

# Ayrshire Growth Deal

Draft Prospectus

March 2016

# Ayrshire Growth Deal Prospectus

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## Leaders' introduction

On behalf of the three Ayrshire local authorities and the Ayrshire Economic Partnership we present to the Scottish and UK Governments our Prospectus for developing the Ayrshire Growth Deal (AGD).

This Prospectus has been developed in close collaboration with all the public sector partners, including Scottish Enterprise and Skills Development Scotland, and builds upon long standing engagement with the private sector and our communities.

This is the first stage in preparing a Growth Deal that can make a step change in Ayrshire's economic performance, enabling us to significantly enhance the area's contribution to the Scottish and UK economies and to ensure that our communities are participants in and benefit from the growth opportunities we have set out.

Ayrshire has many strengths; its people, its businesses and its wonderful natural assets. Our proposals are to harness these strengths and inspire a future that is more innovative, productive, smart and inclusive economy.

Our proposals focus on economic growth and inclusive growth – for us these go hand in hand. These are key elements of our vision of a successful Ayrshire that will be able to punch above its weight in terms of its contribution to Scotland's growth.

In our Prospectus we set out a vision for the future of the Ayrshire economy with proposals to bring that vision into reality. We now need to refine and develop our proposals further and we wish to work with Governments and their agencies over the coming months to agree a Growth Deal for Ayrshire.

The three Ayrshire local authorities are united in a determination to develop and deliver the Ayrshire Growth Deal. Success will depend on collaboration, building on both the similarities and unique strengths across our authorities. We will work together to enhance the opportunities for our businesses and communities to build an inclusive, resilient and confident Ayrshire. We are committed and determined to work together across the region with public and private sector partners, and with Scottish and UK Governments to achieve these goals.

We will ensure our capital and revenue programmes are aligned to investment by Government to unlock the potential of the Ayrshire economy.

Through the alignment of investment in business support, skills, strategic infrastructure and our communities the Ayrshire Growth Deal provides a once in a generation opportunity to improve the performance of our economy. Our commitment to Government is to work in partnership to deliver a step change in Ayrshire's prosperity and to realise our vision of a growing, inclusive economy that makes a positive and significant contribution to Scotland's future economic growth and wellbeing. We hope that the aspirations and intent set out in this prospectus are supported by the Scottish and UK Governments.

Cllr Douglas Reid

Leader East Ayrshire Council

Cllr Willie Gibson

Leader North Ayrshire Council

Cllr Bill McIntosh

Leader South Ayrshire Council

## **The case for growth: unlocking potential for Ayrshire, Scotland and the UK**

The Ayrshire Growth Deal (AGD) represents a major opportunity to strengthen the economy, bringing employment and prosperity to local people. Ayrshire is an exciting and dynamic place to live and work, but it is clear that there is unrealised potential. The economy is both broad and deep, with well-established commercial centres and close connections to Glasgow. The area's natural assets, location, people, infrastructure and economic heritage mean that there are opportunities for growth.

Targeted investment, carefully coordinated throughout the region would act as a powerful catalyst, stimulating growth and resulting in prosperity for both local people, for Scotland and the UK as a whole. Ayrshire has real economic strengths and we work hard to exploit them – our food and drink, our tourism, our engineering, our energy resources. They are important for us and for Scotland; and the Growth Deal gives us a renewed focus to support them and others to become more innovative, productive and outward looking.

We have particular strengths, in aerospace and life sciences manufacturing that offer growth and productivity gains that are significant at the Scottish and at the UK level.

We have currently over 4000 jobs in aerospace over 50% of the Scottish total and an estimated 30% of Scotland's industrial biotechnology output. These sectors have high productivity, high R&D intensity and, critically, both are forecast to grow significantly for the foreseeable future. Our forecasts show that a doubling of these aerospace jobs over ten years is a realistic goal and Scotland's ambition for life sciences is to double turnover by 2020.

We have the opportunity to combine the academic and industrial expertise in the UK and Scotland, with the aerospace engineering expertise at Prestwick to capture a significant share of the emerging space industry. Securing the UK's first Spaceport here extends the potential still further.

The case for driving economic growth in the aerospace/space and life sciences/industrial biotechnology sectors, is compelling at a national level and that is why we seek Scottish and UK Government support for these sectors as a central element of this Deal.

### **Our economic heritage**

Heavy industry such as steel making and coal mining was once the mainstay of the area, along with production-line manufacturing. More recently engineering, food and drink, and aerospace have made a significant contribution together with life and chemical sciences. Manufacturing continues to be a significant element in the Ayrshire economy. This strong manufacturing base together with sectors that provide important local employment, such as tourism, within the local economy are major assets which will form the foundation for growth.

### **The potential of our people**

Excellent local educational and vocational opportunities at Ayrshire College and the University of the West of Scotland (UWS), as well as the potential of access to Glasgow's world class Higher Education offer, can enable local people to develop the skills they need to contribute to a growing Ayrshire economy. There is an increasing focus on STEM skills in schools, preparing young people for career opportunities in science, technology, manufacturing and digital. Ayrshire College is increasingly focused on STEM skills, with a third of its provision in this area.

## **International connections**

Ayrshire is already home to a number of globally recognised organisations such as Magnox, EDF, UPM, GSK, DSM, Merck, BAe Systems, Spirit, GE Aviation, Wabtech, Hyspec and PRA, demonstrating that the area has a great deal to offer as a location for international businesses. International travel and freight options are available via Prestwick and Glasgow airports and through the ports of Ayr, Troon and Brodick.

## **Local connections**

Transport connections mean short travel times to Glasgow, making parts of Ayrshire popular commuter territory. A train service provides regular direct services to Glasgow city centre from many of Ayrshire's towns. The existing roads network provides adequate connectivity and the basis for opening up the area further. Ardrossan, the busiest passenger port in Scotland is a gateway to the Scottish Islands. But more can be done to help businesses and communities access economic opportunities.

## **Natural assets**

A stunning coastline, beautiful countryside, tourist locations (such as Arran and the coast) world renowned sporting opportunities (golf and sailing), significant history (from the Vikings to Robert Burns and industrial heritage) and historic buildings and estates (such as Dumfries House, Brodick and Culzean castles) make Ayrshire a fascinating place to live and to visit.

