



North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

SUPPLEMENTARY AGENDA
for the consideration of
the Cabinet at its meeting on 19
January 2016

Business

11. Ayrshire Growth Deal

Submit report by the Executive Director (Economy and Communities) on the development of an Ayrshire Growth Deal in collaboration with regional partners (copy enclosed).

NORTH AYRSHIRE COUNCIL

Agenda Item 11

19 January 2016

Cabinet

Title: Ayrshire Growth Deal

Purpose: To provide an update on the development of an Ayrshire Growth Deal in collaboration with regional partners.

Recommendation: Agree:

- the draft aim for the Ayrshire Growth Deal;
- the project scoring criteria from which Ayrshire Growth Deal projects will emerge;
- to continue the preparation of an Ayrshire Growth Deal in collaboration with South and East Ayrshire Councils with a view to the approval and submission of a bid in March 2016.

1. Executive Summary

- 1.1 The Cabinet of 1st September 2015 approved a proposal to prepare a bid for an Ayrshire Growth Deal (AGD) in conjunction with South and East Ayrshire Councils and other partners. It also approved the provision of finance of up to £50,000 and the procurement of technical support in order to develop a bid, for submission to Scottish Government in March 2016.
- 1.2 An AGD would provide the Ayrshire authorities and partners with the opportunity to focus on the interventions which would grow the economy and create employment within the region. It would be made up of a combination of mechanisms and involve a range of sources of investment in response to Ayrshire's circumstances and a collective vision. It may include interventions in for example physical infrastructure, employability, sectoral support, skills development, public or private housing, etc. Critical to any Deal is the ability to demonstrate positive outcomes derived from investment in terms of uplifts in taxation; non domestic rates, personal tax and council tax, and/or a reduction in welfare claims.
- 1.3 This paper provides an update on work to develop the Ayrshire Growth Deal, and seeks approval for a vision and project scoring mechanism to enable the bid to be finalised.

2. Background

- 2.1 Following approval by the three Ayrshire authorities, the three Ayrshire Council Leaders wrote to Keith Brown MSP, Cabinet Secretary and Minister for Transport and Infrastructure on 9 November setting out the shared ambition of the Ayrshire authorities to develop a Growth Deal and to request Scottish Government support for the proposal. The response from the Cabinet Secretary, which welcomed the proposal and commended the partnership approach, is shown at Appendix 1. The Leaders also wrote in similar terms to the Secretary of State for Scotland.
- 2.2 In December 2015, the Scottish Government issued a set of guiding principles for Regional Partnership Plans of the nature proposed. These stated that:
- Any plan must fit within the overall framework of Scotland's Economic Strategy;
 - Any plan must operate at a functional economic geography and be underpinned by robust governance including key stakeholders (e.g. the wider public sector, business and industry);
 - The starting point for discussion should be a regional strategic vision for economic development;
 - Any plan would not diminish the requirement for individual projects to be appraised using established appraisal tools as appropriate; and
 - Discussions about a possible Regional Partnership Plan do not constitute a commitment to agree a deal.

Development of AGD Aim/Vision

- 2.3 Further to approval by the three authorities, a Growth Deal Bid Director has been appointed to drive forward the development of the AGD bid during the period between October 2015 and March 2016. Technical consultancy support to help with the preparation of the bid is being procured from Ernst and Young. This work will be funded by the approved contributions of £50,000 from North, South and East Ayrshire Councils as well as a contribution of £25,000 from Scottish Enterprise.

