
NORTH AYRSHIRE COUNCIL

27 June 2018

North Ayrshire Council

Title:	Ayrshire Regional Partnership for Inclusive Economic Growth
Purpose:	The purpose of this report is to seek Council approval for the establishment of an Ayrshire Regional Partnership for Inclusive Economic Growth. The detailed business case underpinning this approach is attached for Members' consideration.
Recommendation:	<p>On the basis of the attached business case, Council is asked to approve;</p> <ol style="list-style-type: none">1. Establish a Regional Ayrshire Partnership for Inclusive Economic Growth as set out in Section 4 and Appendix 5 of the Detailed Business Case;2. Establish an Ayrshire Delivery Vehicle between East, North and South Ayrshire Councils and other stakeholders from 1 April 2019 and this includes integrated delivery of the Ayrshire Growth Deal, Economic Growth Services and Tourism;3. Continue negotiations with the Scottish Government, its agencies, and regional partners to secure commitments to the new partnership model;4. Remit to the Chief Executive to finalise the new management structure in conjunction with the other two Chief Executives, taking account of the remit and scope of the services and the overall financial envelope, to be populated as quickly as possible and well in advance of April 2019 with final proposals being presented to Cabinet;5. Establish a range of workstreams including service design, Human Resources, finance, legal, governance;6. Agree that the host authority is North Ayrshire Council, tasked with the oversight of day to day operational issues in relation to the Partnership;7. Transfer employees from East and South Ayrshire Councils (where agreed by their respective authorities) to the host authority on 1 April 2019 under TUPE Regulations;8. Establish an Ayrshire Economic Development Sub-Committee of the Ayrshire Shared Services Committee for the purpose of developing an Ayrshire Regional Inclusive Economic Growth Strategy and associated implementation plan, with appropriate support and input from an Ayrshire Economic Delivery Vehicle team.

1. Executive Summary

- 1.1 In December 2016, the three Ayrshire local authorities were invited by the Scottish Government to act as a regional pathfinder recognising the important role of regional economies. On the 28 February 2017, Cabinet endorsed the participation of officers to work with partner organisations with a view to develop a regional pathfinder initiative with Scottish Government to explore how a regional partnership could stimulate the local economy. The phase 2 report of the Enterprise and Skills review published in June 2017 confirmed the vision to have Scotland covered by regional partnerships that stimulate local economy and build inclusive growth. The review recognised the importance of place and the growing body of evidence that national economies can benefit from an effective regional tier of governance that can tailor policy and services to achieved shared objectives for growth.
- 1.2 In September 2017, Cabinet approved that an option to further develop an Ayrshire economic vehicle comprising regional governance for economic development along with the inclusion of services supporting economic development which would combined into a single body working alongside national agency staff in a new approach to economic development. This approach was similarly approved by EAC and SAC in September 2017.
- 1.3 Since then, the three Councils along with other key stakeholders have worked in collaboration and EAC produced a Detailed Business Case which NAC has further refined. The NAC Business Case is attached to the report.
- 1.4 As part of the regional pathfinder approach, it is envisaged that the governance and delivery of the Ayrshire Growth Deal would be included. In September 2016, the three councils approved the submission of the Ayrshire Growth Deal which is a series of interventions which will grow the economy and create jobs across Ayrshire. We are now in detailed discussions with UK and Scottish Governments to secure the best deal for Ayrshire following the announcement by Theresa May in March 2018 to commit the UK Government to start formal negotiations on the Ayrshire Growth Deal.
- 1.5 The Detailed Business Case sets out an ambitious proposal to join and share resources across Ayrshire, draw down national resources and powers as appropriate and provide a stronger vehicle to promote and develop a stronger resilient Ayrshire economy.
- 1.6 The Detailed Business Case sets out the case to create an Ayrshire Regional Partnership for Inclusive Economic Growth. This comprises two elements. First a governance structure (a joint subcommittee of the Ayrshire Shared Services Committee) which would be charged to develop a regional inclusive economic growth strategy and associated route map to deliver substantial transformational change to the Ayrshire economy and appropriate oversight of the Ayrshire Growth Deal. Secondly, the Detailed Business Case makes the case for a single pan Ayrshire delivery vehicle which would comprise staff from Economic Development and related services with staff from other stakeholders who would be embedded or closely linked to create an Ayrshire integrated delivery team where possible.

- 1.7 To date East Ayrshire Council has secured Cabinet approval that is consistent with the proposals being considered in this report. A report with proposals is being developed by South Ayrshire Council which will confirm their commitment to the Regional Partnership and the range of services that would form part of the proposals. It is expected that this will not be consistent with East and North Ayrshire Councils proposals. That being the case, there is a requirement for the other partners to consider the implications of this for the overall DBC, the impact on the benefits realisation from a lesser or differentiated offer in each part of Ayrshire and the relationship with government and any Ayrshire Growth Deal discussions.

2. Background

- 2.1 The business case sets out the need for a fresh approach to securing inclusive economic growth. Despite more than 20 years of economic development support, Ayrshire still performs below the Scottish average on most key economic indicators. The Ayrshire economy has never economically recovered to the same level as other parts of the UK and Scotland from the effects of the 2008 recession and there are parts of Ayrshire that never benefitted from economic restructuring as a result of de-industrialisation in the 1980's and 90's. The economy continues to lag behind other parts of Scotland and the outlook with a declining and aging population, greater levels of automation expected, low level skills and the loss of investment to cities has the potential to result in terminal decline for parts of the region.
- 2.2 The underperformance of the Ayrshire economy provides a strong case for change, and a move to a regional approach. Ayrshire has remained persistently behind other regions in Scotland and pooling our resources has the potential for Ayrshire to have a stronger and more significant voice at national level to generate the impetus needed to tackle this. Doing more of the same is simply not an option.
- 2.3 For Ayrshire to be successful and to build on its current strengths, we must reduce the disparities across communities and make full use of the opportunities a growing Ayrshire economy presents. Successful economies are inclusive economies and tackling inequalities will help ensure that the region is competitive in an increasingly global market and that our businesses and communities are resilient to emerging trends and technological advances in the economy.
- 2.4 The Ayrshire pathfinder built on the early collaborative work that the three Councils had been doing to secure a Growth Deal. There was also a commitment by the three Councils that the Inclusive Growth diagnostic tool piloted in North Ayrshire would be rolled out and inform the Regional Partnership's development with a better shared understanding of the constraints and opportunities that could help unlock Ayrshire's inclusive growth potential.
- 2.5 Partners recognise the potential importance of a Growth Deal in establishing the ambition, scale, acceleration, resource and governance which can drive a step change in economic outcomes across Ayrshire. Partners also acknowledged that while a Growth Deal could be a key element of a regional partnership, other

complementary activity will be required to maximise the impact of improved joined-up working across the region. The inclusive growth diagnostic is valuable in shaping the broader scale of collaborative potential the pathfinder is exploring.

- 2.6 Whilst the Detailed Business Case assesses a number of options, there is a clear recommendation that there are considerable benefits to create a Regional Economic Partnership. The Detailed Business Case describes the preferred option to create a vehicle which will not only need to be a strong and effective broad based partnership capable of strategic relationships nationally, regionally and locally but also it should have an effective delivery function to provide consistent and high quality services which could be best achieved through the joining up and integration of relevant economic services.
- 2.7 The preferred Partnership model will need to have a clear vision for the area, providing strong regional leadership working with locally elected leaders and other key stakeholders. Strong and effective business representation will be central to the governance. Clarity of purpose will enable key organisations to align behind a clear direction. The partnership will be the single coherent 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. A compelling route map to change will need to be created with the partnership having the authority and capability to drive the change required through its own delivery capability as well as influencing and harnessing the resources of the many organisations that will continue to play an important role in investing in Ayrshire's future.
- 2.8 The partnership will lead in creating the conditions for more skilled and better paid jobs, take advantage of opportunities and adapt to change. It will be an effective delivery agent providing consistent and high quality service by joining up and integrating all relevant economic services across the region.
- 2.9 The DBC sets out that there is a strong case for embedding not only the Councils Economic Development Services (Business Development, Regeneration, Employability and Tourism) in its scope but also its related services including Planning Policy, Development Management, Building Standards, Regulatory Services (Environmental Health and Trading Standards) all of which include, within a broader remit, the provision of services to businesses, communities and individuals that facilitates economic development and growth.
- 2.10 These are all services which help shape the kind of places where people want to live, work, relax and invest and they all improve places by helping them to function better economically, socially and environmentally. The inclusion of this range of services also reflects the inter-dependencies that exist between them and the need to recognise that support structure to businesses, communities and individuals can be improved by joined up service provision.
- 2.11 In addition to the proposed Local Authority services being embedded to create a single team, there has been some progress with discussions with other stakeholders and through initial discussions, the following is being progressed. There remains further scope to enhance the commitment of Governments, national and regional agencies.

So far there are the following commitments from other partners:-

Scottish Enterprise

- the appointment of a Head of Partnerships who will focus on Ayrshire along with a regional operational team focused initially on the support to business but in due course should encompass other SE activity
- the development of an economic asset register to identify Ayrshire economic assets. This will also link into the Scottish Centre for Regional Inclusive growth
- Clearer regional measurement and reporting to inform appraisal and approval processes
- Support to the creation of a regional business forum
- Along with the Ayrshire Chamber of Commerce, there is the exploration of an Ayrshire Export Partnership
- Review of engagement with universities and colleges

Skills Development Scotland

- Agreement to fund the development of a Regional Skills investment Plan
- Agreement to explore whether a skills lead for Ayrshire is required

Scottish and UK Governments

- Detailed work underway with Scottish and UK Governments to secure the Ayrshire Growth Deal
- Agreement to look across government departments to map and understand how government activity and decisions impacts on inclusive growth and employability
- Agreement to support the development of tourism in Ayrshire. We are working on securing £300k for this year with further investment anticipated thereafter.
- Agreement to explore enhanced support to micro and rural businesses
- As part of the Ayrshire Growth Deal, work is progressing on investment into our digital and transport infrastructure.

2.12 The benefits of the proposal as set out in the business case include:

- Improved outcomes for businesses, individuals and communities;
- Delivery of the Ayrshire Growth Deal;
- Pooled expertise from the 3 Councils and other key stakeholders;
- Access to specialist support;
- A single, consistent offer to businesses, individuals and communities;
- Inclusive growth;
- Enhanced influence for Ayrshire;
- A clearer role for the private sector;
- A reduction in overall costs; and

- Raised customer satisfaction.

- 2.13 While there are also potential dis-benefits and risks associated with the proposal, these are set out within the business case and a detailed risk register is appended which identifies the mitigations required to address these.
- 2.14 The outputs and outcomes anticipated by this proposal include increased Gross Added Value (GVA), greater job density in Ayrshire, increased business numbers and number of scalable businesses, increased number of businesses trading outwith Scotland, a growth in population and more people securing places at Higher and Further Education, fewer people dependent on benefits or living in poverty.
- 2.15 There remains further work to validate the financial proposals and develop an agreed management structure that is commensurate with the proposed task. Approval is sought to populate the new management structure as quickly as possible and well in advance of April 2019.
- 2.16 It is also proposed that North Ayrshire Council assumes the role of host authority for this partnership and upon its establishment in April 2019 and staff from services agreed by EAC and SAC will transfer under TUPE regulations to North Ayrshire.
- 2.17 There are several key elements of work which need to be instigated as soon as possible if implementation is to be achieved by April 2019 and it will be important to establish working groups across a number of work areas and involving staff from each Council. Approval is sought to develop a detailed implementation plan and to initiate workstreams over summer 2018.
- 2.18 The proposed governance structure is shown in Appendix 5. The existing Ayrshire Shared Services Committee would be responsible for sign-off of major strategies and decisions relating to allocation of local authority funding to individual projects. Partner and business representation would form part of the Ayrshire Economic Development Joint Sub-committee, which would undertake the detailed strategic work to promote economic growth throughout Ayrshire. Delivery of services promoting economic growth would be through an Ayrshire Delivery Vehicle (ADV) comprising staff TUPE transferred from the three Ayrshire Councils. Ayrshire services being delivered by other partner agencies could link into the ADV, either through transfer or secondment of staff or through Service Agreements. Planning decisions currently made by individual Council Planning Committees would still be made by those committees, albeit their officer support would now come from the ADV. In broad terms the main components of this governance structure are the same as has been used in other City Deals, comprising a) a Joint local authority Committee making key funding decisions. b) a Sub Committee involving partner and business representation to develop strategy and c) a delivery vehicle hosted by one Council to implement the strategy. Accordingly this model would be used for the Ayrshire Growth Deal.
- 2.19 To date East Ayrshire Council has secured Cabinet approval that is consistent with the proposals being considered in the North Ayrshire report. A report with

proposals is being developed by South Ayrshire Council which will confirm their commitment to the Ayrshire Regional Partnership for Inclusive Economic Growth and the range of services that would form part of the proposals. It is expected that this will not be consistent with East and North Ayrshire Council's proposals. That being the case there is a requirement for the other partners to consider the implications of this for the overall DBC, the impact on the benefits realisation from a lesser or differentiated offer in each part of Ayrshire and the relationship with government and any Ayrshire Growth Deal discussions.