## **Why is the deal needed?**

Taken together our economic heritage, our current sectoral strengths, the global players located here, the skills of our people and our natural assets mean that Ayrshire is well placed to play a vital role in the economic future of both Scotland and the UK in key growing industries. However, we believe that Ayrshire can contribute even more.

Economic baseline analysis shows that the Ayrshire economy has been underperforming for many years, yet we have the potential to make a major contribution to Scotland's future growth.

### **⇒ To address underperformance**

The current underperformance of the Ayrshire economy is reflected in our GVA figures: the bounce back from the recession that started in 2008 has yet to be achieved; we experience persistently low levels of economic participation; high levels of deprivation with the consequential impact on levels of educational attainment, poor levels of health and high levels of demand for public services and welfare support.

### **⇒ To identify the barriers to growth**

Our work has already shown that the inhibitors to growth lie in relatively low levels of investment in our businesses, gaps in our infrastructure (both digital and transport), relatively low levels of high skill jobs, and not enough opportunities for our people to access and fully engage in the economy.

### **⇒ ... and surmount them**

Our proposals look at how we can collaboratively reshape our business support interventions and overcome the barriers to growth by:

- Developing more innovative and internationally focused companies that are more likely to have higher levels of productivity
- Positioning Ayrshire as the 'go-to' region for smart manufacturing and digital skills
- Improving key elements of strategic transport and digital infrastructure to help businesses get goods to market and people to work (physically and virtually)
- Working with our communities to raise aspiration and ambition, provide employment and skills support, improving access to employment opportunities and refocusing the way we prepare our future workforce

The Ayrshire Growth Deal provides an effective route to address economic underperformance and bring major growth to an area with undisputed potential.

## The Ayrshire context – inclusive growth

Critical to Ayrshire's future prosperity is a virtuous circle of growth: growth in our businesses, leading to growth in employment and growth in individual and household prosperity. In our proposals economic growth and reductions in inequalities are bound together. We will only achieve our ambitious vision of the future for Ayrshire if our communities are better connected to the economy and have the opportunity to prosper.

### **An established approach**

Inclusive growth as an objective is not new to the Ayrshire partners. It is the mainstay of our work: whether that be supporting our businesses, improving access to further and higher education, improving our schools, or developing skills and employability initiatives. It is reflected in the work of all of our Community Planning Partnerships and will continue to be a major focus throughout Ayrshire.

It is important that the pursuit of inclusive growth is embedded in all that we do. What we have already achieved in relation to inclusive growth provides a solid foundation but more needs to be done and we wish to use the impetus of the AGD to take this forward. All our proposals whether they are business or infrastructure related need to positively impact upon our most disadvantaged communities.

### **Inclusive growth underpins all our major themes**

The principle of inclusive growth runs right through our proposals for the Ayrshire Growth Deal. Our frameworks for business growth focus on innovation and internationalisation are for all companies that have growth potential – engineering, tourism, food and drink, and others. Our frameworks recognise that innovative and internationally focussed businesses require a skilled workforce drawn from all sections of our community; we propose skills pathways and employment support to enable this to happen.

Our infrastructure proposals are designed to ensure that we both maximise business access to markets and opportunities to link some of our most disadvantaged communities to economic opportunity. Whether that is physical road and rail infrastructure or digital infrastructure the objectives remain the same: linking people and businesses to opportunity.

Our ambitions for communities are to build confidence, aspiration and sustainability, and to ensure all of our young people are well prepared for the world of work and inspired to succeed. We aim to build local employment opportunities and develop clear routes for young people to participate in the industries of the future.

Strong communities are essential for a thriving economy; ultimately our success will be measured on both the outcomes of increasing wealth and jobs, and reducing deprivation and inequality. We have the opportunity to grow the economy for Ayrshire, Scotland and the UK. If we approach it wisely, we can really improve the lives of Ayrshire people.

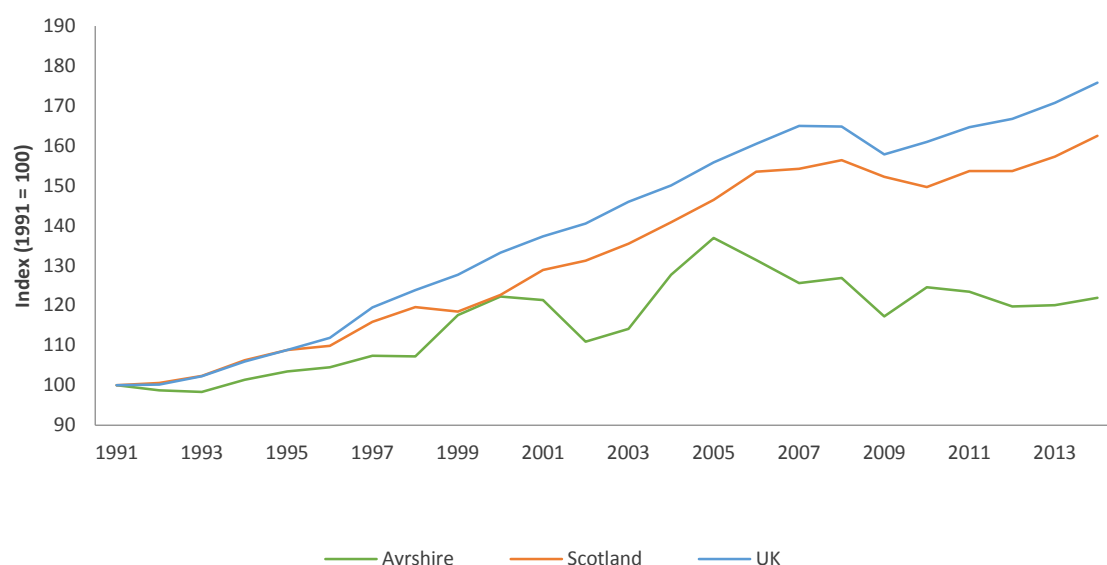
## The Ayrshire economy

The Ayrshire Growth proposal has developed from a clear understanding of the opportunities and the challenges facing the region's economy. This section provides a snapshot of the economy and projections that have helped inform that understanding, leading to our vision and themes.

