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**REPORT TO: MORAY COUNCIL ON 2 FEBRUARY 2023**

**SUBJECT: MORAY GROWTH DEAL: PROCUREMENT REQUIREMENTS TO ACHIEVE FULL BUSINESS CASE APPROVAL FOR PROJECTS**

**BY: DEPUTE CHIEF EXECUTIVE (ECONOMY, ENVIRONMENT AND FINANCE)**

**1. REASON FOR REPORT**

- 1.1 To ask the Council to approve expenditure, including the appointment of external consultants, necessary to progress Council led Moray Growth Deal (MGD) projects and the preparation of Full Business Cases (FBC) for approval by the United Kingdom (UK) and Scottish Governments.
- 1.2 This report is submitted to Committee in terms of Section III B (6) of the Council's Scheme of Administration relating to any new policy matter which does not fall within the terms of reference of any Committee.

**2. RECOMMENDATION**

**2.1 It is recommended that the Council:-**

- (i) **notes that the development of full business case and delivery of projects within the Moray Growth Deal will require some procurement of consultants in excess of the £25k limit within the Councils procurement procedure; and**
- (ii) **Approves procurement of consultants within approved project budgets but in excess of the £25k limit for the purpose of developing the full business cases and delivery of the Moray Growth Deal projects being progressed by the Council (Bus Revolution, Cultural Quarter, Housing Mix Delivery, Early Years STEM).**

**3. BACKGROUND**

- 3.1 The Full Deal document for the Moray Growth Deal was signed on 20 December 2021. The Growth Deal includes 8 projects, 4 of which are led by the Council. Outline Business Cases (OBC) were approved for each project as part of the Full Deal signing.
- 3.2 Of the 4 Council MGD Projects, 3 still require FBC approval (Cultural Quarter (CQ), Early Years Science Technology Engineering and Mathematics EM (EY

STEM), and Housing Mix Delivery (HMD)). CQ will redevelop important buildings in Elgin to provide an accessible, enhanced cultural offer which supports the creative, heritage and tourism sectors and highlights the region as an inspirational destination of choice. EY STEM will deliver inspirational EY learning environments across Moray, increasing participation and closing the equity and attainment gaps in STEM. HMD will support rural and town centre regeneration, housing and jobs, accelerating the delivery of affordable homes through the public and private sector.

- 3.3 The delivery of the Moray Growth Deal will enable the region to leverage over £100m of investment to maximise regional economic competitiveness and boost economic growth with transformational outcomes for the region and its residents.
- 3.4 Moray Council procurement procedures require the procurement of consultants above the value of £25k to be approved by the service Committee
- 3.5 Although the growth deal projects and budgets are approved, specific approval for expenditure on consultants has not been given. The nature of these significant capital projects are such that the procurement of consultants to provide expertise and design to develop and deliver the projects is essential.

#### **4. PREPARATION OF FULL BUSINESS CASES (FBC)**

- 4.1 Following Full Deal sign off, all project proposals are subject to the approval of a FBC. It is only at this point that project delivery can start and funding from partners is released. The FBC revisits and updates the conclusions and options outlined in the OBC to reflect the current day and put in place detailed management arrangements for each project.
- 4.2 The external social and economic climate has changed dramatically since the Deal was signed (continued impact of the pandemic, inflation and labour shortages in the construction industry, war in Ukraine, energy and cost of living crisis, UK recession).
- 4.3 In these challenging times, the Growth Deal investment presents a significant strategic opportunity for growth across the region. For projects of this significance and scale however, detailed work will be required to progress a robust FBC which delivers on the proposed outcomes with the full support of partners and the community. In these complex times it is also imperative that we engage the correct level of professional support and advice to verify our proposals and ensure projects can deliver on our aspirations for the region.
- 4.4 Following appointment of Project Managers in Summer/Autumn 2021, detailed reviews of the requirements and prioritised steps to progress to FBC approval has taken place.
- 4.5 Appointment of external consultants to carry out updates in line with HM Treasury Green Book Central Government Guidance will be an essential requirement of all projects. Procurement will be progressed on the basis of essential activities required to enable FBC approval for each project. This is

likely to include items such as Socio-Economic Impact Assessments, Operational Plans, evidenced Business Cases, Head of Terms, Feasibility Studies and Evaluation Plans, and in the case of capital projects Surveys, Designs, Architectural and Planning support. Consultancy requirements are expected to exceed £25k in a number of scenarios. A list of procurement requirements to FBC and estimated budget costs for each project can be provided.