3. Proposals

- 3.1 On the basis of the attached business case, Council is asked to approve;
1. Establish a Regional Ayrshire Partnership for Inclusive Economic Growth as set out in Section 4 and Appendix 5 of the Detailed Business Case;
 2. Establish an Ayrshire Delivery Vehicle between East, North and South Ayrshire Councils and other stakeholders from 1 April 2019 and this includes integrated delivery of the Ayrshire Growth Deal, Economic Growth Services and Tourism;
 3. Continue negotiations with the Scottish Government, its agencies, and regional partners to secure commitments to the new partnership model;
 4. Remit to the Chief Executive to finalise the new management structure in conjunction with the other two Chief Executives, taking account of the remit and scope of the services and the overall financial envelope, to be populated as quickly as possible and well in advance of April 2019 with final proposals being presented to Cabinet;
 5. Establish a range of workstreams including service design, Human Resources, finance, legal, governance;
 6. Agree that the host authority is North Ayrshire Council, tasked with the oversight of day to day operational issues in relation to the Partnership;
 7. Transfer employees from East and South Ayrshire Councils (where agreed by their respective authorities) to the host authority on 1 April 2019 under TUPE Regulations;
 8. Establish an Ayrshire Economic Development Sub-Committee of the Ayrshire Shared Services Committee for the purpose of developing an Ayrshire Regional Inclusive Economic Growth Strategy and associated implementation plan, with appropriate support and input from an Ayrshire Economic Delivery Vehicle team.

4. Implications

Financial:	There are financial implications arising from this proposal which will require further more detailed work. With the benefits of economies of scale, the current estimate is that £2.2m will be saved from the current Economic Development budgets across the three Ayrshire Authorities. This includes the £800k approved savings from the NAC Economic Growth team. The financial implications of any TUPE liabilities has to be scoped.
Human Resources:	There are a number of Human Resource implications arising from this proposal which we will require for the scoping including structure, terms and conditions communications with staff. A new management structure is required and further work needs to be undertaken to develop an appropriate management structure. Staff who remain in post will be required to transfer to North Ayrshire Council under TUPE regulations. As part of the design and implementation phases of the proposals, communication with staff and trade unions will be essential and input from colleagues in the three human resource services will be key to delivering this new regional approach.
Legal:	There are legal implications arising from this report as set out in section 4 of the business case both in terms of the statutory nature of some services included in the regional partnership as well as the Acts and Regulations that all services are obliged to adhere to. Similarly to human resources and Finance, early input from colleagues in Legal Services will be an imperative.
Equality: Children and Young People:	The Regional Partnership will be designed and developed focusing on inclusive economic growth so that more opportunities will be available for those most economically excluded, regional economic constraints are tackled and the opportunities for growth are maximised providing increased levels of equality of opportunity for residents.
Environmental & Sustainability:	The report and the Detailed Business Case presents opportunities for supporting sustainable communities and economic growth.
Key Priorities:	The report supports corporate and economic strategies of the Council, specifically: 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 are no community benefit implications in this report, however, its decisions may impact on future procurement for the Regional Partnership.

5. Consultation

- 5.1 The partnership has been consulting with stakeholders on the proposals to date and there is support particularly from the local business community who are keen to support a regional partnership working to secure a stronger future economy for Ayrshire. There have also been updates provided to staff and trade unions. As key decisions are made by the partners further consultation will be planned and will be essential to the success of the proposals.



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Background Papers

N/A

Appendices

1. Ayrshire's economic profile
2. Relationships schematic
3. Full options appraisal
4. Full risk register
5. Governance structure

AYRSHIRE REGIONAL PARTNERSHIP FOR INCLUSIVE ECONOMIC GROWTH

Detailed Business Case (DBC)

18 June 2018

Version Control

Version 1 – East Ayrshire Council

Version 2 – North Ayrshire Council (amendments)

1. DETAILED BUSINESS CASE - INTRODUCTION

PURPOSE

This purpose of this paper and its appendices is to present the business case for the creation of a Ayrshire Regional Partnership for Inclusive Economic Growth between East, North and South Ayrshire Councils and national and regional Skills and Enterprise Agencies including but not limited to Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and Scottish Development International. The first of its kind in Scotland, a Government recognised partnership pathfinder project that has the opportunity to engage with partners and stakeholders to shape regional policy and influence investment decisions.

This proposed approach is centred on 'facilitating economic growth' through regional integrated delivery arrangements that will drive economic growth in the region. This proposal is to create a strategic vehicle that leads the development and delivery of inclusive growth across Ayrshire by harnessing the multitude of partners, stakeholders, institutes, business and communities and enhances the contribution of Ayrshire to the Scottish and UK economies.

An established culture of partnership working in Ayrshire extends beyond the public sector. Groups like the Ayrshire Economic Partnership, North Ayrshire's Economic Development and Regeneration Board, Ayrshire Engineering Alliance and Prestwick Aerospace Partnership are providing a strong private sector voice in shaping the development and delivery of regional enterprise and skills support.

Our work to secure an ambitious Growth Deal for Ayrshire has informed and supported the development of our partnership and create the strong foundations for future shared working arrangements.

Our shared vision for Ayrshire is:

"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 is therefore an ideal location for a regional partnership pathfinder to further explore how locally led regional activity can drive inclusive growth across Scotland.

Our partnership work has also involved utilising an inclusive growth diagnostic approach to systematically investigate the constraints to growth and inclusion in the region. Early evidence from the diagnostic highlights potential priorities at all levels. These priorities will be explored with businesses and wider stakeholders in Ayrshire and will support development of proposals a Regional Partnership might deliver.

The inclusive growth work at the Ayrshire level is on-going, but emerging constraints and opportunities include: improving physical and mental health outcomes; stimulating local, quality job creation; creating an "Ayrshire offer" for inward

investment; achieving a sustainable working population; and improving population skills, including softer skills and digital literacy.

Partners recognise the potential importance of a Growth Deal in establishing the ambition, scale, acceleration, resource and governance which can drive a step change in economic outcomes across Ayrshire. Partners also acknowledged that while a Growth Deal could be a key element of a regional partnership, other complementary activity will be required to maximise the impact of improved joined-up working across the region. The inclusive growth diagnostic is valuable in shaping the broader scale of collaborative potential the pathfinder is exploring.

This proposal is also designed to take forward Scottish and UK Government aspirations relating to regional delivery and to ensure that more focused collaboration and support from national agencies is achievable in the region. It also goes beyond the Scottish Government's statement in its phase 2 Skills and Enterprise Review that 'agencies will ensure that their product and services are tailored to regional conditions'. In Ayrshire, we want to move this into practice. This may include the devolution of certain elements of agencies current remit or new ways of working that change how businesses, communities and individuals access support.

A strategic business case has already been developed for this proposal and there is a broad recognition that current delivery models across Ayrshire are not facilitating the economic growth that the area requires to stem population loss, to increase living standards and to reduce dependency on public sector services. What we envisage is each local authority contributing budget and staff capability into a single team and resource on the scale required to transform the Ayrshire economy, coupled with a regional offering and focus by other partners.

In the context of economic growth, this proposal embeds not only the Councils Economic Development Services in its scope but also its related services including Planning Policy, Development Management, Regeneration, Building Standards, Regulatory Services all of which include, within a broader remit, the provision of services to businesses, communities and individuals that facilitates economic development and growth.

These are all services which help shape the kind of places where people want to live, work, relax and invest and they all improve places by helping them to function better economically, socially and environmentally.

The inclusion of this range of services also reflects the inter-dependencies that exist between them and the need to recognise that support structure to businesses, communities and individuals can be improved by joined up service provision.

This current proposal has a much wider set of objectives linked to economic growth and is not focused solely on efficiencies. This paper, therefore demonstrate, that the benefits outweigh the challenges.

This business case has been prepared taking account of the agreed standards and format for business cases as set out by The Treasury in its Green Book Guidance and comprises the following key components:

- The strategic case – this sets out the case for change, together with the objective of the proposal;
- The economic case – this seeks to demonstrate that the proposal meets the needs of the 3 Ayrshire Councils and Scottish and UK Governments in terms of delivering economic development and supporting economic growth;
- Governance – a proposed governance structure is proposed

Further work is required to develop the financial and management cases, and the new structure to be adopted.

SUCCESS CRITERIA

The success criteria for the Business Case are:

- Document is robust and comprehensive;
- Options available have been considered in a rigorous, equitable and transparent manner;
- Recommendations are clear; and
- Adequate information has been provided to allow Elected Members to consider whether or not they wish to charge officers with the establishment of the Ayrshire Regional Partnership for Economic Growth.

RECOMMENDATIONS

On the basis of the attached business case, Council is asked to approve;

1. Establish a Regional Ayrshire Partnership for Inclusive Economic Growth as set out in Section 4 and Appendix 5 of the Detailed Business Case;
2. Establish an Ayrshire Delivery Vehicle between East, North and South Ayrshire Councils and other stakeholders from 1 April 2019 and this includes integrated delivery of the Ayrshire Growth Deal, Economic Growth Services and Tourism;
3. Continue negotiations with the Scottish Government, its agencies, and regional partners to secure commitments to the new partnership model;
4. Remit to the Chief Executive to finalise the new management structure in conjunction with the other two Chief Executives, taking account of the remit and scope of the services and the overall financial envelope, to be populated as quickly as possible and well in advance of April 2019 with final proposals being presented to Cabinet;

5. Establish a range of workstreams including service design, Human Resources, finance, legal, governance;
6. Agree that the host authority is North Ayrshire Council, tasked with the oversight of day to day operational issues in relation to the Partnership;
7. Transfer employees from East and South Ayrshire Councils (where agreed by their respective authorities) to the host authority on 1 April 2019 under TUPE Regulations;
8. Establish an Ayrshire Economic Development Sub-Committee of the Ayrshire Shared Services Committee for the purpose of developing an Ayrshire Regional Inclusive Economic Growth Strategy and associated implementation plan, with appropriate support and input from an Ayrshire Economic Delivery Vehicle team.

2. THE STRATEGIC CASE

INTRODUCTION

This Detailed Business Case is for the establishment of an Ayrshire Regional Partnership for inclusive economic growth.

There is a very strong strategic rationale for a coordinated regional approach to economic development. This is based on greater partnership working with Government and its agencies to shape national strategies and priorities, exert greater influence on investment decisions and access national programmes, pool expertise and share understanding across the 3 Council areas, ensure strategic and targeted interventions within Ayrshire where they are most needed, deploy specialist support which would otherwise be unavailable to the individual Councils, to pool labour market and infrastructure resources to attract investment and create economic opportunity.

A regional approach with a strong relationship with Government, the private sector and communities will be necessary to deliver the objectives of the Ayrshire Growth Deal and its vision for a successful Ayrshire economy.

Chapter 3 on the benefits of the approach expands on the points set out above. The rationale which underpins this proposal is that with the correct public sector support mechanisms in place, along with a more consistent and responsive offer, private sector investment and consequent economic growth can be more effectively supported. Our resident communities will be able to benefit from the enhanced range of labour market opportunities that are created through the new approach.

The strategic rationale is about delivering the economic ambition and vision of a more dynamic, outward looking and confident Ayrshire. An Ayrshire that is leveraging its major economic assets to their full potential and has an infrastructure that is fit for the 21st century.

Alongside this functionality, the partnership and its member councils must use their strategic capabilities to work with a broad range of partners at regional and national level to effect long term, positive outcomes.

As Ayrshire's economy becomes stronger, so the region becomes fairer – everyone in Ayrshire should benefit from our proposals and no one who wants to participate in the economy should be left behind. Our growth will be inclusive.