- 2.4 In September the Ayrshire Economic Partnership held a workshop, facilitated by the Scottish Futures Trust, to help to inform the development of the bid. This workshop led to a draft aim for the Ayrshire Growth Deal based upon a shared knowledge and understanding of the regional economy, and also identified key sectors and 'enablers' of economic growth.
- 2.5 In response, five officer working groups, with membership from the three local authorities, Scottish Enterprise, Skills Development Scotland, Ayrshire College, University of the West of Scotland and the Ayrshire Chamber of Commerce have since been established to identify the potential interventions or projects which may be included within the bid. The five groups are business architecture, physical infrastructure, skills and education, inclusive growth and digital infrastructure.
- 2.6 A draft aim for the Ayrshire Growth Deal has been identified. While this will continue to be refined in light of comments from stakeholders during the development of the bid document, the draft aim is:
- 'To create a **growing, innovative, smart, more productive and inclusive economy** by developing Ayrshire's core strengths, particularly those of science, engineering and manufacturing, and by **ensuring our communities benefit** from economic growth.'*
- 2.7 Early feedback from Scottish Government officials is that the proposed emphasis on inclusive growth is welcomed. From the work of the Officer Groups a number of key themes are emerging that link back to the ambitions set out in the above aim. While the emerging themes (Appendix 2) should be viewed as indicative, they illustrate the direction of travel emerging for the AGD.

Assessment of Projects

- 2.8 Each of the 5 Officer Working Groups are developing a set of projects which will undergo a two stage assessment undertaken by a combination of the the Ayrshire Growth Deal Bid Director, Scottish Futures Trust and Ernst and Young. This assessment process will determine the interventions which will form the basis of the AGD bid.

- 2.9 The assessment process will be undertaken in two stages:
1. Stage one will consider proposed interventions in terms of their fit with the aim and objectives of the Ayrshire Growth Deal, their deliverability, and their fit with regional and national policy.
 2. Stage two will consider the potential outputs and impacts of interventions including:
 - financial and fiscal impacts (business rates, corporation tax, rental income, land values and developer contributions, etc); and
 - economic impacts at a regional and at a Scottish level, particularly in relation to jobs, Gross Value Added, private sector leverage, business floor space created, reduction in journey times, etc.
- 2.10 A summary of the first stage assessment criteria to be used is included at Appendix 3. The outputs of the assessment will be reviewed by a group of senior officers from all three Local Authorities, Scottish Enterprise, Skills Development Scotland, Ayrshire Chamber of Commerce and the University of the West of Scotland. This will generate the projects that will go forward into the draft bid document.
- 2.11 The draft bid document will be a high level strategic business case. It will set out the regional vision, aim, key themes and the potential projects which the Ayrshire partners believe will make a long term and sustainable step change to the local economy. It will put forward the case for Government(s) support and engagement in the 'deal'. The draft bid document will be submitted to each of the three Councils for approval prior to submission to Scottish and UK governments in March 2016.
- 2.12 The submission of the draft bid document is likely to be the first stage in a series of discussions and negotiations with Government(s) which will require further refinement and assessment of the Ayrshire Growth Deal projects. Experience from elsewhere, notably with the Glasgow City Deal, indicates that this is likely to take until March 2017 before implementation of deal projects may commence.

3. Proposals

- 3.1 It is proposed that Cabinet agrees to:
- the draft aim for the Ayrshire Growth Deal;
 - the project scoring criteria from which Ayrshire Growth Deal projects will emerge;

- continue the preparation of an Ayrshire Growth Deal in collaboration with South and East Ayrshire Councils with a view to the approval and submission of a bid in March 2016.

4. Implications

Financial:	<p>There are no direct financial implications arising from this paper, however it is likely that financial resources will be required to take forward projects included in the deal. Approval will be sought for these as they come forward over the course of the deal implementation period.</p> <p>Cabinet of 1st September 2015 approved the provision of finance of up to £50,000 to support the preparation of a an Ayrshire Growth Deal. Technical support is being procured through Ernst and Young.</p>
Human Resources:	An officer group involving all three Councils and other partners is driving the AGD work forward alongside the external support procured to create the bid document.
Legal:	There are no legal implications arising from the report.
Equality:	There are no equality implications arising from the report.
Environmental & Sustainability:	There are no environmental or sustainability implications arising from the report.
Key Priorities:	<p>This proposal supports our corporate priority of growing our economy, increasing employment and regenerating our towns. It also has potential to contribute to other priorities including:-</p> <ul style="list-style-type: none"> ● Working together to develop stronger communities; ● Ensuring people have the right skills for learning, life and work; ● Protecting and enhancing the environment for future generations.
Community Benefits:	There is an obligation to provide Community Benefit on all contracts in excess of £100,000. Appropriate clauses will be inserted in any contracts awarded as a result of this work.

