
NORTH AYRSHIRE COUNCIL

23 January 2024

Cabinet

Title:	Levelling Up Fund – Round 3 Provisional Award
Purpose:	To update Cabinet on the provisional UK Government Levelling Up Fund Round 3 award for the Levelling Up For Ayrshire – Commercial and Low Carbon Infrastructure project and to seek approval to complete the validation and onboarding process.
Recommendation:	<p>That Cabinet:</p> <ul style="list-style-type: none">a) Notes and approves acceptance of the provisional award for the Levelling Up For Ayrshire – Commercial and Low Carbon Infrastructure under the Levelling Up Fund Round 3 subject to the successful completion of the validation and onboarding process;b) Approves the proposed amendments to the original application proposal;c) Provides delegated authority to the Executive Director (Place) to conclude the validation and onboarding process and subject to successful completion, progress project development and delivery; andd) Agrees to receive a further update on progress as part of the annual Regeneration Delivery Plan update report.

1. Executive Summary

- 1.1 On 20 November 2023 the UK Government announced fifty-five projects had been provisionally selected to receive funding from the Levelling Up Fund Round 3. This includes £122 million for six projects in Scotland, including the £37.4m Levelling Up for Ayrshire: Commercial and Low Carbon Infrastructure proposal submitted jointly by North and South Ayrshire Councils.
- 1.2 The third round moves away from the competitive approach of Rounds 1 and 2 and has seen funding provisionally awarded through a reassessment of high-quality bids submitted in Round 2. A validation and onboarding process is underway with UK Government. This is in recognition that bids were submitted in Summer 2022 and as such, changes to projects may affect deliverability. Until this process is completed, all funding announced is provisional.
- 1.3 This report provides an update on progress, the proposed amendments to the North Ayrshire elements of the project and seeks approval for the next steps in the project's development.

2. Background

- 2.1 The UK Government's £4.8 billion Levelling Up Fund (LUF) aims to invest at least £800 million in Scotland, Wales and Northern Ireland. North Ayrshire was identified as a 'priority one' category authority given our socio-economic and connectivity challenges. The Fund focusses investment on projects across three themes: town centre and high street regeneration; local transport projects; and maintaining or explaining cultural and heritage assets.
- 2.2 Applications could be submitted for up to £20 million per authority bid or up to £50 million for a strategic transport project. North Ayrshire successfully secured an award under Round 1 for the B714 upgrade. In November 2021, Cabinet approved the development of a Round Two joint bid with South Ayrshire Council alongside the resubmission of the Lochshore Park proposal. The Levelling Up for Ayrshire: Commercial and Low Carbon infrastructure bid centred around commercial estate development and associated low carbon infrastructure in Irvine and around Prestwick airport. The Lochshore Park bid aimed to accelerate the delivery of Phase 2 to create an attractive area of parkland with a focus on outdoor play and active lifestyles.
- 2.3 Both submissions were unfortunately unsuccessful in Round 2. This was due to investment being informed by Ministerial consideration of which Local Authorities had received funding in the first round to maximise the geographical spread of investment. The Levelling Up for Ayrshire bid was however announced as having been provisionally selected as receiving funding under Round 3 on 20 November 2023. It was identified as one of six projects across Scotland receiving £37,456,821 as part of a total of £122 million investment.
- 2.4 The project sought to deliver new energy efficient commercial property and associated access, active travel and electric vehicle charging infrastructure at key employment locations. This was comprised of two office pavilions and two speculative flexible industrial units at three sites in Irvine, North Ayrshire, and a Maintenance, Repair, Operations (MRO) and aircraft decommissioning hangar at Prestwick Airport, South Ayrshire. The three Irvine sites proposed were Annickbank, Kyle Road and i3.
- 2.5 LUF Round 3 moved away from the competitive approach of Rounds 1 and 2 to an allocative approach. Funding was provisionally awarded to high-quality bids that were submitted in Round 2. These have been reassessed using the Round 3 methodology. UK Government has advised that this change has been made recognising both the ambition for a simple and streamlined funding landscape illustrated in the Funding Simplification Plan, and in acknowledgement of the large volume of robustly assessed, high-quality projects that were not able to be funded at Round 2.
- 2.6 Officers within the Council's Regeneration Services are currently working with colleagues in South Ayrshire Council and the UK Government to undertake a validation and onboarding process. This is in recognition that bids were submitted in Summer 2022 and as such proposals and priorities may have changed. This therefore may impact on the alignment with LUF priorities and deliverability within the Fund's timescales.
- 2.7 Initial information was submitted from both Local Authorities on 1 December 2023 and is currently being assessed by the Department for Levelling Up Housing and