The benefits of the proposed approach are also clear (and were agreed by each Council's Cabinet in October 2017):

- A stronger voice in shaping national strategies and greater level of influence nationally to draw investment and resources from a wider range of partners;

- A pooling of expertise from across the region and the opportunity to provide specialist support to businesses irrespective of their location;
- More efficient use of resources and the opportunity to ensure that resource is targeted where it is needed;
- Greater capacity and resilience to respond to demands for public sector support;
- A new approach to inclusive growth; and
- Better engagement with the private sector.

The need for more effective economic development support is also clear, as the case for change below sets out. Despite more than 20 years of economic development support Ayrshire still performs below the Scottish average on most key economic indicators. Whilst there are reasons for this – Ayrshire has had to make a longer journey from a traditional to more modern economy than many of the regions - a new approach is required to ensure Ayrshire, its services, businesses and communities, are resilient for the future.

The underperformance of the Ayrshire economy provides a strong case for change, and a move to a regional approach. Ayrshire has remained persistently behind other regions in Scotland and pooling our resources has the potential for Ayrshire to have a stronger and more significant voice at national level to generate the impetus needed to tackle this. Doing more of the same is simply not an option.

For Ayrshire to be successful and to build on its current strengths, we must reduce the disparities across communities and make full use of the opportunities a growing Ayrshire economy presents. Successful economies are inclusive economies and tackling inequalities will help ensure that the region is competitive in an increasingly global market and that our businesses and communities are resilient to emerging trends and technological advances in the economy.

The current delivery model is not facilitating the economic growth that the region requires and we also need to ensure that we have the capability to create a vehicle for the future and not just to fix today's problems. There is also a need to capitalise on opportunity more effectively – Ayrshire has £6.4bn total economic output (5% of Scotland's total (2015)) and a range of sectoral strengths.

Bringing together all of the economic development functions, along with Planning and Regulatory Services coupled with a reset relationship with national agencies and other regional partners, all of whom provide vital support to businesses, will allow the optimum deployment of resources across Ayrshire. This not only is more efficient, but it is the approach that the private sector has consistently argued for and it will deliver the greatest impacts and outcomes for business, communities and individuals.

The policy context for this proposal is set out in subsequent sections but it must be recognised at the outset that we have an opportunity to reset our relationship with

partners and to ensure that we have influence with policy makers and can access national resource, so that Ayrshire is not left behind in relation to other regions.

THE POLICY CONTEXT

The context to this proposal is cast in a number of key national and regional documents. A summary of these are set out below (more details are available in the initial Strategic Business Case).

Scotland's Economic Strategy

Scotland's Economic Strategy (SES) published by the Scottish Government in March 2015, has the purpose of creating a more successful country, with opportunities for all of Scotland to flourish, through increasing economic growth, whilst ensuring that everyone in Scotland has the opportunity to fulfil their potential. The focus on outcomes and a whole economy approach has led to the development of an economic framework for Scotland.

This approach is centred on 2 objectives: increasing competitiveness and tackling inequality. The SES has 4 pillars to achieve this – the 4 I's – investment, innovation, inclusive growth and internationalisation.

A regional partnership would support Ayrshire's commitment to the Inclusive Growth agenda, would have a lead role in terms of improving innovation and internationalisation in Ayrshire and would be an appropriate mechanism for the delivery of the Ayrshire Growth Deal to secure investment, therefore contributing to every aspect of the SES.

The UK Government's Industrial Strategy

In 2017, the Prime Minister launched the Government's Industrial Strategy which acknowledges that despite an economy with significant strengths and opportunities in which many people, places and businesses are thriving, growth remains unevenly distributed across the country and there is a need to redress this imbalance.

Ayrshire's focus on inclusive growth aligned to key industrial sectors and business opportunities reflects the ambitions of this strategy and there are obvious opportunities for Ayrshire to contribute to the UK Government's agenda.

The Industrial Strategy is built on 10 interdependent pillars:

- Investing in science, research and innovation;
- Developing skills;
- Upgrading infrastructure;
- Supporting businesses to start and to grow;
- Improving procurement;
- Encouraging trade and inward investment;
- Delivering affordable energy and clean growth;
- Cultivating world-leading sectors;
- Driving growth across the whole country; and

- Creating the right local institutions.

A regional partnership would have the scale required to enable Ayrshire's 3 Councils to engage effectively with the UK Government on delivering this Strategy.

Scottish Government's Planning Bill

The Planning (Scotland) Bill was introduced to Parliament on 4 December 2017. The Bill is central to the Scottish Government's package of measures intended to strengthen the planning system's contribution to inclusive growth and empowering communities. The Bill sets out proposed high level changes to the overall framework under which planning operates including:

- The abolition of Strategic Development Plans;
- The removal of the requirement to prepare Local Development Plans every five years to allow a greater focus on plan implementation;
- The encouragement of regional collaborative working; and
- The creation of 'bespoke regional partnerships' to address specific issues.

There is no Ayrshire Strategic Plan at present and whilst there are consultation arrangements in place relating to each Council's Local Development Plan, there is no mechanism for setting regional targets for housing or for coordinating infrastructure delivery.

In the context of current proposals for a regional partnership, this Planning Bill provides a platform to coordinate development plans and infrastructure investment plans.

Inclusive Growth Agenda

Inclusive Growth has emerged in recent years as a key policy focus and is defined as 'growth that combines increased prosperity with greater equity that creates opportunities for all and distributes the dividends of increased prosperity fairly'.

The challenges in many parts of Scotland, including Ayrshire, brought about by industrial restructuring are well documented and the spatial distribution of poverty and deprivation reflect this. Across a number of decades a suite of policy and investment approaches, fashioned at national level, using various delivery vehicles have been set out in attempts to address deprivation and exclusion and tensions between job creation versus helping people into jobs and linking opportunity to need have underpinned these initiatives. These have delivered limited success.

The Government is therefore committed to supporting an approach which puts a different emphasis on growth – growth that means prosperity and opportunity for all – regardless of who you are, and what part of Scotland you live in. A regional partnership in Ayrshire, based on our economic geography, will allow us to tackle regional variation in economic performance and opportunity and to contribute to the Government's commitment to inclusive growth. Inclusive growth is about people and

places having the opportunity to participate in growth and there is a need to rebalance the Scottish economy – highlighted in the Scottish Economic Strategy by showing the disparity between Edinburgh and East and North Ayrshire in terms of GVA.

Our partnership work has also involved utilising the inclusive growth diagnostic approach to systematically investigate the constraints to growth and inclusion in the region. The work is on-going but emerging constraints and opportunities include: improving physical and mental health outcomes; stimulating local, quality job creation; creating an "Ayrshire offer" for inward investment; achieving a sustainable working population; and improving population skills, including softer skills and digital literacy. Tackling the constraints will require concerted efforts and may require at times the challenging of systemic issues which have held Ayrshire back from benefiting and experiencing growth.

City Deals/Regional Growth Deals

The productivity gap in the UK is well documented and regional disparities are wider in the UK than in other western European countries. City Region Deals were introduced as agreements between the UK Government and cities to give local areas across the UK specific powers in relation to their own areas to support economic growth, create jobs and invest in local projects.

City Region Deals aim to devolve the necessary decision making powers and resources to economic partnerships, enabling them to address the specific needs of their area and to unlock the full economic potential of their region. City Region Deals encourage local authorities to collaborate to develop a clear, long term programme of regional investment with any growth being additional to what has already been forecast as a result of existing capital investment plans.

City Region Deals are now in place to support all of Scotland's City regions and a number of other Scottish local authorities are exploring the opportunities to access support for their own regional aspirations.

On this basis, the Ayrshire Growth Deal bid recognised that what happens in one part of Ayrshire can have benefits for the region as a whole and that achieving those benefits needs a more coordinated approach.

While the Growth Deal bid focuses on a relatively small number of capital projects with associated revenue based interventions, how the Councils continue to deliver their existing services must take account of this regional approach.

Both the UK and the Scottish Government will require a regional governance structure to be established as a prerequisite for the significant investment which will flow from the Ayrshire Growth Deal. The establishment of a Regional Partnership will provide a structure which ensures that the Growth Deal is integrated with the overall economic growth strategy for Ayrshire.

Enterprise and Skills Review

As part of Phase 2 of the Enterprise and Skills Review, Ayrshire was designated a Regional Partnership Pathfinder, and as such, Ayrshire has been viewed as taking a leadership role in this agenda.

The report on Phase 2 of the Enterprise and Skills Review stated the following in relation to Regional Partnerships:

- Every area in Scotland is encouraged to develop a Regional Partnership;
- Agencies will ensure that their products and services are tailored to regional conditions;
- Future city deals and growth deals should include prioritisation of projects using the Inclusive Growth Diagnostic;
- The importance of private sector representation on Regional Partnerships where Government investment is sought;
- Learning from the on-going Ayrshire Pathfinder demonstrates that the move to build stronger regional economies has evolved beyond city deals and is considering what is best delivered at local, regional and national levels to unlock the area's full economic potential;
- Government will establish a data hub to enable robust analysis and impact measurement for Regional Partnerships.

The Phase 2 report also announced the decision for a new South of Scotland Enterprise Agency which will be supported by additional resources (£10 million) to boost economic development activities.

Ayrshire's Economic Development Strategies

At present, each of the 3 Ayrshire Councils have approved Community Plans and Economic Development Strategies in place which capture each authority's ambitions to support and grow their economy and to ensure that resident communities have the right skills for work and can access labour market opportunities. A principal objective in establishing a regional partnership would be to improve the outcomes for individuals, businesses and communities reflecting the strategies already in place.

THE CASE FOR CHANGE

There is evidence that what is currently being delivered by each individual Council in terms of economic development is having a limited impact in terms of supporting economic growth. We are not making best use of the resources and capabilities of national and regional organisations and national investment decisions continue to be taken to the detriment of the Ayrshire economy.

A fresh approach which removes competition across local authority areas and seeks to put business at the heart of delivery will improve our outputs and outcomes and stem the decline of Ayrshire's economy.

Ayrshire's Current Economic Profile

A full profile is attached in the appendices (Appendix 1) to this document, but in summary Ayrshire's economy has historically underperformed.

Benchmarking of the key statistics set out below against the national average and over the last 2 decades since local government reorganisation indicates that despite significant resources being deployed we have failed to narrow the gap between Ayrshire and the rest of Scotland and in some cases the gap has actually widened. We need to acknowledge this and we need to change our approach – we need to create an Ayrshire that is an attractive investment proposition and one where people are able to live and work.

Ayrshire has experienced low levels of economic growth in recent years, diverging significantly from Scotland, and has still to recover from the last recession.

The business base largely comprises SMEs and micro businesses with only 30 companies across Ayrshire employing more than 250 staff.

Ayrshire has particular strengths in a number of Scotland's key growth sectors – engineering and manufacturing, aerospace and space, life sciences and tourism and these are forecast to grow substantially. Both the UK and Scottish Governments are targeting resources at that growth.

Ayrshire's employment base is concentrated in less productive sectors (e.g. healthcare and retail) and the economy is only projected to grow by 1.57% by 2030. This is an issue common to the 3 Councils and the need to address the current industrial mix and lower value add sectors is an essential component of this regional approach.

The industrial structure of the Ayrshire economy shows a greater reliance on the public sector (33.6% against 31% nationally).

Business birth rates have historically been low compared to nationally although this has changed in recent years – the concern is that lack of employment is driving individuals to use business start-up as a labour market intervention.

Ayrshire lags behind the national average in terms of business expenditure on research and development (£32 in Ayrshire per head of population versus £162 in Scotland as a whole). A lack of innovation across the business base and low levels of exporting prevail too.

Ayrshire as a whole has 50% more people living in deprivation than the national average with 28% of children living in poverty compared to 20 % nationally.

Growth in GVA in Ayrshire has been more modest than for Scotland as a whole with growth of 23% against a national figure of 33% over the decade from 2005 to 2015.

Ayrshire has 0.63 jobs per working age resident against 0.79 for Scotland.

13% of Ayrshire's working age resident population have no skills compared to 9% for Scotland as a whole. There is also an under-representation of jobs with high level skills requirements and therefore of individuals with higher level skills working in the region.

Ayrshire's employment rate is 4% lower than the national level.

Population is in decline and forecast to continue this downward trajectory to 2036.

A cluttered landscape of support

Research commissioned by the 3 Councils in 2016 to look at business support provision across the region concluded the following;

- There are no major gaps in support but at a local level there is duplication between Council support and that of national agencies;
- There is a large degree of similarity in offer across the 3 Councils but there is no uniformity;
- Differing approaches has resulted in different levels of engagement and take up of support;
- Particular segments of the business base are 'slipping through the net' and not being supported;
- There is inconsistent access to national products;
- The business base itself expressed the view that more sector specific expert help is required; and
- It also expressed a desire to see a level playing field in terms of support and irrespective of location.

