
NORTH AYRSHIRE COUNCIL

7 November 2018

North Ayrshire Council

Title: Ayrshire Growth Deal

Purpose: To provide Council with an update on the progress with the Ayrshire Growth Deal and seek Council agreement to delegate authority to the Chief Executive to agree the final Heads of Terms with the UK and Scottish Governments.

Recommendation: It is recommended that Council:

- a) Supports the continued negotiations to secure a Growth Deal for Ayrshire;
- b) Approves the submission of Appendix 1 to the UK and Scottish Governments to reiterate the ambitions of the Ayrshire Growth Deal;
- c) Delegates authority to the Chief Executive to conclude the Heads of Terms with both the UK and Scottish Governments in partnership with counterparts from East and South Ayrshire Councils;
- d) Approves the commitment of £100,000 from earmarked funds to the costs of the Growth Deal Programme Management Office and the delivery of an Ayrshire Regional Economic Strategy; and
- e) Otherwise notes the contents of the report.

1. Executive Summary

- 1.1 In September 2016, the Cabinet agreed to the submission of the Strategic Case for an Ayrshire Growth Deal (AGD) to the UK and Scottish Governments. The Ayrshire economy has underperformed in recent years highlighting increasing levels of inequality in regional economic performance in Scotland. As such, Ayrshire requires significant investment in order to realise inclusive growth in the region and enhance our contribution to the Scottish and UK economy.
- 1.2 Consequently, the three Ayrshire Councils have worked in partnership, and with partners across the public and private sector, over the last two years to develop an Ayrshire Growth Deal bid comprising a number of regional priorities and associated interventions and projects which could, if combined, facilitate inclusive economic growth across Ayrshire.
- 1.3 Whilst an AGD has yet to be formally agreed, the Prime Minister signalled an intention to work with the Ayrshire Councils on a deal on 29 March 2018. The Scottish Government had previously announced a similar ambition. It is important an agreement on a Deal is reached as soon as possible and this

paper proposes arrangements to ensure that all three Councils are in a position to move forward as soon as agreement can be reached with both Governments in the form of a Heads of Terms document. A separate paper is presented to Council on the governance structure required to secure a Deal.

2. Background

- 2.1 The three Ayrshire Councils have been working on developing proposals for an AGD for over two years and have secured commitment from the UK and Scottish Governments to enter into negotiations regarding a Deal. Members will be aware that the bid is focused on delivering the following vision for Ayrshire to be 'a vibrant, outward looking, confident region, attractive to investment 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'.
- 2.2 Outline Business Cases have been developed in accordance with the Treasury Green Book Guidance and submitted to both the UK and Scottish Government officials for scrutiny and assessment. The projects submitted would have a transformational impact on the Ayrshire economy as a whole, and locally would increase the prosperity and well-being of our North Ayrshire communities.
- 2.3 Extensive dialogue with government officials regarding individual business cases and what the Deal will deliver as a whole, lobbying by parliamentarians and Ayrshire's Councillors and support from the Ayrshire business community has resulted in commitment from both Governments to the principles of an AGD, the first Deal of its kind outside of Scotland's cities. Negotiations are at an advanced stage and we are aiming to have Heads of Terms with both Governments signed off in December 2018.

Next Steps

- 2.4 Full details of the current Growth Deal bid including the 21 projects which make up the £324m bid for support are attached at Appendix 1 of this report. This information is familiar to both governments and it is proposed to share Appendix 1 with them to reiterate Ayrshire's aspirations. Heads of Terms will be based upon the information in Appendix 1 albeit the final list of projects and the financial contribution from each government remain subject to negotiation which is likely to continue until the last possible moment.
- 2.5 In summary, proposals reflect the strengths and opportunities that exist in Ayrshire both in terms of its asset base and its key sectors and all proposals are underpinned by a commitment to delivering inclusive growth – economic growth which benefits all our communities and residents.
- 2.6 Negotiations are now focused on which projects the UK Government are interested in funding, either fully or in part and once this has been agreed this will establish the value of the Deal, on the basis that the Scottish Government has already indicated that they will match the UK Government commitment pound for pound
- 2.7 The driver which will determine the UK Government's support will be the extent to which a project contributes to the Government's Industrial Strategy and its

focus on sectors and innovation and Appendix 1 indicates which projects are aligned to the ambitions of that strategy.