### Ayrshire's economic performance

Ayrshire has experienced low levels of economic growth, diverging significantly over the years from both Scotland and the UK; and has yet to fully recover from the last recession. As a result Ayrshire currently represents a declining share of Scottish GVA, see Figure 1. Ayrshire also lags on GVA per capita, which was £15,289 in 2014, compared to £22,645 in Scotland and £23,844 in the UK. Without intervention Ayrshire's GVA is forecast to grow at a slower rate than Scotland and the UK. Forecasts to 2030 are for Ayrshire's growth to be 1.57% p.a. compared to Scotland (1.95%) and the UK (2.36%).

Figure 1 Ayrshire's GVA compared Scotland and the UK 1991 – 2014



### Employment

Ayrshire employment is concentrated in a few industries: healthcare 20%, wholesale and retail trade 16% and manufacturing 9%. Whilst these sectors are important for local employment, it is manufacturing that makes the most significant contribution to the economy in terms of GVA, with 17%, wholesale and retail trade 15%, and healthcare 12%. For each of these sectors, the share of total Ayrshire GVA is higher than the Scottish share.

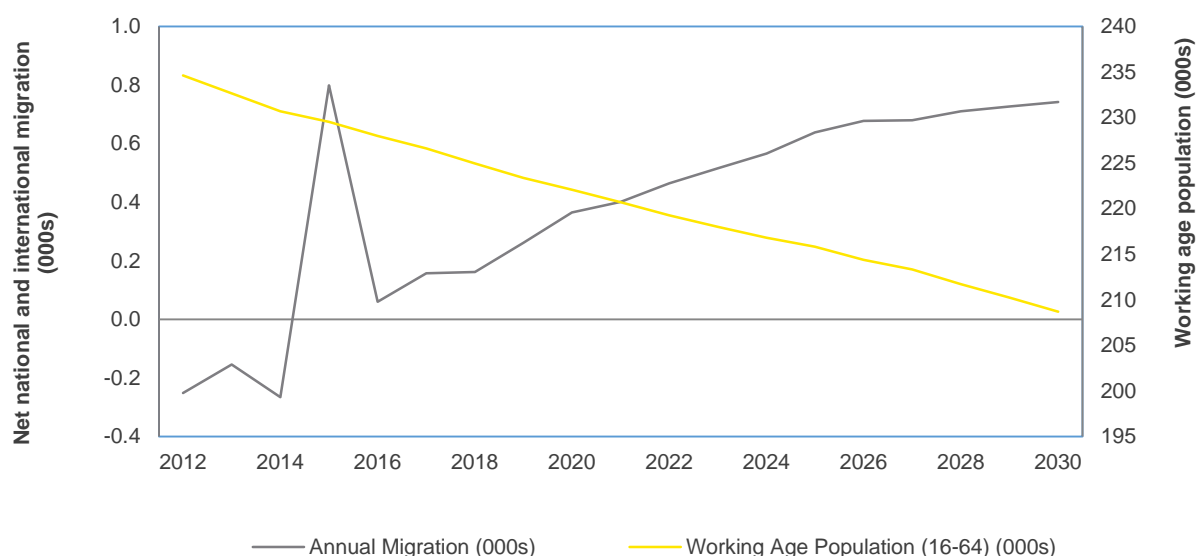
A significant proportion of economic activity in the region is in sectors that have experienced static growth or net declines since 2000. The distribution of employment in Ayrshire is geared more towards sectors which by their nature are less productive, such as retail, hospitality and healthcare. This is the key reason why Ayrshire has low productivity levels compared to Scotland. The disparity in GVA levels is forecast to increase, with the Ayrshire economy projected to only grow 1.57% until 2030, compared to 1.95% in Scotland and 2.36% in the rest of the UK.



## Unemployment, demographics and welfare

Ayrshire's unemployment figures are above the national average at 7% compared to 4%. It also has a declining working population as young people are seen to migrate to areas with better employment opportunities and in contrast, the 60+ population has increased. The impact of these trends on the working age population in Ayrshire is shown in Figure 2. The combined impact of an aging population and high unemployment is reflected in higher than average welfare spending at £1,512 per head in 2015 compared to £1,282 per head in Scotland. Attracting and retaining young people to Ayrshire will be important therefore for the Ayrshire Growth Deal.

Figure 2 Forecasted migration and working age population Ayrshire



## Skills

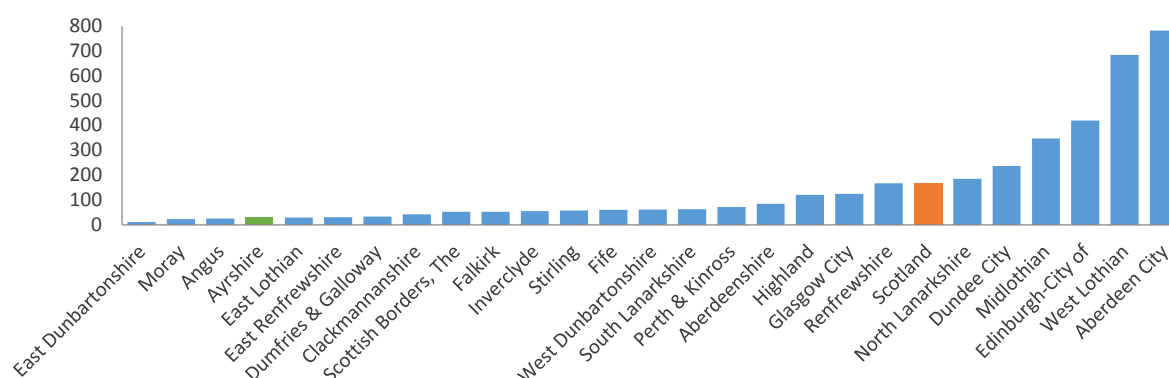
Skill levels in Ayrshire help us understand some of the employability and productivity barriers. For example, the region has lower educational attainment than the Scottish average (35% educated to SVQ4 level and above compared to 41% for Scotland). Although on an upward path the levels of school leavers taking up HE is lower than the Scottish average, but is substantially higher for FE (36% compared to 24%).

The challenge for the AGD is to diversify and grow the economy whilst creating more higher value, private sector jobs. There is significant effort by all parties to supply skills to match the demand that exists. However, in addressing both the skills and employability issues, we are considering a number of interventions that seek to maximise the opportunities currently available, strategically linking individual and business success.

## Productivity and R&D

Whilst Ayrshire has strengths in a number of sectors, the challenge is to address the relatively low levels of innovation. Business expenditure on R&D spend is low per capita compared to the rest of Scotland as Figure 3 illustrates.