While there is no independent research available in terms of employability support, service managers in each Council confirm a similarly confused picture across the region and larger companies who participated in the business support research expressed frustrations that employing staff from across the 3 Council areas means different support offers in each local authority.

Public Sector Reform

The Christie Commission argued in 2011 that public service providers must be required to work more closely in partnership to integrate service provision and to therefore improve the outcomes they achieve. It also recommended that the public service reform should contribute to the simplification and streamlining of the public sector landscape.

More recently the Scottish Government carried out a review of its Enterprise and Skills agencies and highlighted the following emergent themes:

- The optimal fit between national and local priorities;
- The need for a 'no wrong door' approach to simplify service and funding streams for customers;
- How to improve outcomes in terms of innovation, internationalisation and skills.

A second phase of the review built on these themes and confirmed a commitment to working with partners and agencies to optimise regional economic impact while remaining responsive to meeting local needs. Examples of emergent regional partnerships in Scotland contained within the phase 2 report include a number that have emerged from the governance structures necessary to deliver City Deals.

The Ayrshire Regional Partnership for Inclusive Economic Growth presents an ideal opportunity to champion the aspirations of the Enterprise and Skills review in bringing a new, joined-up approach to economic development that sees local authorities working together alongside regional and national partners. The focus is on delivering the optimum support to businesses and individuals at the right time in their 'journey', a far more cohesive and responsive approach than has previously been the case.

In this context, a regional partnership in Ayrshire would contribute to the Government's focus on regional delivery as a means to stimulating growth and would also provide the governance structure to unlock the Ayrshire Growth Deal.

Fiscal challenges

Increasingly public sector bodies are faced with delivering services within an environment of increasing fiscal austerity and continued pressure to demonstrate value for money.

The Fraser of Allander Institute predicts a total reduction of £1bn to local government revenue funding between 2016 and 2021 and with a clear commitment from the Scottish Government to protect services such as healthcare and childcare, other services could face average reductions of between 10% and 17% with unprotected services most likely to face these enhanced pressures in the forthcoming years.

As public sector budgets come under strain, it is proving difficult to maintain current resourcing levels in economic development related services and this could lead to a reduction in the quality and scale of support available to businesses.

Working together at a regional level potentially limits that negative impact by ensuring that resources are targeted where most needed whilst efficiencies can be derived from management costs.

While the primary focus of this work is the facilitation of economic growth it is worth noting that Audit Scotland has previously identified a need for smaller Councils to consider joining their Regulatory Services to increase capacity and strengthen the

protection they offer to consumers and businesses. Succession planning and resilience are concerns which prevail for each of the Ayrshire councils.

3. THE ECONOMIC CASE

This section sets out the economic case for the regional partnership. It firstly summarises the current delivery situation, then articulates the scope, vision and objectives for the partnership, expected benefits and potential dis-benefits, critical success factors, options appraisal and the principal risks.

This section also seeks to articulate the economic outputs and outcomes that could be achieved by a regional partnership, specifically:

Outputs

- No of businesses engaged
- No of interventions delivered
- No of individuals supported into training and/or employment
- No of start-up businesses supported
- No of additional national products accessed
- Creation of business/industrial space

Outcomes

- GVA increases;
- Employment rate;
- Business numbers;
- Business of scale;
- Inward investment secured;
- Exporting companies and value of exports;
- Population retention and growth;
- Town centre vacancy rates;
- Visitor numbers;
- Visitor spend; and
- HE and FE places.

CURRENT DELIVERY

This section outlines the existing arrangements in place across the 3 Councils to deliver economic development and related services. There are differences in structure, interventions and budgets but largely the priorities and focus are similar across the authorities. The table below provides a summary of current delivery. It reinforces the fact that there are similarities across the region and underlines the value in streamlining this to a single support offer, enhancing provision to best suit opportunities and needs.

Service	Function	EAC	NAC	SAC
Economic Development	Business support including Business Gateway Programme	√	√	√
	Inward investment	√	√	√
	Sector support	√	√	√
	Tourism	√	√	√
	Town Centre management	√	√	√
	Employability Pipeline	√	√	√
	SDS Contracts for Employability Fund and MAs	√ Training provider contracts	√ Employer contracts	√ Employer contracts
	Supported Employment	√	√	
	Economic Policy and Strategy		√	
Planning	Policy Planning including LDP	√	√	√
	Regeneration	√	√	√
	Development Management	√	√	√
Building Standards	Building Standards	√	√	√
	Enforcement	√	√	√
	Dangerous buildings	√	√	√
Environmental Health	Public Health	√	√	√
	Public Safety	√	√	√
	Food and feed safety	√	√	√
	Food hygiene	√	√	√
	Animal health and welfare	√	√	√
	Dog fouling	√		√
	Littering	√		√
	Fly tipping	√		√
	Smoking	√	√	√
	Contaminated	√		

	land			
	Seagull control	√		
Trading Standards	Fair Trading	√	√	√

The structure and spend on these services differs across each local authority but, in the main, all Councils are committed to the same types of activities. In terms of Economic Development, we collectively engage with 15% of the business base and support approximately 3,800 people per annum to access training and employment (SLAED Indicators, 2016/2017).

The majority of these activities are delivered from Council premises in the three main towns – Ayr, Irvine and Kilmarnock. In some instances support is also provided in smaller communities, for example the Business Gateway programme is delivered in smaller towns and villages across Ayrshire including Cumnock, Girvan and Kilwinning. Similarly employability support is community based in areas such as Saltcoats, Dalmellington and Maybole and there are no plans to change this approach.

The value of service delivery in communities for communities is integral to our approach and the proposal to establish a Regional Partnership does not conflict with this but provides the opportunity to deliver on our objectives whilst dedicating more resource where it makes the greatest impact – frontline service delivery.

The establishment of a Regional Partnership affords the opportunity to design and implement service provision which is based on best practice across the authorities with a view to maximising the impact of our efforts.

EXISTING LINKS WITH NATIONAL AGENCIES

It is the view of Ayrshire's Councils that it is important that national agencies are able to align their services to our regional, economic geography.

A regional approach also allows us to reset our relationship with national agencies and to address both the inherent weaknesses in these relationships at present and the issues of duplication and confusion that our businesses perceive exists between us.

Each Council has a well-established relationship with Scottish Enterprise (North Ayrshire also engages with Highlands and Islands Enterprise) and we welcome the contribution that they are able to make through the provision of national products and services to support the growth and development of our local businesses.

However, 148 account managed companies in Ayrshire are supported by 45 different account managers reflecting SE's sectoral focus and this does not always facilitate any understanding of the local or regional agenda and the associated opportunities and needs.

We recognise that there are criticisms of all partners from our business and resident communities, anecdotal feedback from many businesses is that engagement with Scottish Enterprise can be sporadic and that there can be as much as an 18 month gap between communications. This may be an issue related to the availability of resources. Regardless of the root cause, a regional partnership approach provides an opportunity to address this issue in a more collaborative way.

Businesses also indicate that account managers do not have flexibility in how they provide support and it is simply a case of accessing standard products.

A business survey undertaken on behalf of the 3 Councils in 2017 indicates that whilst 81% of businesses surveyed were aware of SE's support only 35% had been able to access any. In terms of business growth and improvement, in 2016/17 only 93 Ayrshire businesses accessed an SE product. This places additional demand on the mechanisms that Councils have at their disposal and reinforces the argument for a single approach to business support.

Similarly, each local authority has a strong link to Skills Development Scotland and values the contribution made in terms of careers guidance across education provision and support to unemployed individuals. However, the role of SDS can be constrained by a national agenda which allows limited flexibility to take account of local and regional needs and opportunities.

The current support landscape at a national level has created individual agencies very focused on one element of economic growth with a broad range of support mechanisms and a wealth of expertise and experience. It is undoubtedly the case that there is an extensive range of products that businesses and individuals can access for support and this is welcomed.

From a customer perspective, there are a plethora of agencies with similar support products and no clarity for business around why that is the case, what the benefit might be or who is best placed to serve the customer.

Our proposed approach can deliver a significant improvement over existing arrangements because our proposals are embedded in the principles of taking a more systematic approach to support using resources in a more focused and effective way.

We can take the opportunity afforded by a joined up approach across Ayrshire's councils to influence how Scottish Enterprise and Skills Development Scotland deliver regionally. We can work with them to test new models for delivery – bringing a focus back to Ayrshire and its sectoral strengths by working together to strip out duplication and devise a range of supports and products which is more manageable, more accessible and which meets customer needs. We can become the 'go to' region for support – the region of choice for sound investment.

Beyond stronger relationships with Scottish Enterprise and Skills Development Scotland, it is important to acknowledge that a regional partnership will be able to engage more effectively with Ayrshire College – the region's only FE College, HE institutions, VisitScotland's regional team and Transport Scotland's regional directorate to ensure that it can influence the priorities and decisions of partners and stakeholders. A schematic of how it is envisaged a regional partnership will relate to other agencies, council services and Ayrshire's Community Plan Partnerships is set out at Appendix 2.

SCOPE, VISION AND OBJECTIVES

Scope

The proposal under consideration is to:

- 1) Establish a regional partnership vehicle with the purpose of realising a transformation of the economic prospects for all communities and individuals in Ayrshire.
- 2) Embed within the vehicle structure a full range of economic facing services from the three local authorities.
- 3) Secure commitment to resources and investment from the wide range of national, regional and local partners involved in inclusive economic growth.
- 4) Establish a governance on structure reflecting the need for a broad partnership approach, appropriate LA oversight particularly of its services, management of funding of the AGD, creating a single coherent and powerful voice for Ayrshire.
- 5) A management structure will be developed as the final service design is developed.

Vision

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.

The establishment of a single Inclusive Economic Growth Partnership across Ayrshire is aligned to the strategic drivers outlined in section 1.

- This proposal aims to have a vehicle able to have the strategic and operational capability to take forward activities to drive the economy, sustain and grow communities and capitalise on people and resources. The vehicle will have the leading role in creating the conditions for more skilled and better paid jobs, take advantage of opportunities and adapt to technological change. It should be able to put Ayrshire on the map and position Ayrshire as the 'go to' region to invest in and all parts of Government recognise and support targeted investment to meet the economic challenge of delivering inclusive growth. To achieve this, it will not only need to be a strong and effective partnership capable of strategic relationships nationally, regionally and locally but it should also have an effective delivery function to provide consistent and

high quality services which could be best achieved through the joining up and integration of relevant economic services.

- The Partnership will need to have a clear vision for the area, providing strong regional leadership working with locally elected leaders and other key stakeholders. Strong and effective business representation will be central to the governance. Clarity of purpose will enable key organisations to align behind a clear direction. The partnership will be the single coherent 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. A compelling route map to change will need to be created with the partnership having the authority and capability to drive the change required through its own delivery capability as well as influencing and harnessing the resources of the many organisations that will continue to play an important role in investing in Ayrshire's future.
- A range of public, private and third sector organisations already work actively in Ayrshire. These organisations include Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland, Scottish Funding Council, Transport Scotland, Visit Scotland as well as the Local Authorities, Ayrshire College, Ayrshire Chamber of Commerce and a number of universities. The work of these organisations is valued but there is now the opportunity to reshape the relationships to create a fresh approach to economic development in Ayrshire. The vehicle should have productive relationships between these organisations and ensure that their provision planning and resource allocation becomes better aligned, more coherent and subject to more consistent performance measurement so that actions and investment can be tracked against the agreed route map.
- The relationships with health, education and housing also needs to be in the wider partnership relations given the recognised impact that these functions and services have on the wealth, health and well being of Ayrshire and its residents. The partnership will also need to have effective links with local communities to ensure that the needs and aspirations of all are fully understood and reflected in strategic planning, investment decisions and delivery.

Delivery

- 1) There is a range of delivery activity to assist businesses across Ayrshire reach their potential which could include:

A joining up of existing business support services - Ideally, this would be a fully integrated Ayrshire team with access to a wide range of support with seamless access and allow that bespoke packages of support can be offered to meet individual business needs and maximise the economic potential. Responsibilities for Ayrshire businesses would lie with an Ayrshire team and only the most strategic global companies would be managed directly by the centralised SE/HIE teams. Ideally, access to national programmes and

resources would be facilitated by regional teams encouraging increased take up as part of an integrated package of support for business innovation and growth.

