
NORTH AYRSHIRE COUNCIL

10th November 2020

Cabinet

Title:	Ayrshire Growth Deal Progress Update
Purpose:	To update members on progress in progressing North Ayrshire Council's Ayrshire Growth Deal Projects.
Recommendation:	It is recommended that members note progress made in developing the suite of projects forming part of North Ayrshire Council's Ayrshire Growth Deal portfolio.

1. Executive Summary

- 1.1 This report provides details on advancing North Ayrshire Council's Ayrshire Growth Deal projects.

2. Background

- 2.1. On 8th March 2019, the three Ayrshire Councils and the UK and Scottish Governments signed Heads of Terms for the Ayrshire Growth Deal. This committed a funding package of £251.5 million to deliver transformational inclusive growth across Ayrshire, intended to create approximately 7000 jobs across a wide range of sectors over a 15-year period. The Ayrshire Growth Deal will lead the way nationally by implementing project delivery through a community wealth building lens, and by progressing its status as the first inclusive growth deal in Scotland.
- 2.2. In relation to project development, North Ayrshire Council has progressed all its AGD projects to a developed business case. Feedback from Governments and related agencies and policy leads has been positive and confirmed that all projects are strategically aligned to key UK, Scottish and other policy drivers. On this basis, UK and Scottish Governments have confirmed that business cases are sufficiently developed to enable the final financial commitment to be made to the Ayrshire Growth Deal, which unlocks the capability for projects to draw funds for delivery. The Ayrshire Growth Deal PMO has advised that a date for concluding financial arrangements has been set for 19th November 2020. This is a landmark event in the progress in securing the Growth Deal funding package, and will take the event of an online event, including minsters and will be accompanied with publicity and broadcast publicly. This key milestone for the Ayrshire Growth Deal will mean that project development will be able to accelerate towards delivery across the board, with security that project funding is in place to support the delivery of each of these transformational projects.

- 2.3. In advancing the development of Ayrshire Growth Deal projects, project development focusses on maximising the economic potential of the investment, to ensure that the investment is transformational and that the benefit of investment is sustainable, and delivers tangible benefits for our communities, such as creating and sustaining long term skills and employment benefits and capturing greater investment and presence of regional and national institutions and commercial investment into our communities over a long-term horizon. The Ayrshire Growth Deal investment provides a rare and unique opportunity to catalyse and accelerate the ability to achieve this and deliver our community wealth building aspirations through targeting presence and sustainable growth in high value sectors, where North Ayrshire already has existing strength or opportunities to capitalise on sector growth, which can in turn, increase the presence of higher education activity and other strategic partners as anchors for activity, and support increased investment into North Ayrshire. Key sectors where there is significant economic opportunity to harness our economic potential through our Growth Deal investment, by strengthening and making new markets, includes our life sciences sector, tourism and visitor economy, blue economy and circular economy. Delivering low carbon and digital solutions is critical to project development across North Ayrshire's Growth Deal portfolio and underpins our corporate commitment to net zero carbon emissions by unlocking strategic, and, in some instances, national opportunity to transform our energy consumption and generation.
- 2.4. For each of North Ayrshire Council Ayrshire Growth Deal Projects, the following sections of the report indicate the status of the project and key information relating to progress.

I3 – Irvine

- 2.5. The programme of activity at i3 Irvine includes £15m investment in flexible advanced manufacturing space and a digital innovation centre to provide a national centre for digital innovation in the process manufacturing sectors. In terms of key progress on advancing projects: -
- A strategic business case has been completed for the digital innovation centre. Government feedback confirms strategic support for the project.
 - Key partners have, in principle, agreed to support establishing a pilot phase of the digital innovation centre to be operational in 2021, with the facility intended to run by the National Manufacturing Institute for Scotland as a national Digital Process Manufacturing Centre.
 - A joint outline business case is being prepared for completion in 2020 with the National Manufacturing Institute for Scotland leading business case development. This will establish phasing, partnership arrangements and provide a headline commercial operating model for the facility, subject to requisite approvals.
 - Demand analysis is being undertaken to underpin the commercial case for the facility and ensure the facility meets identified business requirements.
 - An outline business case has been prepared for the i3 advanced manufacturing flexible space and has received positive feedback from Scottish Government and agencies.
 - This will provide much needed commercial business space at a prime business location and is underpinned by property market intelligence and advanced

manufacturing sector intelligence gathered to indicate the requirement for modern equipped business space and strategic support facilities to assist Ayrshire businesses advance business productivity.