Figure 3: Business expenditure on R and D investment 2014 Ayrshire comparison with the rest of Scotland



### Foreign Direct Investment (FDI)

Ayrshire has capitalised well on its strengths and between 2000 and 2014 Ayrshire attracted 6% of Scottish FDI projects, roughly equating to its share of Scotland's overall GVA. Increased foreign investment encourages other business activity, if the conditions are right. There is also a tendency for industries to cluster together. Ayrshire needs to review what is making it an attractive investment location, its target markets and proposition to business and further exploit its position.

### Regional attractiveness

Ayrshire has a number of attractive features to promote its quality of life appeal and build on its tourism potential. The natural beauty of the Ayrshire countryside, coast line and islands and the development of its marinas and ports can attract tourists, business and potential new residents.

Despite this there has been a decline in the number of overseas visits and a decline in average spend per visit. Whilst tourism only contributes to a small amount of regional GVA, it does support economic activity in other sectors of the economy by adding to Ayrshire's attractiveness to business investment and as a provider of employment.

### Conclusion

The regional economic baseline and projection has been prepared and the above only highlights key data and findings. Over the next stages of development of the AGD, testing the links of data with on-the-ground knowledge will ensure our interventions are well designed to address the challenges and opportunities of the Ayrshire economy. Our region's economic performance clearly demonstrates a credible case for a step change in approach. We are seeking a deal with government to enable the region to unlock its economic potential.

## Vision

We have a **regional economic vision for Ayrshire** that focuses on unlocking local potential for the benefit of the Scottish and UK economies:

***Our vision is for Ayrshire to be a vibrant, outward looking, confident region, attractive to investors and visitors, making a major contribution to Scotland's growth and local well-being, and leading the implementation of digital technologies and the next generation of manufacturing.***

To achieve this Ayrshire will play a greater role in the regional, Scottish and UK economies. Ayrshire will be recognised for leading the successful implementation of key technologies in manufacturing sectors that are important to Scotland. Ayrshire will be recognised for its world class infrastructure and the quality of life it can provide. Our ambition is to see this happen through targeted investment, greater collaboration with the public sector stakeholders and partnership with the private sector.

This vision expresses our commitment to transforming Ayrshire from an underperforming area to a region that is making a bold and innovative contribution to Scotland's economy.

### **Ayrshire's manufacturing strengths**

Our ambition for Ayrshire is to build on our strengths particularly in the key sectors of life sciences, engineering, aerospace and space. Manufacturing can lead the way for Ayrshire's economy to become more productive, innovative, international and inclusive providing a range of employment opportunities directly and through its linkages and supply chain.

The Scottish Government's Manufacturing Action Plan (MAP) is an opportunity for Ayrshire to support Scotland, and the UK's, ambitions to rebalance the economy. Ayrshire can play a key role in the delivery of the MAP with the potential to be the test bed for key technologies and business support.

### **Wider impact of our proposals**

All sectors in the Ayrshire economy have a role to play, and are often mutually supportive, and therefore many of the interventions we propose will build on the current successes of the existing global, national and regional businesses. In an interlinked global economy, Ayrshire businesses need to become more innovative and outward facing to remain competitive and enhance the productivity of the region.

### **Digital infrastructure and skills**

Our proposals for digital infrastructure and skills are critical to address Ayrshire's productivity gap, provide the infrastructure and labour force required for indigenous and inward investing companies alike, and present opportunities for all of our communities to participate in our economy through enhanced access to employment, education and services.

Making the most of the opportunities offered by the digital economy will be a significant source of productivity gains, for the Ayrshire economy. To maximise the opportunity afforded by the emerging digital economy Ayrshire must become a region of world class digital infrastructure, where businesses can work more innovatively to embrace digital technology to improve performance,

where our people have the skills to fully utilise technology to increase productivity and become skilled digital creators.

### **The Ayrshire Growth Deal**

The AGD will contribute to this regional vision, creating a growing, innovative, smart, more productive and inclusive economy, by developing Ayrshire's core strengths and ensuring our communities benefit from economic growth.

To deliver the AGD we have identified three interconnected themes: **Frameworks for Growth** – innovation and internationalisation, **Connections for Growth** – digital connections and routes to markets and employment, and **Connecting Communities to Growth** – communities first and skills pathways.

These themes are explored further in the following chapter which sets out initiatives we wish to develop and early stage project areas we want to explore with Governments and their agencies.

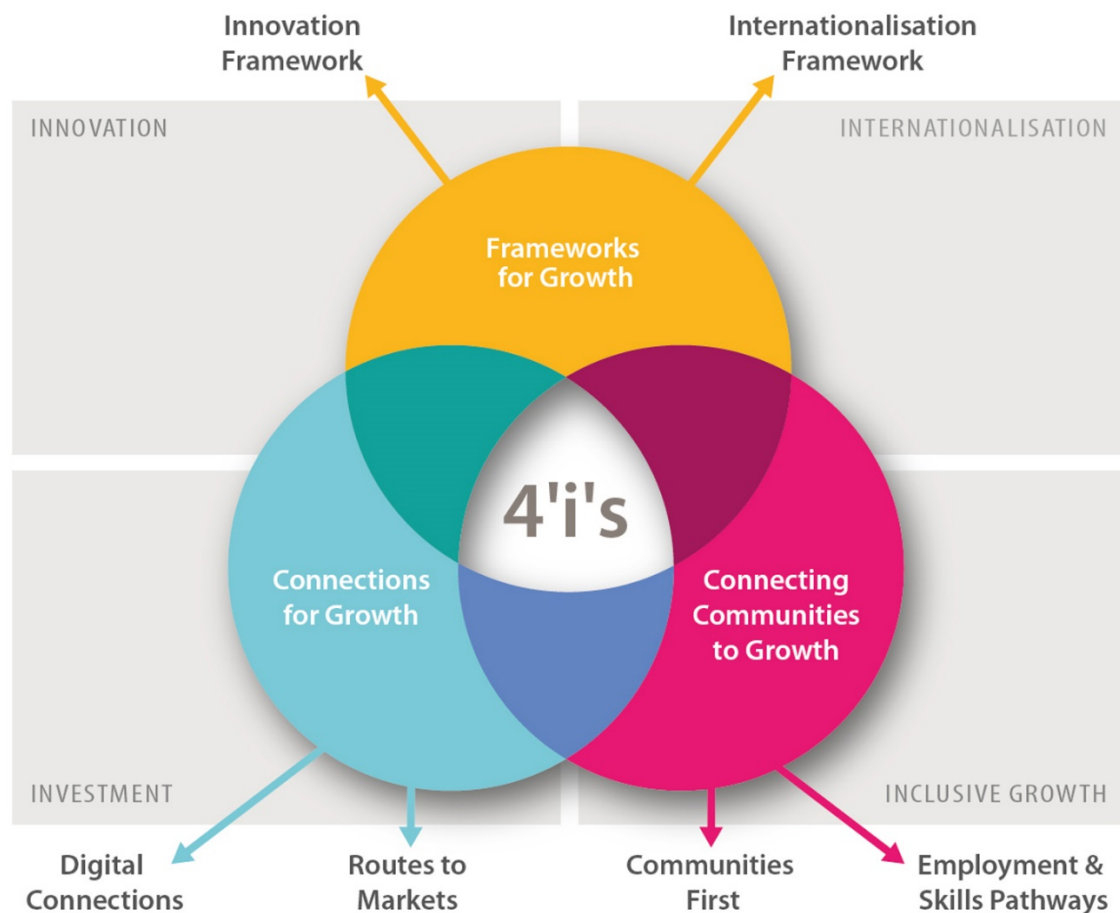
### **Innovation, internationalisation, investment and inclusive growth**