- Business networks and sector development could be strengthened
- Enhanced support to micro and small businesses particularly in rural and island communities
- Development of regional supply chains that can facilitate greater community wealth building, more local jobs and the development of more sustainable communities.
- Encourage greater focus on developing business leadership, innovation and research capability
- Work with Scottish Development International and others to create a world class offering aimed at attracting inward investment and working with SDI, the Chamber of Commerce to create an innovative Ayrshire Export Partnership.

2) The Vehicle should be the strategic lead for skills development in Ayrshire harnessing the work of Skills Development Scotland, Scottish Funding Council, education institutions including the universities and colleges to include:

- Development of a Regional Skills Investment Plan which would be the blueprint to establish priority actions to meet the variety of skills needed in Ayrshire.
- Support the development of skills in Ayrshire by contributing resources and the devolution of resources in the design of new services where appropriate
- Align skills need with skills provision
- Ensure that the existing workforce has the opportunity to develop their skills and to access the on-going training to enhance their skills
- Ensure a workforce that can make the most of future economic opportunities including building a stronger digital capability
- Develop the workforce of tomorrow by working with the educational institutions.

3) Developing Ayrshire infrastructure and connectivity

The vehicle would need to develop clear priorities to develop and promote Ayrshire's assets and resources to maximise investment into the area. This could include:

- Developing and articulating Ayrshire transport infrastructure priorities and making the case for investment from relevant authorities for their delivery
- Developing a digital economy, improving the take up digital technologies and ensuring that businesses and communities make the most of those technologies
- Developing business spaces fit for a growing businesses of the 21st century
- Supporting the development and regeneration of towns and town centres
- Developing the logistics potential of Ayrshire by harnessing the assets of the airport, ports, freight and road connections
- Developing the opportunities from the numerous energy assets including the areas nuclear, renewables, Western Connector and former coalfields.
- Delivering the projects identified in the Ayrshire Growth Deal.

4) Sustaining and growing the communities potential activities

- Support the growth and development of the social enterprise sector
- Supporting community based businesses reflecting the traditions, skills, and aspirations of different places
- Responding to the inclusive growth diagnostic

To realise the potential of the Ayrshire Regional Partnership requires a number of key features

- 1) Establishment of a governance structure that supports the one Ayrshire approach with key organisations round the table empowered to create a compelling vision and route plan
- 2) A reset relationship with national and regional organisations with integrated delivery wherever possible – a one team Ayrshire approach
- 3) A demonstration of commitment by Local Authorities by including its economic development facing teams to provide a core of capability and service delivery which if integrated into a single team will bring efficiency, resilience, consistency of offer and the potential to develop specialist resource that would not be possible in the individual Local authorities.

Objectives

The specific objectives contained in this Detailed Business Case for the Ayrshire Regional Partnership are:

- Objective 1: to achieve a step change in the performance of the Ayrshire economy and its contribution to the national economy.
- Objective 2: to develop a consistent and effective Ayrshire offer to investors, indigenous businesses, individuals and communities, which is high quality in nature and responsive to changing circumstances.
- Objective 3: to provide an effective mechanism for delivering the ambitions of the Ayrshire Growth Deal and the broader economic and related outcomes desired by partners.
- Objective 4: to ensure that economic growth benefits all people and communities in Ayrshire and, particularly that effective support is provided to people and communities whose current economic access and opportunities are limited.
- Objective 5: to make best use of all national and local expertise, capacity, assets and resources to improve resilience in the face of public sector budget pressures.

How these objectives impact on stakeholders is set out below:

OBJECTIVES	MAIN BENEFITS BY STAKEHOLDER GROUP
Objective 1: to achieve a step change in the performance of the Ayrshire economy and its contribution to the national economy.	<p>For businesses:</p> <ul style="list-style-type: none"> • Increased support for growth ambitions • Increased investment and expansion – new markets, innovation, product development and improved productivity. <p>For the public sector:</p> <ul style="list-style-type: none"> • Improved quality of support offer, increasing the likelihood of retaining businesses and attracting inward investment. <p>For resident communities:</p> <ul style="list-style-type: none"> • Increased access to jobs in new and growing businesses.
Objective 2: to develop a consistent and effective Ayrshire offer to investors, indigenous businesses, individuals and communities, which is high quality in nature and responsive to changing circumstances.	<p>For businesses:</p> <ul style="list-style-type: none"> • Easy access to support for growth ambitions • Increased investment and expansion – new markets, innovation, product development and improved productivity <p>For the public sector:</p> <ul style="list-style-type: none"> • Improved quality of support offer, increasing the likelihood of retaining businesses and attracting inward investment. <p>For resident communities:</p>

	<ul style="list-style-type: none"> Increased access to jobs in new and growing businesses.
Objective 3: to provide an effective mechanism for delivering the ambitions of the Ayrshire Growth Deal and the broader economic and related outcomes desired by partners.	<p>For businesses:</p> <ul style="list-style-type: none"> Improved infrastructure, access and connectivity. Increased choice of sites for expansion to address latent and emerging demands. <p>For the public sector:</p> <ul style="list-style-type: none"> Expanded and improved economic base Increased likelihood of attracting new investment into Ayrshire. <p>For resident communities:</p> <ul style="list-style-type: none"> Increased job opportunities.
Objective 4: to ensure that economic growth benefits all people and communities in Ayrshire and, particularly that effective support is provided to people and communities whose current economic access and opportunities are limited.	<p>For businesses:</p> <ul style="list-style-type: none"> Access to an enhanced labour pool of people with skills matched to business needs. Increased growth opportunities. <p>For the public sector:</p> <ul style="list-style-type: none"> Increased likelihood of retaining and attracting businesses. Strengthened business base. <p>For resident communities:</p> <ul style="list-style-type: none"> Increased job opportunities.
Objective 5: to make best use of all national and local expertise, capacity, assets and resources to improve resilience in the face of public sector budget pressures.	<p>For businesses:</p> <ul style="list-style-type: none"> Increased support for growth ambitions Increased investment and expansion – new markets, innovation, product development and improved productivity. <p>For the public sector:</p> <ul style="list-style-type: none"> Improved quality of support offer, increasing the likelihood of retaining businesses and attracting inward investment. <p>For resident communities:</p> <ul style="list-style-type: none"> Increased access to jobs in new and growing businesses.

EXPECTED BENEFITS (INCLUDING FINANCIAL)

Improved outcomes for businesses, individuals and communities. We recognise that while we have all been active in terms of providing economic

development support since 1996, our successes have been limited. This proposal to move to a regional approach is rooted in a need to reverse relative economic decline.

Budget challenges and demographic shifts in Ayrshire are creating a challenging operating environment in which to deliver public sector services. A regional partnership would ensure targeted resources and focused effort, including that of national agencies, across the region to maximise positive outcomes.

A regional partnership offers the opportunity to redesign services, to deliver the best of what we do across the region, based on feedback from our business and resident communities, to ensure that services are more customer focused.

By making this shift, we are creating an opportunity for all partners to work collectively for the benefit of all of Ayrshire rather than working competitively. By more direct involvement with national agencies, we can strip away duplication of effort and ensure that resource is more effectively targeted on business needs.

To be effective, policies need to be implemented at a scale that matches economic footprints - and in the case of Ayrshire is the 3 Council areas in their totality.

Over the past decade consideration has been given to the benefits of agglomeration; creating regions of scale through enhanced linkages within regions. Getting the right infrastructure in place plays a key role in connecting people to where job opportunities are (and will be) created and, by improving connections within regions, it is possible to deliver benefits in productivity through agglomeration.

Global cities have become the engine room of economic growth for many nations. UK and Scottish Government have developed policies that supported city region growth including the establishment of the Northern Powerhouse partnerships, and the Scottish Cities Alliance. To compete in this market for investment, jobs and a sustainable future, will require a pooling of resources to strategically plan and deliver what is required for a future modern regional economy.

Agglomeration has the potential to broaden the labour market pool, enabling individuals to find work over a wider geographical area which eases skills shortages. In addition, developing sectors in which regions have a comparative advantage is key to regional productivity growth. As the case for change highlights, rebalancing the industrial structure in Ayrshire is imperative, so that it is modern, dynamic, knowledge-intensive and higher value added.

Agglomeration allows competitive advantages to be developed, maximising the benefits to supply chains within Ayrshire, where individual Council responses may miss these cross-local authority boundary opportunities.

An Ayrshire wide approach to economic development would better enable connections within the region as well as strengthening connections to other parts of the UK and Scotland.

We can create a confidence amongst potential investors that our approach is coordinated and fit for purpose and we will therefore retain more businesses and attract new investors; jobs will be created and individuals will be supported to access these opportunities, delivering better outcomes for all our communities.

Manage delivery of Ayrshire Growth Deal. It will be a requirement that government resources allocated for the Ayrshire Growth Deal are governed on an Ayrshire basis. A regional approach to economic development will include the delivery of the Growth Deal projects. By their very nature, the Growth Deal projects require a regional and coordinated delivery approach.

The Ayrshire Growth Deal sets the long term vision for Ayrshire's economy and comprises a small number of key capital projects and associated revenue interventions which are all considered crucial to transforming the Ayrshire economy.

This approach is regional and by now organising the day to day business of economic growth on a regional basis too, we are sending a clear message to both the Scottish and UK Governments that we understand our economic geography, we recognise the value in both strands of this work being delivered regionally and they can have confidence in our leadership and drive for change so that investment in the Growth Deal proposals is good investment.

Pooled expertise. Across the 3 Ayrshire Councils there is a wealth of knowledge and expertise relating to economic development and its related services and a regional approach to this work allows us to pool that expertise for the benefit of the entire business base. It ensures that best practice is shared across services to maximise performance.

The inclusion of expertise from wider partners particularly the national strengths that SE and SDS will be a major element in a regional approach to deliver better regional outcomes.

Specialist support. A number of challenges are affecting our business base and maintaining any competitive advantage is increasingly difficult. A regional approach to economic development would allow customers to receive specialised support to adapt to change and to take advantage of opportunities in emerging economies.

In 2017, the RSA Inclusive Growth Commission concluded in its publication 'Making our Economy Work for Everyone' that persistence in certain geographies of low skilled and low productivity jobs, together with an anticipated rise of automation in the labour market further heightens the need for inclusive growth.

Specialist support will be required to adapt businesses and communities to these uncertainties and this is only achievable by pooling expertise and sharing specialists. A shared resource will also allow for the design and delivery of more targeted programmes of support such as programmes which are sector specific or focused on topics such as innovation which could lead to improved productivity for the business base.

The ability to provide sector specific support, affordably, across the region is a major benefit of the regional approach. Supporting businesses to innovate and increase productivity, for example, is a specialist function that would be less effective developed in isolation by each Council, even assuming that there are resources for each Council to do so. Sector and other forms of specialist support, are best developed and delivered in partnership.

Single, consistent offer. Reviews of existing economic development activities across the 3 Council areas and particularly in relation to business support and employability indicates that support mechanisms are fairly similar but are by no means identical.

By taking a regional approach to this work, we will be creating a single support mechanism and every business will have access to the same level and type of support regardless of their location or the artificial boundaries of local authorities. Thus, a focus on the customer journey can be better developed, whether the customer is a business or an individual.

Furthermore there is still some distance between Council support and that of national agencies and a perception that it is difficult for businesses to engage with those agencies. Bringing the national agencies into the regional partnership will improve that engagement and demonstrate an ability to flex a national support mechanism to regional needs.

Inclusive Growth. This is a key tenet of the UK and Scottish Government's approach to economic development and we believe that by taking a regional approach we can start to tackle the deep seated challenges that are evident in Ayrshire. A regional partnership offers the opportunity to redesign delivery to combine economic and social support and use the sum of the resources available to all public sector partners in Ayrshire to ensure that we do not fall further behind the Scottish average.

Success in accessing external funding to support inclusion has at times been limited by levels of deprivation in some locations being hidden by a more positive picture across the local authority area as a whole. By taking a regional approach and using regional statistics to underpin funding bids, it is anticipated that greater levels of funding can be accessed for the benefit of all our deprived communities.

It means that inequalities are finally tackled, that we accelerate business growth and stimulate a higher level of growth which will in turn enhance opportunities for our resident communities to access the regional labour market.

Enhanced influence. Scotland's city regions are working together to enhance their influence; other local authorities are combining to more effectively lobby for resources from Government. All Councils are resetting their relationship with national agencies and asking for additional support. Ayrshire must act too, to ensure it is not left behind in the battle for influence.