- An i3 Masterplan is under preparation to optimise site layout, logistics and service arrangements and provide a blueprint for development. This will require Planning Committee Approval, which is targeted for early 2021. To date, the masterplan preparation process has identified site constraints to inform options appraisal for a digital innovation campus layout.
- Site clearance and invasive ground investigations are taking place during 2020/21 to enable masterplan completion, building and road layout preferences to be identified and to assist in reaching robust cost estimates for development, from which early phases of development can move towards design.
- Project development is proceeding to detailed design stage for first tranche of building to commence in 2021/2022.

Great Harbour, Irvine

2.6 A £14m investment in the Great Harbour at Irvine will principally support the implementation of the maritime mile. The maritime mile development will provide a strategic platform for secondary and tertiary commercial opportunities and effect strategic transformation of the waterside. Key progress includes: -

- An outline business case has been prepared and has received positive feedback from Scottish Government and agencies.
- A proof of concept has been completed to provide a robust evidence baseline for the programme of activity at Great Harbour, with the conclusion that there is a strong case for positioning the Great Harbour as a strategic national and regional destination, capable of attracting an additional 1 million visitors per annum.
- Concept design proposals have been developed.
- Detailed cost analysis of the proposed concept stage has been completed.
- A design team has been appointed to lead the development of the maritime mile project to a detailed, costed stage, fit for progressing to consents, consultation and implementation, which is anticipated to commence in 2022.
- Great Harbour masterplan stage 2 is under preparation, focussing on unlocking sequencing of development activity at Irvine Harbourside to follow the maritime mile development – including commercial/investment opportunities.
- Partner progress is ongoing with stakeholders including NPL, National Maritime Museum and prospective investors.
- Scoping of enabling projects is ongoing to identify models for supporting community wealth building through ownership and entrepreneurship within the local area – for example exploration of how to bring the Harbour Master's House back into productive use as a landmark building.
- A significant upturn in investment enquiries is noted, and the Council has made significant progress towards securing investments, through partnership agreements and progressing towards heads of terms with partners.

Marine Tourism

2.7 The marine tourism programme includes £9m investment in a marina expansion at Ardrossan and transit marinas at Cumbrae and Arran.

- An outline business case has been prepared and has received positive feedback from Scottish Government and agencies, providing a basis for programme phasing, including the initial project phase relating to the development of the expansion of Ardrossan Marina.
- For Ardrossan Marina a cost plan has been produced to evaluate historic design assumptions.
- Value engineering of prospective design solutions and programme finance and coordination activity is ongoing to align project costs with available budget capacity through technical analysis of development requirements. This project is being managed in the context of the wider programme of activity at Ardrossan to maximise outputs and minimise risk and deliver best outcomes for communities and place.
- Seabed material testing is being undertaken at present to inform design and cost options, following which a detailed design team will be appointed.
- Anticipated construction commencement at Ardrossan Marina is planned for 2023.

Hunterston

2.8 An £18m investment at Hunterston is earmarked to reinforce the range of site and infrastructure assets at Hunterston to support renewable energy, circular economy and blue economy opportunities at Hunterston.

- A strategic business case has been produced, which is supported by Governments.
- Partnership development work is ongoing and being advanced looking towards establishment of multi-partner partnership to enable AGD investment to be planned, whilst unlocking additional partner investment through initial development to stimulate activity. A partnership model is targeted for early 2021.
- North Ayrshire Council has supported a call to action to national agencies to support the local economy considering the decommissioning of Hunterston B and proposals are being developed to advance this in the wider context of all activity at Hunterston.
- North Ayrshire Council has issued a request for a ministerial taskforce to be set up to align the wider economic opportunity associated with the Ayrshire Growth Deal, and the assets at Hunterston, with the decommissioning of nuclear facilities.
- A Blue Economy strategic action plan is being developed for the Ayrshire region and will be completed in 2020/21, which will provide a route map to define Ayrshire's economic opportunity and unique selling point in this growth sector; particularly providing a context for project development at IMSE and Hunterston.