The AGD partners recognise that for Ayrshire to be successful and to build on its current strengths we must reduce the disparities across our communities and make full use of the assets we have. This is why partners have agreed that inclusive growth should be a key cross-cutting priority of the AGD and will underlie the three themes outlined above. Tackling inequality will ensure that the region is competitive in the global market.

AGD partners are committed to the four priorities the Scottish Government has identified for economic growth at a national level, namely Investment, Innovation, Inclusive Growth and Internationalisation, and to the UK Government's priority of raising productivity and will work collectively to fully realise these at a regional level. Figure 4 shows how the AGD priorities link to the Scottish Government's economic strategy.

## Proposed themes and potential interventions

Figure 4 The AGD themes and their fit with the Scottish Government's economic strategy



### Frameworks for Growth – innovation and internationalisation

Innovation and internationalisation are key drivers for business growth. Our proposed interventions focus on local strengths and national priority sectors in order to maximise the economic benefit. This theme focuses on:

- Improving Ayrshire's productivity by creating a more innovative and outward facing business base reshaping local business support programmes;
- Encouraging research and development, entrepreneurship, and skills development (including upskilling our current workforce);
- Enhancing our key business locations with improved infrastructure including ultrafast broadband to attract new investment into the region and to give global reach to Ayrshire businesses;
- Engaging in sector initiatives to enhance our strengths in life sciences, aerospace and space.

#### *Innovation framework*

Our approach to innovation encompasses enhanced business support services, key sector initiatives, business infrastructure, skills and proposed policy changes. Our objective is to create a scenario where innovation is valued and the economic benefits are fully realised.

Our proposal is to provide **enhanced business support services** to businesses in all sectors throughout Ayrshire, building on the lessons of the successful **Innovation Pilot Scheme** delivered in North Ayrshire and SMAS's **Lean Academy** programme. This would link to the creation of **innovation space** for the introduction, or scaling up, of new products and services. Improved access to training and skills will come through joint working with the Ayrshire College and UWS.

**Advanced Manufacturing Hub** would provide 'end to end' support for the full range of manufacturing sectors in Ayrshire focusing on both innovation and international concepts. A physical hub would provide facilities to develop R&D, commercialisation, skills, and the prototyping and testing of new products and services that could help drive advanced manufacturing in Ayrshire.

Providing **high quality business space** is the key to unlocking the potential in all these sectors. Typically however, the value of a newly built property is approximately 30% of build cost, notwithstanding there being evidence of demand (i3, Irvine's Enterprise Area has let or has under offer 300,000 sq ft since March 2012). Securing private sector investment for commercial build is therefore not viable currently. It is proposed that through the AGD the public sector directly provides high quality business space, until the market readjusts, at key strategic locations such as Prestwick, Irvine i3, and Moorfield Park. At the former Diageo site in Kilmarnock the Halo project will seek to link into opportunities for incubator and innovation space linking to the new Ayrshire College.

Skills provision is an essential part of the AGD proposals. Working with Skills Development Scotland, Ayrshire College and UWS we are proposing a range of step change projects across the sectors.

Our proposal for **engineering skills** illustrates our integrated approach:

- Establishment of an **Aerospace Education Training Centre** for both skills and R&D opportunities as part of the Advanced Manufacturing Hub;
- Further development of the **Composites Materials Facility at Ayrshire College**;
- An industry based **Engineering Skills Academy for High Level Training and Development** in instrumentation and control, automation and robotics, advanced machining, and composite materials and testing;
- A **skills enterprise area**, which would offer incentives to encourage companies to invest in the development of their staff.

Ayrshire is home to two **enterprise areas** at **Irvine i3** and **Prestwick Aerospace Park** however alongside our proposals for skills we would like to open the dialogue with both the Scottish and UK Governments to explore options for expansion of the EA status and to adjust the mix of incentives.

### ***Internationalisation framework***

The twin objectives for the internationalisation framework are to increase **exports** from Ayrshire's businesses and to increase our ability to attract mobile **inward investment**. The framework recognises the key strengths of Ayrshire and ties into a number of the core initiatives, recognising the economic importance of the aerospace sector, the Prestwick Spaceport Bid, and the Irvine Enterprise Area's focus on life sciences.

A virtual **export hub** would provide support for companies to help identify new opportunities for international growth and, more importantly, develop the skills and confidence to take this forward.

Ayrshire has many strengths for exporting providing an attractive proposition to domestic firms and potential inward investors with our ports, airport and rail freight infrastructure. This offers the

opportunity to brand the region with a proposal being: “Ayrshire – Scotland’s Export Portal”. A virtual Export Hub would bring together intelligence from Local Authorities, SDI and the Ayrshire Chamber of Commerce, together with a team of dedicated export advisors with specialist sector knowledge. This support would proactively identify companies with export potential and work with them to develop their international strategy.