5. Consultation

- 5.1 Consultation has taken place involving a number of officers, and through the Ayrshire Economic Partnership and South and East Ayrshire Councils. It is also proposed to run both business and community engagement programme as part of the bid development process. The results of this consultation will be taken into account in the draft bid that is brought to Council for approval in March 2016.



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Reference :

For further information please contact Alasdair Laurenson on 01294 324758

Background Papers

None

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South Ayrshire Council

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LEGACY 2014
XX COMMONWEALTH GAMES
SCOTLAND

Our ref: 2015/0038568
8 December 2015

Dear Bill,

Thank you for your letter of 9 November stating the commitment of you and your fellow Leaders to work in partnership across Ayrshire to deliver economic growth for the region.

This is welcome news and I commend the partnership approach that you are taking across the public and private sectors. I am pleased to see that our national agencies are also fully engaged in the process.

We recognise that local partners are well placed to understand the challenges and barriers to growth and to offer optimum solutions. Addressing regional economic inequalities so that all of Scotland's regions and communities can prosper is essential to increasing inclusive growth.

Our Programme for Government, launched in September this year, gave our commitment to encouraging regions facing economic challenge to work collaboratively to identify how best to deliver a vision for inclusive growth, through Regional Partnership Plans. I am pleased to see Ayrshire leading the way on this work.

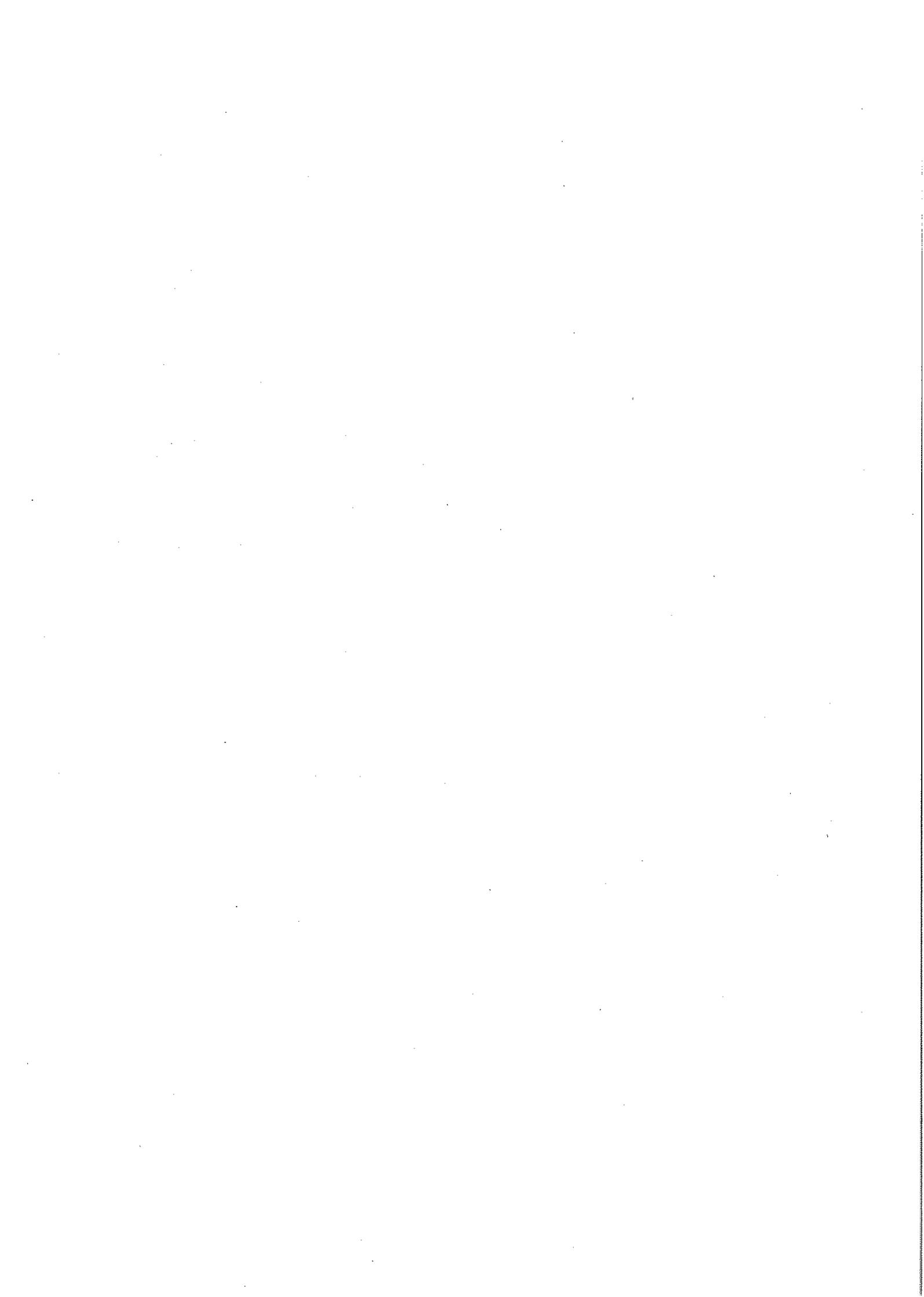
I am happy to offer my support to this initiative and understand that my officials and representatives of the Scottish Futures Trust are fully engaged in the process with you. It is good to see work already underway to identify and develop the central themes of your plan. The ambitions to drive growth and tackle inequality are fully shared by this Government.