Individually the 3 Ayrshire Councils are small, each around 1/3 the size of North Lanarkshire or of Fife and 1/6 the size of Glasgow.

As a region, Ayrshire has a population of some 350,000 people and a business base in excess of 10,000 therefore by working on a regional basis we have the opportunity to create a critical mass, to compete more effectively with other areas for support and a voice at the national table – influencing and shaping policy and practice.

Clearer role for private sector. The role of the public sector in terms of economic development is to create the environment where business can thrive and grow. By taking a regional approach and creating new governance structures to ensure that we have the opportunity to involve the private sector in a new way, involving them more directly in the decisions which ultimately shape their own investment decisions.

There are other benefits to be derived from more appropriate engagement with the private sector including tapping into their influence at a national level and accessing their connections to attract new investment to the region. A regional partnership would facilitate a single body for the private sector to engage with making it easier for them to become involved.

The advantages of this single point of contact for the private sector should not be underestimated, at present the 3 Council set up is simply too complex for many businesses to make informed investment decisions.

Raise customer satisfaction. All of the benefits set out above will create a positive environment focused on customers; it will provide investors with the confidence they need that the public sector understands the drivers for economic growth and is committed to fulfilling its role in that in a positive way and customer satisfaction levels will be raised as a result.

Increase ability to attract staff, improve morale and provide resilience. Increased commitment to economic growth, a commitment to addressing the weaknesses in our approach at present and a commitment to putting our business and resident communities at the heart of our efforts will improve morale and allow Ayrshire to retain excellent staff and to attract new staff to the area.

POTENTIAL DIS-BENEFITS

Greater geographical movement. Staff workload will not be aligned to their originating council location and they will be expected to work across a wider geographical area. This will require a period of adjustment and learning and could potentially slow down our responsiveness to our businesses and communities in the short term. This is not expected to be a longer term issue.

Potential competing priorities across partner organisations. At present the 3 Councils have economic growth at the heart of each of their respective priorities however there is competition for investment which is also reinforced by the existence of 3 Local Development Plans each focused on their local area.

While economic development becomes a regional service in this proposal the 3 Councils will continue to function at a local level and it will be important to ensure that at a local level there is a clear understanding of the service plan for this regional approach and a commitment from each area to work collegiately and not competitively.

Staff issues arising from harmonisation of terms and conditions. The governance proposals for the regional partnership include staff being TUPEd from South and East Ayrshire Councils into North and they will all be employed under different terms and conditions and under different salary scales.

Perceived loss of local focus. Establishing a regional partnership may cause concern for some stakeholders that this will remove local focus and delivery. At present delivery is often very local to our communities and it is not the intention that this would change.

No business or resident will be prevented from accessing support because of their location and the design and implementation of this proposal will address any perceived loss of the local dimension to what we currently do.

Rather, an evidence based approach in a regional partnership arrangement will mean that resources are deployed cross-regionally where there is greatest impact, including positive impacts on local communities.

ECONOMIC OUTCOMES

The development of an Economic Strategy for Ayrshire will incorporate a performance framework and a robust set of economic outputs and outcomes but at the very least we can expect a Regional Partnership to deliver the following outcomes aligned to Ayrshire Growth Deal projects:

CRITICAL SUCCESS FACTORS

Having a clear understanding of exactly what the new partnership will deliver and manage is essential. Once this is agreed, this should be underpinned by a partnership agreement which has a clear set of performance indicators that measure

the success of this approach. It will also be essential to agree at the outset when these indicators will be measured and the implications of success and failure. Benchmarking of the regional partnership against others will be key to ensuring continuous development and improvement.

The following critical success factors have been identified as part of this proposal:

CRITICAL SUCCESS FACTORS	DEFINITION
1. Business needs	That a regional partnership meets business needs and demands for support and delivers better outcomes, including enhanced business and employment growth.
2. Community needs	That a regional partnership meets the needs of individuals and community and facilitates inclusive growth and reduces inequalities.
3. Strategic fit	That a regional partnership provides the basis for helping to deliver national strategies/policies; and that a regional partnership is deliverable in terms of greater involvement of national agencies in our support mechanisms.
4. Achievable	That a regional partnership is achievable in terms of the practical requirements to deliver this proposal including the timeous appointment of a Head of Service.
5. Affordable	That a regional partnership is deliverable in terms of affordability, with Councils' and other partner contributions.

OPTIONS APPRAISAL

Introduction

Reflecting on the work done to date by the Regional Partnership Steering Group and partner agencies, a finite number of options and permutations have been chosen for appraisal in this business case and the preferred option was agreed by Cabinets in October 2017. Details of the full range of options initially under consideration are set out at Appendix 3.

OPTION	SCOPE	FINDINGS
1	Do nothing	Discounted - this does not satisfy the objectives set out at section 3.
2	Creation of a regional partnership to deal with some aspects of Economic Growth – Economic	Possible – but this does not satisfy the objectives set out at section 3 and has the potential to create more confusion for customers. This may also impact on the level of engagement by national agencies, particularly as we have

	Development	<p>already stated a desire to have a single agency to deliver all aspects of growth.</p> <p>It would also potentially increase overall costs with the needs to service both a regional approach and to maintain the current arrangements for other aspects of Economic Growth.</p>
3	Creation of a regional partnership to deal with all aspects of Economic Growth – Economic Development and related services	Preferred – this offers the most complete range of support mechanisms to customers, catering for business and resident needs and would deliver maximum economic benefits to Ayrshire.
	DELIVERY	
1	Informal partnership and agreement to uniform delivery	Discounted – this does not satisfy the objectives set out at section 3 and is unlikely to deliver efficiencies or provide sufficient confidence to the private sector that Ayrshire's public sector is capable of delivering change.
2	Full outsourced	Discounted – this does not satisfy the objectives set out at section 3.
3	Strategic partnership	Preferred – this offers the greater opportunity to satisfy the public sector's objectives.
	IMPLEMENTATION	
1	Phased	Possible – this would be more straightforward to deliver but would reduce impact and benefits to the Ayrshire economy.
2	Big bang	Preferred – this would deliver most against the objectives set out in section 3 and provide the greatest benefits to business and resident communities and to the Ayrshire economy.

Key findings of the options appraisal process

Reference to	Option 1	Option 2	Option 3
Description of option	Do nothing	Ayrshire Regional Partnership for Economic Development only	Ayrshire Regional Partnership for all aspects of Economic Growth
Objectives			
To develop a consistent and effective offer to investors,	X	X	√

indigenous businesses, individuals and communities which is high quality in nature and responsive to changing circumstances			
To provide an effective mechanism for delivering the ambitions of the Ayrshire Growth Deal	X	√	√
To ensure that economic growth benefits all people and communities in Ayrshire	√	√	√
To make best use of all national and local expertise, capacity, assets and resources to improve resilience	X	X	√
To achieve a step change in the performance of the Ayrshire economy and its contribution to the national economy	X	X	√
Critical success factors			
Business need - better outcomes	X	X	√
Community need – inclusive growth	√	√	√
Strategic fit - delivery of national strategies	X	√	√
Strategic fit - greater involvement of national agencies	x	X	√
Achievability	√	√	√
Affordability	√	X	√
SUMMARY	DISCOUNTED	POSSIBLE	PREFERRED

Reflecting previous discussions and the agreement of Councils in October 2017, this business case considers Option 3.

MAJOR RISKS AND ISSUES

A full risk register is set out at Appendix 4. The table below seeks to capture the main issues and mitigations required to deliver the Regional Partnership.

RISKS	IMPACT	MITIGATION
Failure to meet the ambitions of each Council	There is a danger that one or more Councils perceive that their own objectives are not being or are only partially being met.	An Ayrshire Economic Strategy will be put in place. An annually updated 3 year service plan will be put in place. A Joint Committee will be established to provide strategic direction to the

		Regional Partnership and this will ensure that Councils can raise and have any concerns addressed.
Perceived loss of local control	<p>Elected Members and communities may perceive a reduction in responsiveness to enquiries and requests for support.</p> <p>Elected Members may feel less in control of investment decisions aligned to economic development.</p>	<p>A customer charter will set out what clients should expect in terms of responsiveness and support.</p> <p>The service plan will have budgets aligned to it and the criteria for support will be agreed through design and implementation phase of this project.</p> <p>Consequently, the service plan approval process will review the appropriateness of support measures and will adapt them to changing needs and demands.</p>
Inadequate staff training	<p>A failure to adequately train staff on new processes and procedures will impact on the effectiveness of this partnership and will negatively impact on the perceptions of clients, potentially leading to a loss of confidence amongst stakeholders.</p>	<p>Staff will be involved in the design of service delivery and training of all staff to ensure common processes and procedures will be part of the transition to live phase of this proposal.</p> <p>Adequate time and resource will be built into the implementation plan to support staff training.</p> <p>Reflecting good practice in each of the Councils at present, staff will all undergo a PDP process with their line management and any additional training requirements will be address through this process.</p>
Poor communications	Misunderstanding and	A full communications plan

with staff	misinformation can impact on staff performance and levels of stress across the workforce and could lead to a breakdown in trust of management and ultimately to delivery failure.	is considered a key element of the design and implementation phase. Planned and regular communications with staff will be required to ensure ownership of this proposal is as broad as possible. A forward plan for consultation with Trade Unions will be put in place.
Poor communications with stakeholders	Lack of information to stakeholders and clients can lead to misunderstanding and a breakdown in trust and confidence in the public sector to provide adequate support to businesses and individuals.	A robust communication plan will be devised to address this issue, as detailed above.
Poor communications between Councils and partner agencies	This could lead to confusion and a breakdown in trust.	The proposed governance arrangements involve Councils and partner agencies and are designed to ensure robust communication.
Business disruption during implementation	Business as usual needs to be maintained whilst changes are being implemented. This will be difficult to manage and could potentially lead to reputation damage if not adequately addressed.	The proposed structure includes a Change Manager post to support the implementation of the new arrangements. Staff from HR, Finance and Legal are also already involved in this work and will support implementation. The current management structures in each individual authority will remain responsible for service delivery until the end of March 2019 and will work with the new structure to ensure continuity of service delivery.
Loss of	The services involved in this	The services subject to

connectedness with other Council services	proposal do - at each Council level - have established connections across other Council services and there is a risk that those connections are undermined by this proposal.	this proposal have the greatest interdependencies and transferring them in their entirety seeks to ensure connections and a joined up approach to economic development. The new management team as well as the senior management teams within each Council will have responsibility for ensuring that close links across a range of services are maintained.
Weakened governance arrangements		The Governance arrangements for this partnership are not new and lessons can be learnt from previous partnerships. A minute of agreement between the 3 Councils will also be put in place.
Inadequate IT systems	Inadequate systems and hardware could lead to a loss of confidence amongst stakeholders; an inability of staff to do their job and ultimately to the failure of this proposal.	An IT plan will be a key element to be delivered in the design phase of this proposal. IT staff from each of the 3 Councils will be involved in this work and will support the implementation phase.
Loss of key personnel and associated expertise and experience	There is a significant pool of expertise across Economic Development and related services and a failure to resolve debates about a Regional Partnership is already impacting on morale and leading to individuals seeking opportunities elsewhere. This may continue and will undermine the quality of the partnership's service delivery.	The development of a communication plan needs to address this issue.

Negative impact of having employees on different terms and conditions as a consequence of TUPE	Differences in terms and conditions and salaries across similar jobs could lead to demotivation and low staff morale. This could impact on attempts to build new teams around service areas.	Management will be required to work closely with the Trade Unions on this issue and there will also be a need to act sensitively to these issues.
Conflict between a regional focus and elements of service that legislatively must be delivered at a local level		Input from Legal Services across the 3 Councils will be required at design and implementation stages to ensure that each Council does not negate its legal responsibility at local level. Section 5 sets out some the key Acts and Regulations that will require to be reviewed and addressed in the context of a Regional Approach.

4. PROPOSED GOVERNANCE

The governance arrangements for the Ayrshire Regional Inclusive Growth Partnership have been widely discussed and recognise that the governance structure needs to promote the main drivers for the Regional Economic Partnership, namely:-

- to promote and deliver economic development on an Ayrshire-wide basis;
- to provide the robust shared governance which will enable the Scottish and UK Governments and other funding sources to dispense monies on an Ayrshire basis;
- to recognise that creation of an integrated service delivery vehicle will help drive budget savings;
- to encourage the meaningful involvement of public sector partners as well as the private sector; and
- the structure, while initially being driven by the pathfinder, also needs to be capable of providing the governance for the Ayrshire Growth Deal.