For **inward investment** there are four key factors influencing decision-making: business infrastructure, skills, costs and incentives, and proximity to clients and supply chain. We aim to address them all. Improving business infrastructure at our strategic locations, and comprehensive skills pathways, are critical to improving Ayrshire’s **inward investment** offer. We will explore how to increase the effectiveness of our work to develop and promote Ayrshire’s inward investment proposition and to ensure close working with SDI, and other partners. Linked to this would be the development of a comprehensive **inward investment aftercare service** to help secure further investment and establish links to local supply chains.

There are specific sectors where Ayrshire can enhance Scotland’s international profile and attractiveness. With the current national reviews of aerospace, defence and marine strategies Ayrshire will seek to contribute to securing international investment particularly around aerospace, space and life sciences.

### **Life sciences and industrial biotech**

The Scottish Government has set a target of doubling turnover in the life sciences sector from £3 billion in 2005 to £6 billion in 2020. Scotland has world renowned research capabilities in its universities yet needs to do more to translate that research into manufacture.

The provision of testing and scale up facilities is a critical step in the growth of manufacturing. Irvine is home to i3, Scotland’s largest life sciences enterprise area and has the land and infrastructure to facilitate this. With GSK, Sigma Aldrich, DSM, Bioforce and a host of supply chain and support companies Ayrshire is an ideal location for life sciences manufacture. Irvine is being considered as a location for a **Medical Manufacturing Innovation Centre** which would provide a focus and impetus to build on the strengths we have in the sector.

### **Aerospace and space**

Ayrshire has over 50% of Scotland’s aerospace employment and a cluster of global companies including BAE Systems, GE Aviation, Spirit, UTC and Woodward. Increasing demand combined with re-shoring supply work, provides an opportunity for significant growth. This is also an opportunity for suppliers in other sectors, such as oil and gas to diversify. Our ambition is to grow this sector through improvements to infrastructure, skills provision and the establishment of a **Composite & Advanced Materials Manufacturing Centre of Excellence**.

**Glasgow Prestwick Airport** is a key enabler for this work and an opportunity in its own right. Its plans to grow a range of services including freight, as well as increasing passenger routes and connectivity. The airport is essential for fly in maintenance, repair and overhaul work (MRO), which supports several hundred jobs, with more in the pipeline.

Prestwick has a unique combination of attributes that make it a strong contender to be awarded the UK’s first Spaceport licence. From its infrastructure, latitude, take off over the sea, meteorological conditions plus the strong cluster of aerospace companies already here means that the economic benefit of the siting of a spaceport at Prestwick is likely to be greater than can be achieved elsewhere.

## ***Connections to Growth – digital connections and routes to markets***

This theme proposes interventions to connect businesses to markets, to make Ayrshire more accessible to investors and visitors, and to connect our communities to employment and training opportunities. Our proposals cover both digital connectivity and physical infrastructure. Infrastructure is an enabler for growth and plays a key role in enhancing productivity. We are intent on bringing Ayrshire's people closer to the economy and Ayrshire's businesses closer to national and international markets.

### ***Digital connections***

The digital economy is key to economic growth and global competitiveness. Sectors as diverse as aerospace and tourism will benefit from improvements to productivity, performance and profitability. Making the most of the opportunities offered by the digital economy will lead to productivity gains, innovation and competitiveness. Investment in digital technology increases productivity by three to eight times more than other capital investment. With innovation and internationalisation as critical themes for the AGD, digital connectivity, deployment and skills are all essential to support our growth ambitions.

However there are barriers that must be overcome to ensure the economy takes full advantage of digital technology: some business leaders do not fully appreciate the strategic potential of digital technologies and have concerns about costly mistakes and cyber security; there are gaps in local infrastructure and even where it is robust not all firms are using it to increase sales or productivity; and businesses are suffering from relevant skills deficiencies at all levels. Increasingly digital skills are key to employability across the full range of skill levels and sectors.

### **Our digital ambition**

Our ambition is to become the best in Scotland for digital infrastructure, coverage, business deployment, and skills. We aim to lead the implementation of the Scottish Government's World Class Scotland ambitions. We will expect to go beyond these targets in key locations to help make Ayrshire globally attractive for business location and investment.

### **Connecting businesses to digital**

There is a need to 'win hearts and minds' amongst some of our businesses about the importance of digital to their business future. A **digital link programme** should be offered as a component of the innovation framework, building on the initiatives that Scottish Enterprise undertakes with business. Digital skills are essential to greater deployment and business survival. A **digital skills framework** for Ayrshire will be developed with the Ayrshire College, UWS, and SDS to increase provision on ICT training and to provide bespoke solutions and interventions.

### **Connecting communities to digital**

We want to connect communities more effectively to the labour market, to increase economic activity and contribute to growth. Employability programmes and enhanced transport infrastructure and services are the traditional routes. We believe these routes should be complemented by digital infrastructure and skills.

Low connection speeds in many areas can make working or running a business unviable. 60% of new businesses start in the home – poor infrastructure acts as a drag on business start-up in our more remote communities.



We wish to explore **piloting alternative technologies** to improve digital access to remote communities and premises, and where enhanced transport, or other infrastructure is being delivered we aim to introduce **digital community benefit clauses** with a requirement to deliver ducting for broadband.

### ***Routes to markets and employment***

Our approach to transport improvements is based around corridor routes. We have the twin objectives of improving access to markets for business and connecting some of our most deprived communities to economic and educational opportunities. In addition to roads and rail, Ayrshire has ports and an airport – key infrastructure to connect to Glasgow and the rest of Scotland, to the Northern Powerhouse and the rest of the UK, and internationally.

#### **West – east corridor**

This corridor is the opportunity to improve connections to the rest of the UK through improved services on the **Kilmarnock to Carlisle rail line** and by upgrades to the A70 linking to the M74. Currently the Kilmarnock to Carlisle rail line offers a poor service making it impractical to use as either a commuting or a reliable business service. The line passes through former coal mining communities, electrification, improving service frequency and rolling stock and potentially opening new stations would improve access to employment opportunities. We would seek to develop a comprehensive strategy for this corridor.

The south of the county has poor links to the M74. The proposal is to look at **upgrading the A70** to reduce journey times to the M74 and to propose adoption as a trunk route. This route passes through former Ayrshire coalfields improving accessibility to some of our most disadvantaged communities. As a first step we would work with Transport Scotland to develop a STAG appraisal to review options.

