticipated that a new company will be established this year, however should members agree, it will allow the property to be removed from the market meantime to ensure it is available to be sold to the new company when it is established. The cost for this building would be circa £0.175m and its sale would provide a capital receipt to the Council and the Agile Working programme. Partners will continue to develop the business case for the project and look for tenants that can be based in the building and contribute to the revenue running costs of the facility. Additional funding will be required in early course to redesign the building in advance of the TCD financial profile for the Angus Fund, and this will be the subject of a future report for members consideration in order to allow appropriate consultation time with the prospective tenants and the new company who will deliver the CASI from the property.

4.3 TCD 005/6 Rural Digital Broadband

4.3.1 As part of the Tay Cities Deal, funding of £1.0m was allocated with the purpose of improving Digital Connectivity within Angus. This funding was allocated to two different projects

- £0.5m for Rural Broadband
- £0.5m for Local Full Fibre Network (LLFN)

- 4.3.2 Using £0.5m of the Tay Cities Digital funding for the Local Full Fibre Network (LFFN) Project and working in collaboration with Perth & Kinross Council, both Councils have been able to secure £2.9m (Angus £0.875m, Perth & Kinross £2.025m) funding from Department of Culture, Media & Sport (DCMS) to connect Council buildings to new fibre infrastructure at 50 Sites in Angus and 104 Sites in Perth & Kinross.
- 4.3.3 Following a procurement exercise carried out by Tayside Procurement Consortium, BT were awarded the contract to carry out the works for the LFFN element of the project. BT have carried out all the site visits and surveys, to allow the works to commence. In order to start this work, BT require an advance payment of £0.307m. Officers are also in discussion with BT to ensure that the 50 sites in Angus will be connected to the new infrastructure by the end of September 2021 to comply with the DCMS grant funding agreement.
- 4.3.4 To advance the next stage of the project ahead of the approval of the Full Business Case (FBC) by Scottish Government and via the subsequent governance arrangements for the Tay Cities Deal (See report no 89/19), it is proposed that councillors consider advanced capital funding for this project utilising capital funding that Angus Council has allocated for Tay Cities Deal in order to support the cashflow that will allow this project to be delivered on time to draw down the additional LFFN government grant. There is a risk that the LFFN funding will be lost to Angus due to the timeline for completion of work being September 2021 to recoup the grant if the cashflow arrangement is not supported.
- 4.3.5 While Angus Council will essentially be funding the work at risk, it is anticipated that a full business case for the LFFN full fibre digital project is likely to secure support from UK Government given their investment from another fund administered by them that requires to be spent by September 2021. Also, members will wish to note that the TCD digital thematic board is recommending the full business case to both governments for their final consideration prior to bringing it forward to the TCD Joint Committee in advance of the summer recess.
- 4.3.6 It is anticipated that this will be approved by the Joint Committee and the full funding will be drawn down and replaced in Angus Council's budget for Tay Cities should members of Angus Council agree to accelerate the funding at this time. However, as detailed in Section 6 below, there is the risk that the Full Business Case is not approved by the Joint Committee.

5. FINANCIAL IMPLICATIONS

- 5.1 In normal course the project costs identified in this report which are proposed for funding from the Council's capital budget would be met from TCD funding. However, TCD funding for these projects is not yet available based on the agreed funding profile for the whole deal. In order to accelerate the projects, and progress them earlier than originally planned, funding from another source is required as an interim solution. The Council has set aside £6m for TCD projects in its recently agreed Capital Budget 2020-25 and it is proposed that this budget is used to enable the proposed project acceleration. It is proposed that this funding is used to support the advance costs identified until each of the projects Full Business Cases (FBC) are considered and grant funding through the TCD can then be claimed back should Joint Committee agree each of the three FBC's..

- 5.2 The associated costs for each of the projects is shown below –

TCD 005/6 – Rural Digital Broadband	£0.307m	FBC approval by July 2021
TCD 012 - Angus Fund – Mercury Drone Port	£0.300m	FBC approval before 2023
TCD 012 – Angus Fund – CASI	£0.175m	FBC approval before 2023

Total Advanced Costs **£0.782m**

- 5.3 It is anticipated that once the FBCs for these projects are approved and TCD funding drawn down in line with the TCD financial profile, the Council's capital budget would be repaid these accelerated funding sums. The FBC for each project is expected to be agreed within the timelines shown in paragraph 5.2.
- 5.4 Officers will continue to explore whether acceleration of Angus Fund resources through the TCD may be feasible, if for example there is slippage on other projects, and there is a need to adjust the funding profile to accommodate this.

6. RISK IMPLICATIONS

- 6.1 The proposals in this report mean using Council funds in advance of TCD funding being agreed and thereafter drawn down. There is therefore a risk to the Council that the Full Business Cases for the above projects will not be approved by Scottish and UK Governments or the TCD Joint Committee and funding from the Tay Cities Deal would not be available to support the projects. The likelihood of this risk arising is considered to be low based on discussion with both Governments to date. Both governments have approved the OBC and the TCD Digital Thematic Board has agreed the Final Business Case for the Rural Digital Broadband project which is now with Governments for final assessment. The Angus Fund OBC has been approved by Government and the TCD Joint Committee which provides some assurance that the principles and intention of both the agri tech and drone project developments are supported by Government and will be confirmed subject to the FBC being provided.
- 6.2 The Digital Project, has submitted the Full Business case to Scottish Government and this is currently being reviewed, and subject to government feedback is proposed to be submitted to Tay Cities Joint Committee for approval before the summer recess.
- 6.3 The Angus Fund Outline Business Case was approved by UK Government in a letter to the Leader of the Council on 24 September 2020 and subsequently approved by the Tay Cities Joint Committee on Friday 19th February 2021. Projects will continue to develop OBC/FBC's for approval by UK Government and TCD Joint Committee. Further reports for accelerated funding to support the early implementation of projects will be brought to committee as the business cases are developed. This will help to ensure that economic impact can be felt at the earliest opportunity in Angus while also supporting the whole of the Tay Cities agreed financial profile.
- 6.4 The risks associated with supporting the proposals mean that Angus Council could invest resource that is lost to the council should projects not be supported by the TCD Joint committee.
- 6.5 The risks associated with not supporting the projects are specifically –
- Loss of £0.875m LFFN grant funding for fibre broadband and loss of improved broadband opportunities to Angus Council buildings, including schools.
 - Loss of attracting a major distribution company to consider Montrose as a base for their future drone distribution ambitions alongside lost opportunities to support the development of infrastructure for drone flights in Angus.
 - Loss of a potential ideal property for the new CASI and potential momentum and investment of time and energy from the farming community in Angus.

7. CONSULTATION

- 7.1 The Chief Executive, Depute Chief Executive, Director of Legal and Democratic Services and the Director of Finance have been consulted in the preparation of this report.

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

Report No 280/17 - Tay Cities Deal - Interim Minute of Agreement – 7 September 2017
Report No 89/19 – Tay Cities Deal – Governance Arrangements – 21 March 2019
Report No 177/19 (Schedule 2) – Tay Cities – 4 June 2019
Report No 120/20 – Tay Cities Region Deal – 19 March 2020
Report No 249/20 – Tay Cities Region Deal – 19 October 2020

REPORT AUTHOR: Vivien Smith, Director (Strategic Policy, Transformation and Public Sector Reform)
EMAIL DETAILS: SPTInfoGov@angus.gov.uk