Kind regards

KEITH BROWN

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Appendix 2 – Emerging Themes

Ayrshire Growth Deal – Emerging Themes

Set out below are some of the key themes emerging from work undertaken by officers from the three Ayrshire Authorities, in association with the Scottish Futures Trust and Ayrshire Economic Partnership.

Business

Innovation has been identified as a critical issue for Ayrshire's business base. Innovative businesses are likely to be those that are growing, sustainable, export, have higher levels of GVA and pay higher wages. Under this theme a number of proposals are being developed which include;

- 1) Enhanced business support for product development, research and development, exporting etc.
- 2) Sectoral initiatives particularly for the Aerospace, Energy and Life and Chemical Science industries such as supply chain development, building a skills pipeline from schools to post graduate level
- 3) Bidding for national projects such as the Spaceport and Medical Manufacturing Centre
- 4) Increasing the supply of quality business infrastructure and premises at strategic locations

Infrastructure

This theme looks at how markets and employment locations are accessed and focuses on infrastructure improvements (transport and digital). Connecting to markets is critical to Ayrshire business and good transport infrastructure is essential to attracting new investment. Similarly connecting people to employment opportunities is critical for so many of our communities whether that is to take advantage of jobs within Ayrshire or in the larger Glasgow City Region. We aspire to an 'outward looking' Ayrshire and we need the infrastructure to achieve this. Proposals under consideration here include;

- 1) Trunk road improvements e.g. A70, A77 and A737
- 2) Improvements to port infrastructure for international trade
- 3) Improvements to maritime/ international tourism infrastructure which may include investment in e.g. piers, marinas or visitor attractions.
- 4) Prestwick Airport (for aerospace, international trade and tourism)
- 5) Rail upgrades e.g. the Kilmarnock to Dumfries line (linking former coalfield communities to employment opportunities)
- 6) Digital connectivity for business – 'superfast' to 'ultrafast'