- 2.8 Similarly, for Scottish Government support to particular projects, proposals need to demonstrate that they will deliver growth aligned to the aspirations of Scotland's Economic Strategy and the Inclusive Growth agenda and again this is indicated in Appendix 1.
- 2.9 There is also a requirement that each of the 3 Councils commit at least 20% to the overall package of support. This will be calculated as a percentage of the resource committed to each Local Authority area – reflecting the fact that a local authority cannot spend resource in another local authority area. This resource will be aligned to project activity and expenditure will be aligned to the phasing and spend profile of that project.
- 2.10 The timeline for the sign off of Heads of Terms with both Governments is difficult to determine not least because Ayrshire is one of a number of areas where Deals are under development and is effectively vying with other areas to ensure priority. To facilitate this it is also important to recognise that Heads of Terms for other Deals have been subject to change up to the point of their signing and an agreed process by which Councils can accept changes at very short notice will be key to achieving Ayrshire's ambitions for Heads of Terms sign off prior to the end of 2018.
- 2.11 To support this, approval is sought to delegate the authority to the Chief Executive, with counterparts from North and South Ayrshire Councils, to accept the Growth Deal Heads of Terms and to work with Government officials to negotiate any last minute change.

Financial Implications

- 2.12 The Council will be required to contribute at least 20% of the North Ayrshire share of the overall AGD package and this will be subject to further consideration and a separate paper once the value of the Governments' contribution is clear. An initial provision to the AGD has been made in the Capital Programme Refresh.
- 2.13 Additionally, there is a requirement to contribute to the overhead costs associated with the AGD Programme Management Office (PMO) currently hosted by East Ayrshire Council and comprising 2.9 FTE staff; 1 team member seconded from East Ayrshire Council and 2 from South Ayrshire Council and admin support. This budget will also support the work associated with the development of the Ayrshire Regional Economic Strategy being led by the Policy Manager – Economic Growth, North Ayrshire Council. Approval is sought to commit £100,000 from existing earmarked resources to support this activity. Equal contributions will be required from the other two Councils.

3. Proposals

- 3.1 It is recommended that Council:
 - a) Support the continued negotiations to secure a Growth Deal for Ayrshire;
 - b) Approve the submission of Appendix 1 to the UK and Scottish Governments to reiterate the ambitions of the Ayrshire Growth Deal;

- c) Delegate authority to the Chief Executive to conclude the Heads of Terms with both the UK and Scottish Governments in partnership with counterparts from East and South Ayrshire Councils;
- d) Approve the commitment of £100,000 from earmarked funds to the costs of the Growth Deal Programme Management Office and the delivery of an Ayrshire Regional Economic Strategy; and
- e) Otherwise note the contents of the report.

4. Implications

Financial:	The Council will be required to commit at least 20% of the North Ayrshire share of the overall AGD package and this will be subject to further consideration and a separate paper once the value of the Governments' contribution is clear. The Council is also required to contribute to the overhead costs associated with the AGD PMO and approval is sought to commit £100,000 from existing earmarked resources.
Human Resources:	There are no human resource implications arising from this report
Legal:	There are no legal implications arising from this report.
Equality: Children and Young People:	There are no equality implications arising from this report. A priority of the AGD is to achieve inclusive growth for Ayrshire, meaning all communities will benefit.
Environmental & Sustainability:	There are no environmental or sustainability implications arising from this report. Individual Deal projects will be required to undertake Environmental Impact Assessments once agreed.
Key Priorities:	The report supports corporate and economic strategies of the Council, specifically: <ul style="list-style-type: none"> • Growing our Economy, increasing employment and regenerating our towns; • Working together to develop stronger communities; and • Ensuring people have the right skills for learning, life and work.
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 The preparation of the Growth Deal bid has involved consultation across the public, private and social economy of sectors, including communities through Community Planning Partnerships. Business engagement events have raised awareness and gathered feedback on key themes and ambitions from

businesses operating in the region. Consultation has taken place with the Chief Executives of the three Ayrshire Councils.

A handwritten signature in black ink, appearing to read 'Karen Yeomans', written in a cursive style.

Karen Yeomans
Executive Director for Economy and Communities

For further information please contact **Karen Yeomans** on **01294 324030**.

Background Papers

N/A

The Ayrshire Growth Deal Proposal – October 2018

Introduction

East, North and South Ayrshire Councils all recognise the importance of a regional approach to growing the economy and have been working together and with partners and stakeholders to develop an Ayrshire Growth Deal (AGD) bid, anchored in a commitment to creating a growing, innovative, more productive and inclusive economy, developing Ayrshire's core strengths and ensuring that communities benefit from economic growth.

Collectively, the partnership has identified the regional priorities which will create the best environment for people and business. This has been a robust process reflecting good practice methodologies, including analysis to understand the best interventions and projects which will facilitate a step-change for the Ayrshire and Scottish economies, while creating greater opportunity for all communities.

The 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.'***

Ayrshire has particular strengths in aerospace, engineering, life sciences, manufacturing and tourism that offer growth and productivity gains that are significant at the Scottish and at the UK level.