International Marine Science & Environment Centre

2.9 £10.5m is allocated within the Growth Deal to develop a marine science centre of excellence at Ardrossan, linking with the community campus to provide additional learning capacity linked with the education offer at Ardrossan, by operating an industry/academia/public sector triple helix model.

- A strategic business case has been produced. Government feedback indicates strategic support for project.
- A Blue Economy strategic action plan is being developed for the Ayrshire region and will be completed in 2020/21, which will provide a route map to define

Ayrshire's economic opportunity and unique selling point in this growth sector; particularly providing a context for project development at IMSE and Hunterston.

- Options for acceleration of the programme will be explored within the blue economy strategic action plan.
- Significant upturn in investment enquiries is noted around the blue economy opportunities and potential to develop clusters of activity. Discussions are currently ongoing to align potential opportunities with the strategic action plan for the blue economy.

Pan- Ayrshire Revenue Projects

- 2.10 North Ayrshire Council is leading on revenue projects as regional lead, including Community Wealth Building and Regional Skills and Inclusion Programme. Both components have also reached outline business case stage with support from Government and are awaiting confirmation of additional process requirements, in terms of whether full business cases are required prior to implementation. Discussions have also taken place to reflect implications of the pandemic in terms of implementation of the programmes.

Community Wealth Building Fund

- 2.11 The Ayrshire Growth Deal Heads of Terms committed £3 million for a Community Wealth Building Fund for Ayrshire and work has taken place since 2019 to develop this proposal on a regional basis, creating Scotland's first regional approach to Community Wealth Building. The overall aim of the project is: *'To develop an Ayrshire approach to Community Wealth Building that enhances wealth, ensures fair and meaningful work, and creates successful places throughout the region.'* The Outline Business Case contains the details of the programme focused on three key elements: CWB Business Locality Officers, a CWB Fund to support this activity, and a Fair Work Ayrshire programme. Draft detailed outputs for each aspect of the project are contained within the Outline Business Case. Key progress on the Community Wealth Building Growth Deal project is as follows.

- An Outline Business Case was submitted to Scottish Government and this has been positively received.
- A pan Ayrshire Community Wealth Building Fund Working Group was established in May 2019 chaired by the NAC project lead and has co-produced the project with both Scottish Enterprise (including Cooperative Development Scotland) and Skills Development Scotland being briefed on the project. The group has not met recently due to the Covid-19 pandemic but a November 2020 meeting is being planned to focus on key next steps implementation actions.
- Updates have been provided to the Ayrshire Regional Economic Partnership in September 2019, June 2020 and September 2020. It has been agreed by the Partnership that Community Wealth Building must go beyond this particular Growth Deal project.
- The project has attracted significant interest from other regions and was mentioned within the Scottish Government Economic Recovery Implementation Plan and the Programme for Government 2020-21.
- Both East Ayrshire Council and South Ayrshire Council joined the Community Wealth Building Commission in September 2020 and this will support the implementation of the regional programme. Further to this an Ayrshire Community Wealth Building Anchor Charter was launched in October 2020

signed by all three Ayrshire Councils, NHS Ayrshire and Arran, Scottish Enterprise and Ayrshire College and will be further promoted as part of the programme.

- The programme is due to commence in the 2021/22 financial year subject to Covid-19 and will run for three years.

2.12 *Regional Skills Inclusion Programme*

£8.5M is allocated within the Growth Deal, to deliver a Regional Skills and Inclusion Programme. There are two separate proposals within the programme. The first of these is the project “**Working for a Healthy Economy**”. This project: -

- Recognises Ayrshire's poor health record and the drag this has on economic development and inclusion.
- Utilises occupational health approaches which have been developed and proven to address health barriers to economic activity for individuals and support business to better address workforce health issues.
- Will be offered at a scale and scope not seen before in Scotland to individuals and businesses.
- The implications of Covid have been discussed with Scottish Government and it is agreed that while project approval should proceed as soon as possible – the contract implementation should be delayed to the end of 2020 or early 2021. This is because approach is somewhat reliant on face-face contact and a supportive jobs market.
- This will have minimal impact on financial profile as only £100k profiled for 20/21. Procurement framework for Health project was issued during January and has now been scored, and health/employability lot was awarded to NHS/Salus.