The structure as detailed in Appendix 5 while initially being driven by the Pathfinder, also needs to be capable of providing the governance for the Ayrshire Growth Deal.

The structure should be as simple as possible, but be capable of adaptation as required. Specifically the structure needs to:

- make provision for the involvement of the private sector, public agencies and other stakeholders;
- recognise that if the majority of the funding is being delivered through Councils, rather than the private sector, that Councils will have democratic accountability for spend and require control over strategy and policy;
- reflect that all three Councils should have responsibility for strategy and policy, rather than a single lead authority;
- ensure integrated service delivery through a single service delivery vehicle it will be necessary for staff from the three Councils to TUPE transfer to a single employer, being one of the three Councils; and recognise the quasi-judicial nature of regulatory decisions, particularly planning decisions.

The proposed governance structure is included at appendix 5 and the key components of this are:-

An Ayrshire Economic Development Joint Sub-Committee responsible for strategy and policy. Other potential structures were examined, such as a Joint Board, company, Limited Liability Partnership etc. Such other models have their own legal status, and might be relevant where a Council governance model could not fulfil the sought-after aims.

However such models also remove democratic control from Councils. Therefore if the majority of the funding is being delivered through Councils, rather than the private sector, it is better that Councils retain ultimate control over strategy and policy. For that reason, City Deals to date have used the Joint Committee model for high level strategic decisions.

Individual projects may require a different governance structure, perhaps involving a Joint Venture Company or Limited Liability Partnership involving a private sector partner. The proposed governance structure allows for any such body to be set up.

The Committee is called a Sub-Committee as this enables it to comply with section 57 of the Local Government (Scotland) Act 1973. This allows a Sub-Committee, but not a Committee to have less than two thirds councillor membership.

Sub-Committees can therefore have a higher proportion of external members and this allows this strategic body to involve other members from the private or third sector or other agencies, should it so wish.

The Sub-Committee is a sub-committee of the existing Shared Services Committee, rather than the three Councils as otherwise there is legal uncertainty as to whether Councils can set up a direct sub-committee.

However the Sub-Committee could still have full delegated powers and could report straight to the three Councils, rather than the Shared Services Committee if so required. In terms of governance it would operate in a manner similar to the existing Shared Services Committee, and have similar Standing Orders. If external members were brought onto the Sub-Committee they could either be voting or non-voting.

APPENDICES

1. Ayrshire's economic profile
2. Relationships schematic
3. Full options appraisal
4. Full risk register
5. Governance structure

Ayrshire Economic Profile

Introduction

This appendix describes the socio-economic context across Ayrshire. This identifies that there are many commonalities of issues across the geographic area, albeit with local variation. A number of data-sets have been assembled, and the section includes information on:

- Population;
- Qualifications;
- The business base;
- GVA and productivity;
- Business expenditure on R&D;
- Internationalisation; and
- The labour market.

Population

The population of Ayrshire has remained relatively stable over the last decade, showing little growth. In line with national trends, it is an ageing population, with population change driven by growth in older age groups, particularly the 65+ age group.

Total Population

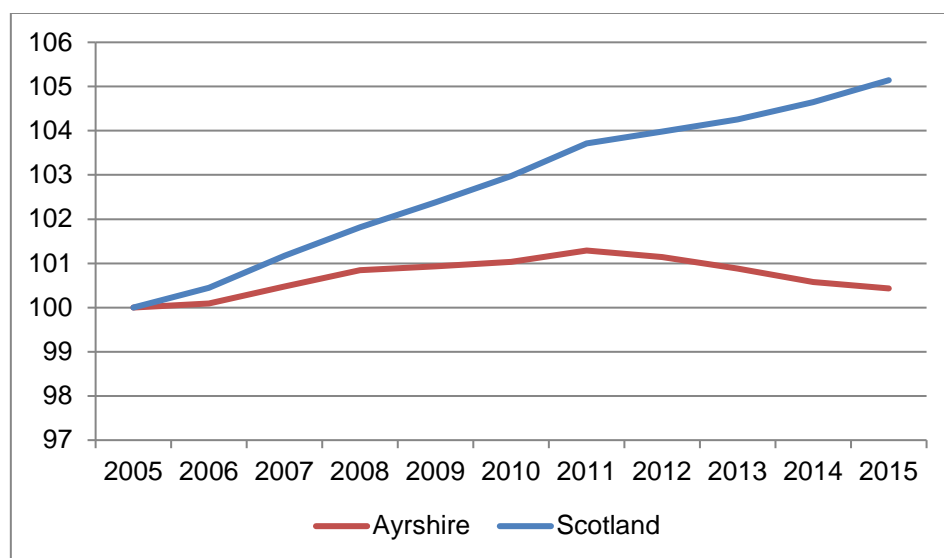
The population of Ayrshire in 2015 was 371,000, which is broadly the same size of population as 10 years previously in 2005 (Table 1.1). The largest authority in population terms is the North Ayrshire Council area (NAC), and the size of the population is the same as it was in 2005. The population of the South Ayrshire Council area (SAC) has also not increased, whereas there has been a small rise in the population of the East Ayrshire Council area (EAC).

Table 1.1: Total population, 2015

Geography	Population	% share of population	% change since 2005
Ayrshire	371,000	100%	No change
NAC	136,000	37%	No change
EAC	122,000	33%	+1%
SAC	112,000	30%	No change

Source: ONS, Mid-Year Population Estimates (2015)

Within the last 10 years, there has been a rise and then a fall in population in Ayrshire. The resident population grew moderately between 2006 and 2011, but has since declined over the period 2011 to 2015. During the same 10-year period, national population growth in Scotland increased by 5%.

Figure 1.1: Index of population, 2005-2015

Population by Age

Ayrshire has an older population profile than Scotland as a whole, meaning that the region has a slightly smaller proportion of people of working age population than nationally (63% versus 66%). The working age proportion is lowest in South Ayrshire (61%) and slightly higher in North (63%) and East Ayrshire (64%). However, in all three authorities the proportions are below the national average of 66%, representing a smaller local labour pool to drive economic growth. Ayrshire has a lower proportion aged 20-44 (28%) compared to Scotland (32%) suggesting some out-migration of this age group.

Table 1.2: Population share by age band, 2015

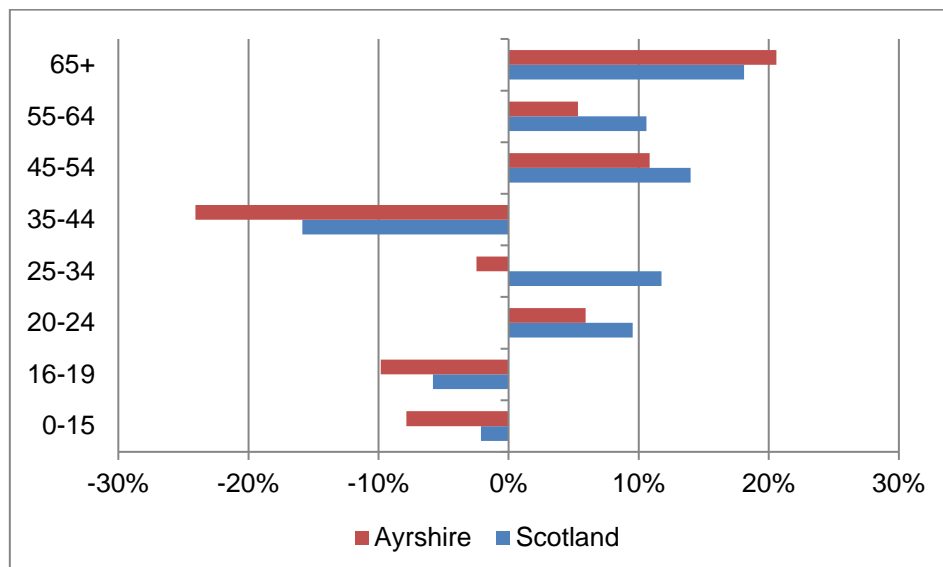
Age Band	Ayrshire	Scotland
16-64	63%	66%
0-15	17%	17%
16-19	6%	6%
20-24	6%	7%
25-34	11%	13%
35-44	11%	12%
45-54	15%	15%
55-64	14%	13%
65+	21%	18%

Source: ONS, Mid-Year Population Estimates (2015)

Figure 1.2 shows the change in the population age structure between 2005 and 2015. As with the national picture, there has been a growth in the older age groups in Ayrshire, particularly the 65 years and over category which has grown by more than 20%, even greater than the increase for Scotland. In contrast, Ayrshire has experienced a steep fall in the 35-44 year category over the 10-year period, more so than across Scotland (-24%

v -16%), and there has been a sharper drop in the number of young people aged 0-19 years in Ayrshire (-18%) than nationally (-8%). There are a number of factors behind the fall in 35-44 year olds, but better quality employment opportunities elsewhere is likely to be one of them.

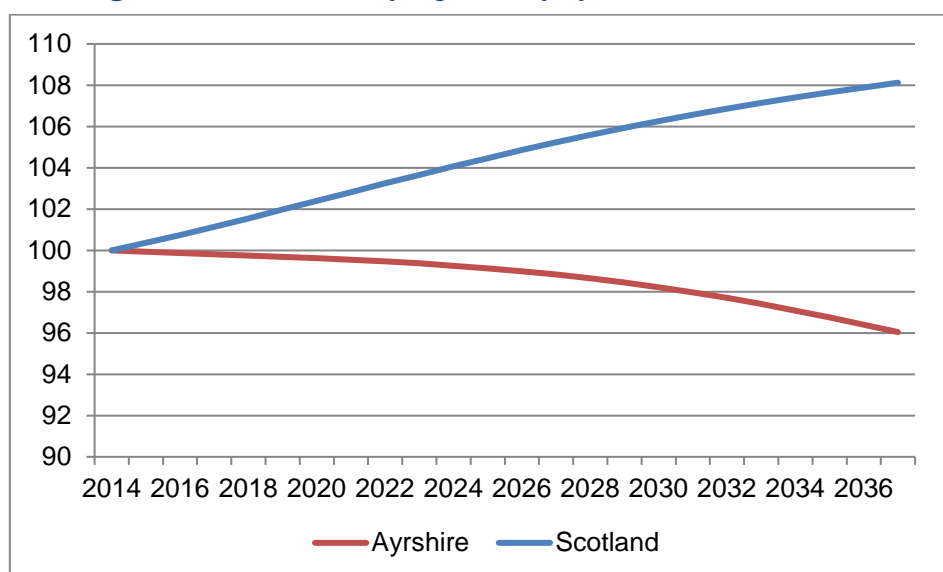
Figure 1.2: Change in population age structure, 2005-2015



Population Projections

Latest data from the General Register Office for Scotland forecasts that the Ayrshire population will decline by around 14,700 people (-4%) over the period 2014 to 2037. There are projected population declines across all three authorities, although it is expected to be greatest in North Ayrshire (-8%) than South (-2%) and East Ayrshire (-1%). This is set against continued population growth forecast for Scotland of 8% over the same period.

Figure 1.3: Index of projected population, 2014-2037



The working age population, is expected to drop by 20% in Ayrshire over the period 2014-2036, a substantial decline. It will be greatest in North Ayrshire (-26%) than in South (-18%) and East Ayrshire (-16%), although, again, all three forecast are much greater than the anticipated decline in the national working age population (-4%). As with all other regions in Scotland, the Ayrshire population is expected to continue to age over the next two decades.

Qualifications

Working Age Population Qualifications

In line with trends across Scotland, Ayrshire has an increasingly qualified workforce. In the decade to 2015, there was a 9 percentage point increase in the proportion of the working age population holding qualifications at SCQF 7-12. However, this increase was below the national level increase, and the region is still less qualified than the population of Scotland as a whole.

At the same time as a smaller proportion of working age adults in Ayrshire holding qualifications at SCQF 7-12 than nationally, a greater proportion hold no qualifications in Ayrshire than in Scotland. In fact, more than one in eight Ayrshire working age residents holds no qualifications. This is highest in East Ayrshire, where it is around one in six residents. Within Ayrshire, South Ayrshire residents have the highest qualification profile, although all three authorities under-perform when compared to nationally as illustrated in Table 1.3.

The need for a well-qualified workforce is extremely important. Forecasts prepared for Oxford Economics indicate that 70% of all jobs to 2024 will require SQCF level 6 or above.