Targeted investment, coordinated throughout Ayrshire, will act as a powerful catalyst stimulating growth and resulting in increased prosperity for local people, for Scotland and for the UK as a whole.

Project proposals and associated Outline Business Cases have been prepared, reviewed, assessed and refined following feedback received from policy leads within each government and these now form the overall programme business case.

Within the AGD, there are 21 proposals for projects across Ayrshire with a total value of £324m. We would ask that Scottish Government and UK Government consider these proposals as a whole, in order that the full impacts are realised.

High level impacts

The AGD aims to deliver:

- c£300m total public sector investment;
- Unlocking c.£2bn private sector investment;
- Estimated job impact of 13,000;
- c.100,000 sq. m. of business and innovation space;
- 1,500 people supported into sustainable employment each year.

Table 1 below provides a list of these projects set out by programme.

Table 1:

Programme	Project	Value £m
Space & Aerospace Innovation and Manufacturing Campus – South Ayrshire	Spaceport Infrastructure & Visitor Centre	90
	Aerospace & Space Innovation Centre (ASIC)	
	Development Commercial Space – Prestwick	
	Prestwick Airport Roads	
	Policy Ask: Free Port status at Prestwick, Port of Ayr and Falkland Yard	
Tourism & Creative Arts Growth Programme – North Ayrshire	Marine Tourism	35
	International Contemporary Arts (ICA) at the Big Idea, Sky Park and associated infrastructure	
Low carbon energy, circular economy & environmental sustainability Growth Programme – North Ayrshire	International Marine Science and Environment Centre (IMSE)	34
	Centre for Low Carbon Energy and Circular Economy (CECE) and Rail and Digital Infrastructure	
Advanced Technology & Digitally Automated Growth Programme – North Ayrshire	i3 Digital Automation Innovation and Testing Centre and Flexible Business Space	25
Economic Growth Programme – East Ayrshire	National Energy Research & Demonstration Centre	90
	The HALO Kilmarlock Ltd (Phase 1 & 2)	
	Ayrshire Manufacturing Investment Corridor (AMIC)	
	Ayrshire Engineering Park (Moorfield Phase 3)	
Communities' Skills & Business Programme	Working for a Health Economy	24
	Fair Work Ayrshire	
	Co-Hubs	
	Regional Skills Investment Plan	
	Policy Ask: EntZones at Prestwick & i3 – extend time period & coverage (Prestwick)	
	Policy Ask: EntZones at Prestwick & i3 – Capital Allowance Benefit extend time period & coverage (Prestwick)	
	Policy Ask: EntZone solution AMIC and Moorfield	
	Policy Ask: Free Port status at Hunterston	
	Innovation & Internationalisation Framework	
Infrastructure Programme	Digital Proposal	26
	Regional Transport Appraisal	
TOTAL ASK		324

Key:
Reserved (or partially reserved and may be co-funded)
Devolved

While our proposals reflect the strengths and opportunities which exist in Ayrshire, economic baseline analysis shows that the regional economy has been underperforming for many years.

Our proposals aim to reshape our economic development interventions and overcome the barriers to growth by:

- Attracting and developing more innovative and internationally focussed companies that are more likely to have higher levels of productivity through developing key infrastructure and targeted business support programmes;
- 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, and improve access to jobs through innovative community empowerment and employability programmes.

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, for its world class digital and physical 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.

Programme Themes

Figure 1 below illustrates how the AGD programme links to Governments' objectives of increased growth and prosperity. The programme is based on the achievement of economic growth and inclusive growth with a clear focus on addressing the issues of innovation and productivity, and inequality across the regional economy.

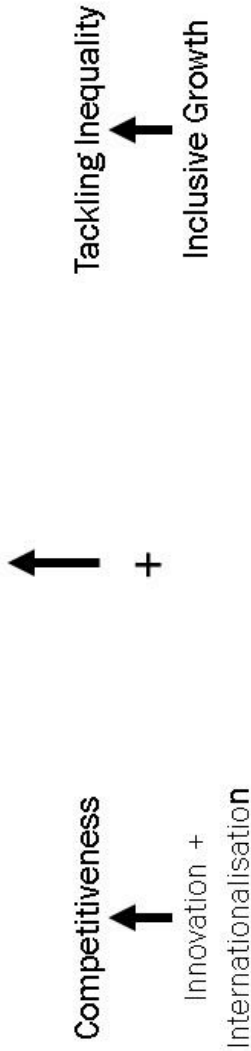
Linking to the Regional Vision (see above) assessed projects are grouped into four themes which have been developed from the Prospectus' 'Frameworks for Growth' and 'Connecting Communities to Growth' with infrastructure proposals developed from 'Connections for Growth'. These themes focus on the high growth, high value sectors that Ayrshire has real opportunities in, linking to Ayrshire's general manufacturing strength, distinctive coastal opportunities and to communities.