#### **North – south corridor**

This corridor looks at two critical routes from Ayrshire to Glasgow to the north and to Stranraer and onto Ireland and to improve access to Prestwick Airport. There are constraints around Ayr and at the **Bellfield Interchange** (A77, A71 and A76) which is a strategic junction linking to key development sites and opportunities. We wish to work with Transport Scotland to design and review options for these locations and to consider how best to target investment to address these issues identify development opportunities alongside any realigned route.

For the north of the county the **A737** is the key link to Glasgow. Improvements are already programmed and are at tender stage for the Dalry bypass. This is the first stage of a series of upgrades that the AGD wish to take forward including to the Beith bypass junction, the B714 Dalry to the A78 link, and Dalry to Howwood. These upgrades will substantially reduce journey times to Glasgow linking to the M8 and Glasgow International Airport. They will improve transport links to the Garnock Valley which has longstanding economic issues since the closure of the Glengarnock steelworks in the 1980s.

#### **Coastal corridor**

Ayrshire's coast is a key asset for the attraction for tourists, business opportunities, trade and a vital link for access to the islands and Argyll. Since the introduction of the Road Equivalent Tariff Ardrossan has become Scotland's busiest passenger port with an estimated 1 million journeys a year. Recently Derek Mackay MSP Minister for Transport has established a task force to address the

harbour infrastructure weaknesses and development opportunities at **Ardrossan harbour**. Our proposals are to work with Peel Ports to upgrade harbour infrastructure to accommodate increased sailings and include the commercial, leisure and residential development at Ardrossan North Shore supporting the physical regeneration of the town.

Ayrshire's harbours and ports provide superb opportunities to develop a cluster of marine activities, tourism and business, linked to marina infrastructure with potential expansion at Largs, Ardrossan, Brodick, Irvine, Troon and Ayr. We also wish to explore opportunities at Hunterston linked to the deep water and rail freight facilities and at Ayr and Troon to support ABP's development plans.

## ***Connecting Communities to Growth – communities first and employment and skills pathways***

This theme places communities at the heart of our ambition to ensure that everyone benefits from economic growth. It recognises the vital importance of strong sustainable communities to Ayrshire's future. There are a number of initiatives that we wish to explore, examples are shown below. We will create confident, resilient and sustainable communities that can participate and contribute to a growing Ayrshire economy.

We propose initiatives to support innovation and employment opportunities in our towns and villages, and programmes to ensure our communities have the skills to participate in the increased job opportunities that a growing economy will bring. We also wish to explore the role of our schools in providing the first steps towards ensuring our young people are prepared to fully participate in the economy.

### ***Communities first***

We propose a holistic approach to tackle some of Scotland's most deep-rooted areas of deprivation and provide routes out of poverty through accessible job opportunities, social enterprises and business start-ups. We propose the **CoHubs**, 'Communities Working Together', initiative to offer a co-ordinated approach, delivering a step change in how we reduce inequality in access to employment.

**CoHub** would be a partnership between the public, private and community/voluntary sectors to create an enterprise culture within communities, providing local people with opportunities to:

- consider self-employment as a career path;
- benefit from current job opportunities;
- create new employment in the local area to aid economic sustainability.

Across Ayrshire a 'hub and spoke' model is proposed to deliver community outreach activities to work with excluded groups and provide **CoHub community incubator** space, offering services such as: learning and training, pathways to employment or self-employment, volunteering, co-working space, and entrepreneurial assistance.

The incubator will be the hub for activities, working with the Third Sector, and an **Ayrshire CoHub Support Unit** to provide services. A **CoHub Academy** will include a digital media platform with learning packages to support community capacity building, community leadership skills, digital skills and social enterprise development. Support will be available to community leaders and organisations to help take advantage of the opportunities presented by community asset transfer.

## ***Employment skills pathways***

We propose comprehensive employment support for those entering employment, to help sustain work and to encourage 'fair work'.

The **Ayrshire Fair Work** project would target long-term unemployed and low-paid individuals to promote inclusive growth. It will support businesses to embrace fairness, equality, opportunity and innovation and deliver fair work in Ayrshire and link to our initiatives on innovation, productivity and internationalisation. The Fair Work programme will include:

- A **co-ordinated recruitment service** to help employers within care, retail, hospitality and tourism who face the challenge of recruitment and retention;
- **In-work and employer support** will help low paid workers to gain qualifications to support promotion and increased hours;
- Employers would be supported to meet the **Scottish Business Pledge**, improving pay and conditions.

An **integrated aftercare and employee retention service** would be developed providing 1-2-1 support, action planning, counselling, money advice, skills development and accredited learning as well as HR support and advice for employers.

A health intervention programme, **overcoming barriers to work**, would support people with health problems to deal with these issues and return to work. This would be a collaborative process which engages clients and organisations looking at all aspects of their health and wellbeing, encouraging individuals and organisations to choose healthy work and life options. The collaborative programme could include counselling, physiotherapy, occupational therapy, condition management and cognitive behavioural therapy or other specialist treatments.

## **Investing in education**

Preparing young people for the world of work is critical to securing long term sustainable growth. Ayrshire is making a substantial investment in new schools, seeking to raise educational standards and positive outcomes for pupils. Our proposals include:

Taking the lead with digital skills where all of Ayrshire's young people become digital creators. This could mean enhancing the investment in infrastructure (building on our Digital Connections programme), equipment and teaching resources that is already proposed. A specific opportunity to support this ambition would be for Ayrshire to be considered as a potential pilot area for Skills Development Scotland's proposed **digital schools initiative**.

We wish to explore taking this initiative further to create a network of **Ayrshire Digital or Science Academies** where our new school programmes can provide centres of expertise in Digital and STEM activities and to use the connectivity we propose to make that expertise and opportunities available to all schools in Ayrshire.

Across Ayrshire all three local authorities are proposing substantial investments across the schools estate, for example at **Knockroon Learning and Enterprise Campus, Ayr Academy and Ardrossan Academy**.

East Ayrshire's proposed £63 million investment in the **Knockroon Learning and Enterprise Campus** is an example of how we wish to explore directly linking this investment to the ambitions and opportunities afforded by the AGD. There are ambitions to work in partnership with Ayrshire College

and UWS and provide workspace for young people to create enterprises. This project could be developed further to expand digital and STEM resource, infrastructure and facilities. The site is adjacent to the Knockroon mixed use development (supported by the Prince's Trust), alongside Kilmarnock to Carlisle rail line, and the **Morphy Richards STEM Centre at Dumfries House**.