Communities (DLUHC). This considers the original proposal and any proposed amendments we wish to be considered. Any changes need to be within an acceptable threshold and demonstrate that they can meet the minimum standards on deliverability. Until this process is completed, all funding remains provisional. Confirmation is being sought of the timescales for and requirements of this process from DLUHC.

- 2.8 There are no significant changes to the North Ayrshire element of the bid since submission to Round 2. Two elements of the original submission have however now commenced through the construction of an office pavilion at Annickbank and Flexible space at i3. As a result, the following amendments are proposed to the original proposal:
- Annickbank: Delivery of additional commercial space suitable for use classes 4 (business), 5 (general industry) and 6 (storage or distribution) is proposed. Rather than a pavilion, this may be in an alternative format, subject to market feedback.
 - i3: Delivery of additional commercial space suitable for use classes 4 (business), 5 (general industry) and 6 (storage or distribution), aligned with the Ayrshire Growth Deal (AGD) proposals.
- 2.9 Market advice is currently being sought to inform the format of commercial space proposed at Annickbank. This is being informed by input from the Council's Business Support and Development team and feedback from local businesses. Significant progress has been made at Kyle Road with construction tender information currently being finalised. Furthermore, the outcome of the funding submission to the Vacant and Derelict Land Investment Programme (VDLIP) is anticipated in early 2024.
- 2.10 The funding window for Round 3 ends in financial year 2025/26. This requires delivery to commence quickly on the ground. The following risks and uncertainties identified in the original submission are being reviewed through the validation process. This includes an updated assessment of the revenue generation potential and implications of the project:
- Increased capital costs;
 - Delayed timescales for development and build;
 - Lower than anticipated demand and uptake from industry;
 - The higher value target sectors do not occupy the property;
 - External macro-economic shocks;
 - Landowner agreements for elements of the active travel provision; and
 - Staff resource to support delivery.
- 2.11 North Ayrshire Council was identified as the lead applicant for the project. This was due to the Central Ayrshire constituency crossing the two Authorities' administrative boundaries. The LUF requires that in such circumstances one authority takes responsibility as the lead bidder. Initial governance arrangements were agreed through the initial submission. These will be reviewed and updated as required through the validation and on-boarding process with input from both Authorities' Legal Services. Full details of the requirements as lead organisation will also be sought from DLUHC through this process.

2.12 The process is ongoing, and subject to approval, Cabinet will be updated when appropriate during 2024 within the annual update report on the Regeneration Delivery Plan.

3. Proposals

3.1 The Cabinet:

- a) Notes and approves acceptance of the provisional award of £37.5m for the Levelling Up For Ayrshire – Commercial and Low Carbon Infrastructure under the Levelling Up Fund Round 3 subject to the successful completion of the validation and onboarding process;
- b) Approves the proposed amendments to the original application proposal;
- c) Delegates authority to the Executive Director Place to conclude the validation and onboarding process and subject to successful completion, progress project development and delivery; and
- d) Agrees to receive a further update on progress as part of the annual Regeneration Delivery Plan update report.

4. Implications/Socio-economic Duty

Financial

- 4.1 The Council requires to provide a minimum of 10% match funding to support all LUF bids. It is intended that the North Ayrshire match funding for this proposal will be incorporated in the Council's capital planning. Further external funding sources will also be explored where possible. This is currently estimated at £2,129,000 however the final match funding value and sources will be established through the validation process. South Ayrshire Council will also be required to meet their 10% match funding contribution separately.