The AGD aim is to marry business growth opportunities to employment progression, developing the future workforce and community development, ensuring all communities benefit from economic growth.

The AGD themes reflect the strengths and opportunities of the Ayrshire economy.

AGD Strategic Framework

UK's Industrial Strategy and Scotland's Economic Strategy



Objectives:

Regional Delivery

AGD Programmes

Business Support Services	Export + Inward Investment Services	Skills Investment Plan	Employability Services
---------------------------	-------------------------------------	------------------------	------------------------

Aerospace & Space – South Ayrshire Economic Growth – East Ayrshire	Low carbon energy, circular economy & environmental sustainability – North Ayrshire	Advanced Technology & Digitally Automated Growth – North Ayrshire	Tourism & Creative Arts – North Ayrshire Communities' Skills & Business Infrastructure
Spaceport Infrastructure & Visitor Centre ASIC Development Commercial Space – Prestwick Prestwick Roads	AMIC Moorfield HALO National Energy Research & Demonstrator Project	i3 Business Space Hunterston Strategic Industrial Hub Ardrossan	Irvine Harbourside and Ardeer Marine Tourism Co-Hubs Fair Work Ayrshire Working for a Healthy Economy Innovation & Internationalisation Framework Digital Regional Transport Appraisal

AGD Projects

Scottish Government's Economic Strategy and Inclusive Growth Agenda

Scotland's Economic Strategy has the purpose of creating a more successful country with opportunities for all to flourish, through increasing economic growth whilst ensuring that everyone has the opportunity to fulfil their potential.

While interdependency mapping allows an understanding of the relationships between proposals, Inclusive Growth is a key cross-cutting priority of the AGD; and as such needs to be reflected in all of the proposals. Successful economies are inclusive economies and tackling inequality will help ensure that the region is competitive in the global market and resilient to emerging trends and technologies.

Critical to Ayrshire's future prosperity is a virtuous circle of growth: growth in business, leading to growth in employment and growth in individual and household prosperity. For this reason, Inclusive Growth was included within assessment criteria for identifying the package of AGD proposals. In addition, each proposal has reflected on how their activity can be enhanced to ensure it is inclusive and what support may be required to maximise that impact. The AGD projects aim to have an impact across the inclusive growth drivers which were identified as part of the Ayrshire Inclusive Growth diagnostic work.

UK Government's Industrial Strategy

The UK Government's Industrial Strategy aims to create an economy that boosts productivity and earning power throughout the UK. The strategy is built on five foundations and four grand challenges.

The approach outlined refers to developing a stronger economy, building on our existing strengths to enable all regions to prosper. It aims to develop a highly skilled, competitive economy that benefits all people.

This approach together with Scotland's Economic Strategy reflects the desire to put Inclusive Growth at the heart of the AGD.

The table below highlights the relationship between each AGD project the UK Industrial Strategy and the Scottish Government's Economic Strategy and we ask both governments to support the AGD in this context.

Governance

Following approval in June 2018 by each of Ayrshire's local authorities to pursue a regional partnership for economic growth, the 3 Councils have now agreed to start to shape that partnership by developing a single economic development strategy for Ayrshire which will inform regional priorities to support inclusive growth of the economy.

The development and delivery of the Ayrshire Economic Growth Strategy will be guided by already approved governance structures including a new formally constituted decision making forum which will also oversee the Ayrshire Growth Deal. The new body will include the three Councils, Scottish Enterprise, Skills Development Scotland and private sector representation.

The Partnership will develop a clear vision for the area, providing strong regional leadership working with local elected leaders and other stakeholders. The partnership will provide a strong and unified voice for Ayrshire ensuring that it is heard in national debates, making the case for investment and influencing national, regional and local priorities and decision making. It will also ensure a single point of influence for business.

The governance arrangement set out above will also be the driver for maximising the Inclusive Growth benefits to be obtained from our Growth Deal. The development of the regional strategy will play a significant role in ensuring a wider role for Ayrshire partners, public and private, in agreeing the priorities for the regional economy.

Conclusion

The AGD partners across the public, private and third sectors, have collaborated to develop a robust set of proposals which will unlock Ayrshire's true potential and which will contribute to growth at a Scottish and UK levels too.

We have sought to demonstrate the processes and procedures around the construction of this Growth Deal and the level of support and dialogue with colleagues from both the UK and Scottish Governments.

We are able to demonstrate close links across individual projects to maximise the impact of investment whilst also taking cognisance of the strategic context in which we seek to deliver.

We are confident that we have captured the strengths and opportunities within Ayrshire and that our proposals will transform the region.

We would ask that both Governments continue to work with the team in Ayrshire to support these efforts and to help us transform Ayrshire into a 21st century powerhouse for growth.