### **Education links to business**

Alongside these initiatives we wish to increase **employer engagement with education**, building on current government investment in employer engagement through the **Developing the Young Workforce Ayrshire** regional group by securing sustained and growing links between schools/college/university and employers in the region. We propose to go beyond the current ambition of having one employer partnership with every primary and secondary school in Ayrshire.

## Our partnership

The three Ayrshire authorities have been working together through the Ayrshire Economic Partnership to develop the aim and themes for the Ayrshire Growth Deal. Our partners come from both the public and private sectors and represent the key stakeholders in Ayrshire: we have fused the local knowledge of Ayrshire College, the UWS and the Ayrshire Chamber of Commerce together with the national expertise of SE, SDS, SFT and SCDI. Working groups have collaborated to assess the inhibitors to economic growth and participation, and to identify the specific interventions that will unlock Ayrshire's potential and lead to economic growth.

Partnership with our businesses and communities is critical to ensure the long term success of the AGD. In preparing this prospectus we have consulted across the public, private and social economy of Ayrshire, including our communities through our respective Community Planning Partnerships. We have facilitated tailored business engagement events to raise awareness of the AGD amongst the business community and, more importantly, to gather feedback on key themes from local, national and global businesses operating in the region who, ultimately, will provide the jobs and enable the region to prosper growth. Further business engagement events will ensure continual feedback and meaningful partnership with the private sector as the AGD develops and progresses. In addition, we have engaged with local communities, recognising that they will provide the workforce to ensure the success of the AGD and will be impacted by the measures to generate growth.

## Governance and delivery structure

In order to ensure the delivery of a Regional Growth Deal, the three Ayrshire local authorities are committed to establishing a strong, open, transparent and accountable governance structure that strengthens the existing partnership arrangements across the region.

A robust governance framework is already in place between the partners for this proposal phase and the Ayrshire region partners will continue to develop a full governance and delivery framework that will oversee the long term delivery of the deal.

A fundamental component of the governance and delivery framework will be collaborative working with co-investment partners from the university and college sectors and government agencies. Strong links to the private sector will demonstrate our commitment to the vision and objectives of this deal.

The partners will also draw on the range of best practice and lessons learned from local authority colleagues across the UK and Scotland who have already been awarded a City Deal or City Region Deal.

During the proposal phase we will work to agree the governance arrangements including complementary arrangements with the UK Government and Scottish Government that facilitate joint working and provide a suitable mechanism to ensure all parties are meeting their commitments as part of the deal.

## Our initial ask of Government

We believe that our Prospectus presents a compelling case for investment in Ayrshire to stimulate growth and inclusive growth. We have set out our ambitions and the opportunities we wish to work with Governments to deliver.

We ask for a commitment from Government to working with the three Ayrshire Authorities and our partners to secure an Ayrshire Growth Deal, and the commitment to working jointly to develop the AGD exploring the ideas outlined in the Prospectus.

We have made a substantial financial, and resource, commitment to develop the bid and we will continue to do so. To support us in these next stages we ask Government to consider making a financial contribution to the next stages of project development.

Given our emphasis and the importance of manufacturing to Ayrshire we were greatly encouraged by the First Minister's recent announcement of the Scottish Government's proposed Centre for Excellence in Manufacturing and ask that Ayrshire be actively considered to host this facility.

We have a real strength in aircraft maintenance, repair and overhaul and ask that the Scottish Government supports Ayrshire in early implementation of the circular economy work of the Manufacturing Action Plan.

Digital connectivity and skills are critical elements to our proposals and we would welcome Government support to develop these initiatives through continuing to work with the Scottish Futures Trust.

We are keen to make early progress on the digital aspirations contained in this Prospectus to that end we would welcome the opportunity for Ayrshire to be considered as a potential pilot area for Skills Development Scotland's 'Digital Schools initiative'.

Financial support for the STAG appraisal of the upgrade of the A70 and the technical appraisal of the options to address issues at the A77 Bellfield interchange and around Ayr would assist us greatly.

The Kilmarnock to Carlisle rail link is extremely important to us and we have concerns that the current Network Rail Route Study consultation suggests this might be downgraded rather than upgraded. We would like to ask for Government support for this route to have commuter status to allow us to develop the case for service improvements and to enable direct access to the English "Northern Powerhouse".

By working closely with governments on the agenda set out in the Ayrshire Growth Deal we believe that we can realise our full potential, creating jobs and prosperity for all of our communities.

## Our commitment

The three Ayrshire local authorities are united in a determination to develop and deliver the Ayrshire Growth Deal. To be successful we recognise that we must improve collaboration, building on both the similarities and unique strengths across our authorities. We will work together to enhance the opportunities for our businesses and communities to build an inclusive, resilient and confident Ayrshire economy. We are committed and determined to work together across the region and with Scottish and UK Governments to achieve these goals.

- ⇒ We commit to working together, to exploring new forms of collaboration with national agencies and the private sector. This will include governance arrangements for the AGD with key roles for the private sector and stakeholders.
- ⇒ We will look at our capital and revenue programmes to identify how we can make investment alongside Government to unlock the potential of the Ayrshire economy.
- ⇒ We will identify new ways of working that will drive efficiencies, focussed on the needs of the economy.
- ⇒ We will aim to make Ayrshire the most open and accessible environment for business investment in Scotland.
- ⇒ We will review our existing capital programmes to link these explicitly to support the aims and ambitions of the AGD.

The AGD provides a once in a generation opportunity to work collaboratively to improve the performance of the regional economy and our commitment to Government is to work in partnership to deliver a step change in the Ayrshire economy and to realise our vision of a growing, inclusive economy that makes a positive and significant contribution to Scotland's future economic prosperity and wellbeing.

Our commitment to Government is to work in partnership to deliver a growing, inclusive economy that makes a positive and significant contribution to Scotland's future.



## Our proposed timetable

Following our submission of our Prospectus we will continue to work with our partners and engage in the preparation of a strategic business case for the Ayrshire Growth Deal which we propose to submit to Governments in May 2016.

Our dialogue with Governments their departments and agencies will continue in the preparation of the strategic business case and as we work through project proposals over the coming months.

We intend to prepare outline business cases by late summer followed by detailed businesses cases by the autumn to allow full and detailed discussions with Governments.

Our target for implementing the first projects within the Ayrshire Growth Deal is spring 2017.