The Levelling Up Fund provides Capital investment and small scale revenue support to build capacity during project development. Whilst resource costs can be capitalised to support delivery, future ongoing revenue implications will require to be fully considered.

Human Resources

- 4.2 It is expected that there will be staffing requirements to develop and deliver the project. The estimated cost of this was included within the original LUF application. Subject to the successful outcome of the validation process, recruitment and appointments would take place in accordance with the Council's procedures.

Legal

- 4.3 North Ayrshire Council was identified as the lead applicant for the project. Initial governance arrangements were prepared and agreed through the submission. These will be reviewed and updated as required with input from Legal Services. Subject to a successful validation process, landowner negotiations and agreements will be required for elements of the active travel infrastructure within the project.

Equality/Socio-economic

- 4.4 The project will assist in meeting our socio-economic duty as set out in the Fairer Scotland Duty. It seeks to reverse economic, social and physical decline and reduce socio-economic disadvantage. It aims to build community wealth and tackle local deprivation through the regeneration of our communities by maximising the potential of our land and assets. It will tackle long term vacant and derelict land bringing it back into positive use thereby reducing the level and impact on local communities and supporting economic development.

Climate Change and Carbon

- 4.5 The project aligns with the Sustainable North Ayrshire Strategy through the delivery of low carbon infrastructure. It will also transform vacant and derelict land into vibrant places and quality commercial space which supports employment and the economy, and that local people can be proud of.

Key Priorities

- 4.6 The project will contribute to achieving a wide range of the Council Plan outcomes. It will contribute towards achieving our Council priorities of wellbeing, communities and local democracy, and Climate Change. It will accelerate the delivery of a range of actions identified in the Regeneration Delivery Plan and contribute to the delivery of the Vacant and Derelict Land Strategy and Local Transport and Active Travel Strategy priorities.

Community Wealth Building

- 4.7 The project will contribute to Community Wealth Building and will have a significant positive impact on Council's ambitions under the Land and Assets pillar.
- Procurement: Local supply chain opportunities will be created through the project. For future procurement exercises related to the project, the Business Development team will review opportunities for the North Ayrshire business base and provide supplier development support as required.
 - Fair Employment: The project will create employment opportunities particularly within the construction sector. Where North Ayrshire is the contractor for services, through our enhanced Community Benefits approach we will ensure the creation of local training and work experience opportunities.
 - Land and Assets: The project will regenerate sites which are long term vacant and derelict land and identified as priorities for investment. This will bring underutilised land into positive use to support local social, economic and environmental wellbeing.
 - Financial Power: The project will invest in localities and leverage external national investment into North Ayrshire.
 - Plural Ownership: The project will create commercial space to support local businesses to stay and grow in North Ayrshire.

5. Consultation

- 5.1 The project has been informed by the Regeneration Delivery Plan (RDP). The RDP sets out the Council's priorities for regeneration over the next five years. The RDP was subject to extensive consultation including workshops with Council Officers; workshops with Elected Members; reports to and feedback from North Ayrshire Ventures Trust and the Community Wealth Building Expert Panel; and public engagement via Consul. It was also informed by the Locality Partnerships' priorities.
- 5.2 Support was obtained from the local MP for the constituency covered by the application for the original submission. Confirmation of continued support will be sought when the proposals for both Authorities are confirmed.
- 5.3 An update on the project will be provided to the January Irvine Locality Partnership meeting. Further consultation and engagement will be undertaken with local communities and stakeholders on the detailed design for the constituent elements of the projects as appropriate, subject to the outcome of the validation process.

RUSSELL McCUTCHEON
Executive Director (Place)

For further information please contact **Claire Fitzsimmons, Interim Senior Manager - Regeneration**, on **01294 315305**.

Background Papers

Cabinet Report: Regeneration Delivery Plan, 23 March 2021

Cabinet Report: Levelling Up Fund, 15 June 2021

Cabinet Report: Levelling Up Fund – Round 2, 2 November 2021

Cabinet Report: Regeneration Delivery Plan Action Programme, 30 May 2023