The second component of the Skills programme is the “**Ayrshire Skills Investment Fund**”. This project: -

- Recognises the challenges of developing skills for the future, and the need for flexible funding to respond.
- Would fund proposals that focus on developing a modern productive workforce, which is inclusive.
- Would provide additional flexibility and capacity to the skills system in Ayrshire over the coming years
- Discussed Covid implications with SG. Agreed that there is an argument to accelerate approval if possible. National resources for skills have already been announced and project will need to react to this as it emerges.

Digital Infrastructure Programme

- 2.13 The Ayrshire Growth Deal provides funding to support the delivery of a subsea fibre optic cable and associated infrastructure - £11m; enhanced 4G infill and establish 5G capability within the rural communities - £1m; and key sites upgraded as regional digital hubs and centres of excellence i.e., Prestwick Airport, i3, AMIC, IMSE and Hunterston - £2m. South Ayrshire Council is leading this work strand as regional lead for Ayrshire. Key progress in developing these ambitions includes: -

- The Regional Economic Partnership has established a Digital Regional Workstream to support partner ambitions and actions that will deliver on Ayrshire's regional ambition.
- Business cases have been developed to support the proposals and are supported by governments. Due to the fact that international connectivity will have a major impact on Scotland as a whole, support has been provided through Scottish Futures Trust.
- A review of the current digital connectivity across the Ayrshire region has been undertaken to assess the current position as a baseline for possible future development.
- A Digital Oversight Group has been established to articulate linkages to other projects/workstreams and will continue following conclusion of the deal documents.

2.14 Members should note that the impact of Covid has introduced some delay to the conclusion of funding arrangements, which was expected in Spring 2020. However, in the intervening period, consideration has been given to the development of projects, reflecting on the implications of implementation in a post-Covid context. It is considered that the strategic rationale for project implementation remains sound, and, in most cases, reinforced by the economic challenges already in play as a result of the pandemic. As matter of course, project development will continue to consider, and respond to, the operational and strategic implications of covid-19.

2.15 In relation to Governance arrangements, members should note that a separate report will be considered by the Audit and Scrutiny Committee outlining North Ayrshire Council's governance arrangements related to the growth deal. This has been designed to meet best practice standards, set out in the Audit Scotland report "Scotland's City and Region Growth Deals". The Council's internal governance arrangements have undergone strategic re-design to address the issues raised in the Audit Scotland report, following in-depth analysis of existing arrangements and stakeholder participation in development of robust governance mechanisms. North Ayrshire Council's governance arrangements are therefore being implemented to meet best practice standard, which should provide assurance that the impact of the Ayrshire Growth Deal investment is being maximised to achieve best value and that risks are being appropriately managed within this context.

3. Proposals

- 3.1 it is recommended that members note progress made in developing the suite of projects forming part of North Ayrshire Council's Ayrshire Growth Deal portfolio.

4. Implications/Socio-economic Duty

Financial

- 4.1 All resources related to progressing the Ayrshire Growth Deal are being met from financial commitments to the Ayrshire Growth Deal.

Human Resources

4.2 No direct implication. Staffing resources related to the required to develop projects have been considered within development of governance arrangements.

Legal

4.3 No direct legal implications, however, the proposed governance arrangements, including risk and financial controls, will protect the Council.

Equality/Socio-economic

4.4 No issues arising. All project development work is being advanced with consideration of qualities and socio-economic matters and engagement with PMO and equalities leads at Scottish Government.

Environmental and Sustainability

4.5 As part of the proposals to develop projects to full business case, all consenting requirements will be met, including those related environmental assessment requirements.

Key Priorities

4.6 The proposals meet a number of the Council Plan priority outcomes, including:

- North Ayrshire has an inclusive, growing and enterprising economy
- North Ayrshire has active and strong communities
- North Ayrshire is well-connected with effective infrastructure
- North Ayrshire is a sustainable environment
- North Ayrshire is a vibrant, welcoming and attractive environment

Community Wealth Building

4.7 Community wealth building and regional skills programmes within the Growth Deal are also being advanced, which will assist the implementation, and impact of projects to be targeted to maximise opportunities to create local community wealth and inclusive growth. Governance arrangements being developed, regionally and locally will consider community wealth building.

5. Consultation

5.1 No consultation has been undertaken in preparing this report.

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