- 4.6 Details of the projects within the growth deal are contained in the Full Deal document **APPENDIX 1**.

## **5. SUMMARY OF IMPLICATIONS**

### **(a) Corporate Plan and 10 Year Plan (Local Outcomes Improvement Plan (LOIP))**

The Moray Growth Deal projects will contribute to the Corporate Plan priority of promoting economic development and growth, whilst meeting the LOIP vision of raising aspirations, reducing inequalities in educational attainment, providing access to employment, expanded choices for residents, and improved livelihood and well-being.

### **(b) Policy and Legal**

Each growth deal project has been developed to meet local, regional and national policy agendas in line with legal requirements where relevant. The Councils procurement procedure requires spend on consultants in excess of £25k to get committee approval.

### **(c) Financial implications**

In order to progress MGD projects and take advantage of significant Government and partner investment in the future, it is essential to procure works and services which enable each project to achieve FBC. We do not have the resources or skills in house to deliver these projects without procuring consultants and therefore the procurement will be essential for delivery of the projects. There are no financial implications arising from this report as the necessary budget for FBC is approved but approval is required for some of the spend to be on consultants.

Cultural Quarter Additional Note:

Highlands and Islands Enterprise (HIE) allocated funding (£87,500 remaining) towards CQ FBC development which must be allocated by the end of 22-23. This funding was awarded at a 58% intervention rate and HIE has approved the items to be procured for CQ FBC progression.

### **(d) Risk Implications**

The lack of updated information to support Full Business Case development could risk the delay of FBC approval. It is only at this point that significant Government funds can be claimed, and so delays now will risk overall budgets and the ability of these transformational projects to progress in a timely manner in line with Government expectations.

Spend on projects prior to FB approval is carried out at risk as Government grant under the Growth Deal can only be drawn down once the FBC is approved.

There are no risk implications from necessary spend of approved budget. All the projects are governed through their own project board and report into the Growth Deal project board and therefore financial spend, commitments and forecasts on all projects are considered on a monthly basis by the programme board to ensure projects stay within approved budgets and forecasts.

Cultural Quarter Additional Note:

HIE Funding was awarded by a separate development grant in in 2020. These funds will not be deducted from the overall Growth Deal budget. If we are unable to move early stage works for the Cultural Quarter forward now we risk losing this additional investment from HIE, putting more pressure on limited Growth Deal budgets when FBC is approved. This is an opportunity to move the project forward whilst reducing 'spend at risk' requirement for Moray Council if approval for the procurement of services is received.

**(e) Staffing Implications**

None

**(f) Property**

The Cultural Quarter project includes plans to refurbish and bring into use prominent Council owned buildings, including Grant Lodge in Cooper Park and Elgin Town Hall. This project must be progressed to improve the outcomes of these buildings and avoid further dilapidation.

**(g) Equalities/Socio Economic Impact**

Equalities and Socio Impact Assessments for each project will be updated as part of Full Business Case development.

**(h) Climate Change and Biodiversity Impacts**

As a requirement of the Moray Growth Deal all projects will address carbon reduction, improved environmental performance and a just transition to net zero as a central part of their development.

**(i) Consultations**

Depute Chief Executive (Economy, Environment and Finance), the Head of Economic Growth and Development, the Legal Services Manager, Chief Financial Officer, and Tracey Sutherland (Committee Services Officer) have been consulted, and comments received have been incorporated into the report.

## **6. CONCLUSION**

- 6.1 This report sets out the potential of the Moray Growth Deal and the requirement for the procurement of services, including external consultancy, to progress projects towards FBC approval and delivery.**
- 6.2 The report asks the Council to approve the procurement of prioritised works to allow officers to progress projects to FBC.**
- 6.3 This requested approval should include delegated authority for officers to obtain quotes and commission external consultancy in excess of £25k for essential activities (approved by Senior Responsible Officers) to obtain FBC for each MGD project.**

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Background Papers:	
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