Communities

The focus on inclusive growth is core to the development of the AGD, and will set Ayrshire apart from other Scottish Growth Deals. Sustainable communities

and support for groups furthest from the labour market are key to this. This theme looks at new initiatives for our town centres, alongside work already underway, to bring new activities to our towns, building strong communities, pathways to employment, creating a sense of place and the infrastructure to achieve this. Initiatives being considered here include:

- 1) Work skills e.g employment and skills ladders
- 2) Digital skills and infrastructure e.g. ensuring access to training and connecting the 'last 15%' so that our communities can access and participate in digital technology

Other

There may also be some interventions which propose a new relationship with national agencies or other partners in terms of policy or funding where this provides the opportunity to deliver a more streamlined approach and/or increased economic growth.

- Housing issues, for example, which potentially constrain economic growth and where there are clear market failures present will also be considered further.
- Energy projects, for example, district heating schemes, will also be considered further.

APPENDIX A

TABLE 2: PROJECT SCOPE

Intervention	Fit with Key Themes	Fit With Deal Principles (Brief)	Key High Level Outcomes	Stage of Development Incl. Headline Programme	Key Stakeholders (Including roles)	Anticipated Cost (Including basis/confidence in costs given e.g. feasibility?)	Next Steps Required
	<p><i>(Building on our business strengths; Enabling digital and transport connectivity; Exploiting Ayrshire’s assets; and Supporting and investing in communities)</i></p>	<p><i>(Collaborative; not business-as-usual; fit with economic geography; 4Is)</i></p>	<p><i>(e.g. NDR increase, Jobs, SQM Business/Industrial Space; TTW Reduction; Welfare Benefits Reduction, tax-take increases etc.)</i></p> <p><i>(Ernst & Young to provide additional template to capture key appraisal data at future stage)</i></p>				

APPENDIX B: TABLE 3 FAQ

Definitions:

Not Business As Usual refers to the need for interventions to demonstrate they are **not**:

- a) activities which would normally be considered to be, in whole or part, within programmes and projects traditionally funded by the authority; and **not**
- b) substitution of programmes/projects included in existing budgets and plans.

The growth deal is expected to be beyond business-as-usual, demonstrating a new way of working; which through collaboration delivers a step-change for the area. It is however accepted that elements of business-as-usual projects can be enhanced to become activities that may be considered beneficial for inclusion. For example: expanding and adjusting existing interventions to deliver a region-wide impact and benefit; acceleration of strategic projects to achieve ambitious growth; and being part of the authorities' offer within the deal, demonstrating a willingness to a more effective way of working.

Fit with Economic Geography refers to demonstrating how the interventions impact on the functional economy of Ayrshire. The Growth Deal is predicated on the Ayrshire economy being a cohesive and linked economy and that any interventions will have wide-ranging impacts across the region; therefore interventions should demonstrate how they impact on that wider regional economy, as opposed to their individual authority area.

SG Economic Strategy 4Is are: Investment (people and place), Innovation, Inclusion and Internationalisation. Further information can be found here - <http://www.gov.scot/Topics/Economy/EconomicStrategy>

Policy Fit should consider those policies and strategies, demonstrating how intervention align with relevant policy priorities. SG Economic Strategy is considered in Deal Principles, so this will score other relevant SG policies as well as those of key stakeholders e.g. SE, SDS etc.

Deliverability refers to the ability to implement the proposal. As the AGD is looking to move beyond business-as-usual it is anticipated there will be barriers to implementation; however the ability to overcome those barriers within a realistic timeframe and resource-use will be assessed.

Other

Tangible Outcomes: Where possible, figures should be provided. However, appreciating the stage of development, if this is not possible, then the type of quantitative outcomes should be identified e.g. increase in Non Domestic Rates; Increase in jobs; SQM of industrial/business space; renovation/retrofitting of industrial/business space; increase in income tax (%); increase in VAT(%) etc.

Weightings may be adjusted by the Senior Officers Group, in discussion with the Ayrshire Growth Team.