Table 1.3: Working age population by qualifications, 2014/15

Geography	No quals	Other quals	SCQF levels 1-4	SCQF level 5	SCQF level 6	SCQF levels 7-12
Scotland	9%	6%	9%	14%	19%	43%
Ayrshire	13%	6%	11%	15%	19%	37%
SAC	10%	5%	11%	14%	20%	41%
EAC	16%	7%	9%	15%	19%	36%
NAC	12%	6%	14%	16%	19%	34%

Source: ONS, Annual Population Survey (2014/15)

School Leavers

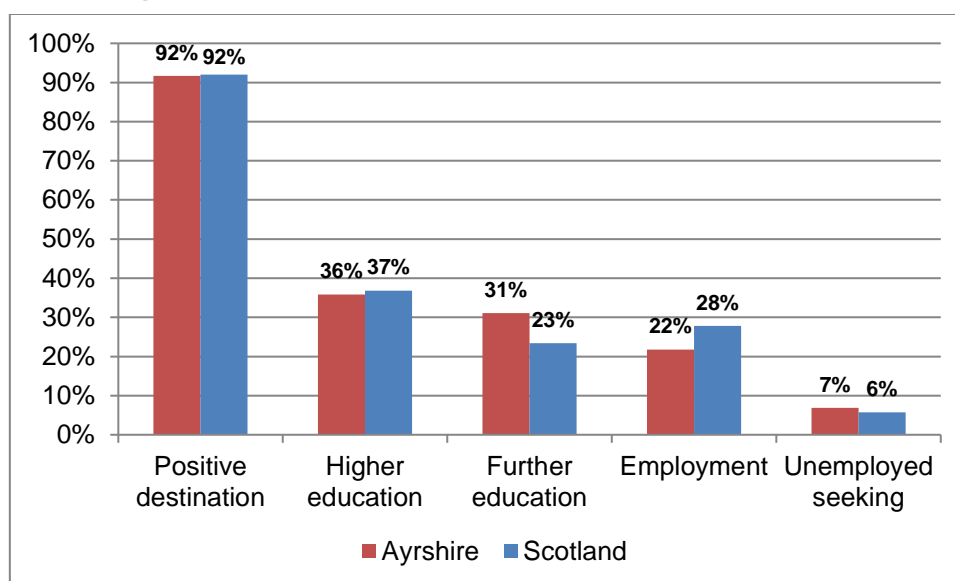
School leavers in South Ayrshire were qualified to above the Scottish average in 2014/15, with over 60% having achieved SCQF level 6 or above. However, school leaver attainment levels in North and East Ayrshire lag behind the national average as illustrated in Table 1.4.

Table 1.4: School leaver qualifications, 2014/15

Geography	No passes at SCQF 3 or better	SCQF level 3	SCQF level 4	SCQF level 5	SCQF level 6	SCQF level 7
Scotland	2%	2%	11%	25%	41%	19%
SAC	1%	2%	11%	26%	41%	20%
NAC	1%	2%	14%	28%	41%	15%
EAC	3%	2%	12%	26%	44%	13%

Source: Scottish Government, School Leaver Dataset (2014/15)

Figure 1.4 shows that 92% of school leavers in Ayrshire progress into a positive destination, in line with the Scottish average. In Ayrshire, school leavers are more likely to progress to Further Education and less likely to go into employment than nationally. Over one third (36%) of school leavers enter Higher Education in Ayrshire, similar to the picture across Scotland.

Figure 1.4: Destination of school leavers, 2014/15

Ayrshire's economy

The Business Base

Total Businesses and by Sector

There has been strong growth in the Ayrshire business base in recent years (15%), and comparable to similar areas such as Fife (16%), although the growth since 2010 has not matched that for Scotland (19%). There were 9,800 businesses in the region in 2016. The base is shared broadly evenly across the three authorities, and as Table 1.5 shows, growth in the base has been highest in East (17%) and North Ayrshire (16%) since 2010. Ayrshire has comparable business growth to the Tayside City Deal area, and slightly higher business growth overall in comparison to the Inverness City Deal area.

Table 1.5: Business base, 2016

Geography	Business base	% share of base	% change since 2010
Ayrshire	9,805	100%	+15%
SAC	3,495	36%	+13%
NAC	3,180	32%	+16%
EAC	3,130	32%	+17%
<i>Fife</i>	<i>9,010</i>	-	<i>+16%</i>
<i>Aberdeen City Deal</i>	-	-	<i>+21%</i>
<i>Edinburgh City Deal</i>	-	-	<i>+23%</i>
<i>Glasgow City Deal</i>	-	-	<i>+23%</i>
<i>Inverness City Deal</i>	-	-	<i>+13%</i>
<i>Tayside City Deal</i>	-	-	<i>+15%</i>

Source: ONS, UK Business Counts (2016)

The sectors in Ayrshire with the highest number of businesses in 2016 were wholesale and retail (16%), the higher value added professional, scientific and technical sector (15%) and construction (12%), broadly similar to the picture for Scotland. However, there are variations within the region. East and South Ayrshire have higher concentrations of agricultural businesses, 14% and 12% respectively, unsurprising given their relative rurality. North Ayrshire has a particularly high concentration of businesses in professional, scientific and technical sector, at 17%. Although many of these will be small, this is a good base upon which to build and grow more businesses and employment in the sector.

Businesses by Size

Table 1.6 shows that Ayrshire has a business size structure very similar to the picture for Scotland, although with a slightly smaller, and falling, share of medium-sized businesses. There are few local variations.

Table 1.6: Business base by sizeband, 2016

Geography	Micro (0-9)	Small (10-49)	Medium (50-249)	Large (250+)
Scotland	88%	10%	2%	>1%
Ayrshire	88%	10%	1%	>1%
SAC	88%	10%	1%	>1%
NAC	89%	10%	1%	>1%
EAC	89%	9%	1%	>1%

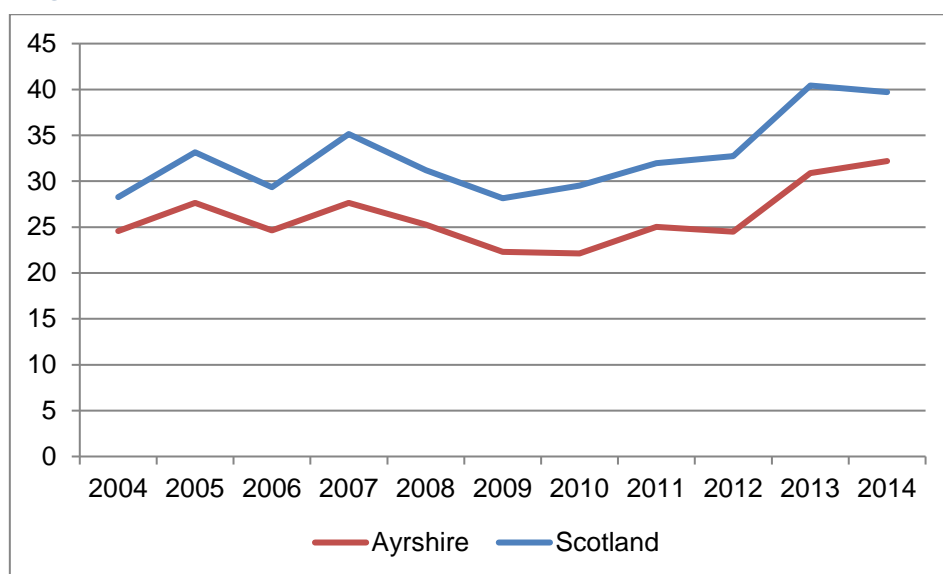
Source: ONS, UK Business Counts (2016)

There are 30 large companies in Ayrshire, employing 250 or more people, and about half of these are located in South Ayrshire.

Business Birth and Survival Rates

Business birth rates in Ayrshire have been consistently below Scotland's rate over the past decade, as shown in Figure 1.5. In 2014, there were around 1,195 new businesses created in Ayrshire, or 32 per 10,000 head of population. As with the national trend, this rate has grown slowly since 2010/11 as the economy comes out of recession.

Figure 1.5: Business births per 10,000 population, 2004-2014



Latest data shows (Table 1.7) that new Ayrshire businesses have a lower survival rate than new starts in Scotland with 45% of businesses created in Ayrshire in 2010 surviving to the four-year mark (2014), lower than the national average of 48%. The survival rate is particularly low in South Ayrshire at 39%, while it is high, and above the Scottish rate in North Ayrshire, at 50%.

Table 1.7: Business Survival Rates, 2010-2014

Geography	Year 1	Year 2	Year 3	Year 4
Scotland	86%	73%	57%	48%
Ayrshire	86%	70%	53%	45%
NAC	86%	71%	59%	50%
EAC	88%	73%	53%	47%
SAC	84%	68%	48%	39%

Source: ONS, Business Demography (2010-14)

GVA

Total GVA and by Sector

Table 1.8 illustrates that total Gross Value Added (GVA) in Ayrshire in 2014 was just under £5.8bn. This equates to around 5% of Scotland's overall GVA in 2014. GVA growth lagged behind the national average over the previous decade, growing just 2% in Ayrshire compared to 13% growth across Scotland. This growth in GVA was driven by an increase of 13% in South Ayrshire, the two other authorities have experienced a fall in GVA.

Table 1.8: Total Gross Value Added (GVA), 2014

Geography	GVA (£m)	% share of GVA	% change since 2004
Ayrshire	£5,799	100%	+2%
SAC	£2,323	40%	+13%
NAC	£1,847	32%	-7%
EAC	£1,629	28%	-1%

Source: Oxford Economics forecasting work for SDS (2016)

Reflecting the national picture, the key sectors contributing to GVA in Ayrshire in 2014 were manufacturing (17%), wholesale and retail trade (14%) and human health (13%). These were the largest three GVA sectors for both North and South Ayrshire in 2014. In East Ayrshire, human health contributed the greatest share of GVA (18%), followed by manufacturing then wholesale and retail. Real estate is also a key sector in South Ayrshire, contributing 10% of GVA in 2014.

Productivity

Table 1.9 shows that Ayrshire continues to lag behind Scotland in terms of productivity which is measured by GVA per worker. Productivity in Ayrshire was £40,600 in 2014, 6% below the national average of £43,100, having grown at a slower rate than nationally over the previous decade. This is indicative of employment being typically concentrated in lower GVA sectors.

However, productivity in South Ayrshire grew very strongly over the decade to 2014, and is now above the Scottish average. Productivity in North Ayrshire fell slightly over the period, while there was a steeper decline in East Ayrshire, where productivity was 19% below the national average in 2014. Overall, Scotland, and the UK as a whole, have lower levels of productivity than many other advanced economies, and raising productivity remains a policy imperative for Scotland.

Table 1.9: Productivity (GVA per worker), 2014

Geography	Productivity	% change since 2004
Scotland	£43,100	+9%
Ayrshire	£40,600	+3%
SAC	£45,000	+15%
NAC	£41,200	-2%
EAC	£35,000	-5%

Source: Oxford Economics forecasting work for SDS (2016)

Business Expenditure on Research & Development (BERD)

The level of business expenditure on research and development (BERD) is a proxy indicator for the level of innovation in an economy, although it is a relatively crude measure. Ayrshire has consistently underperformed in the levels of recorded business research and development expenditure over the last decade. The most recent figures set out in Table 1.10, show that BERD in Ayrshire in 2015 was under £12m (the 2014 EAC figure is used as 2015 is not available). This equates to £32 BERD per head of total population, well below the Scottish average of £162. BERD expenditure in South Ayrshire accounts for almost half of the total BERD expenditure in the region.

Table 1.10: Business Expenditure on Research and Development (BERD), 2015

Geography	BERD	% share of BERD	BERD per head of pop
Ayrshire	£11.76m	100%	£32
SAC	£5.64m	48%	£50
NAC	£4.33m	37%	£32
EAC	£1.79m	15%	£15
<i>Fife</i>	<i>£23.8m</i>	-	<i>£62</i>
<i>Aberdeen City Deal</i>	-	-	<i>£411</i>
<i>Edinburgh City Deal</i>	-	-	<i>£291</i>
<i>Glasgow City Deal</i>	-	-	<i>£112</i>
<i>Inverness City Deal</i>	-	-	<i>£121</i>
<i>Tayside City Deal</i>	-	-	<i>£118</i>

Source: ONS, Business Enterprise Research and Development Scotland (2015); ekosgen calculations

Over the last decade, the trend for BERD per head is one of lagging well below the Scottish average, and even below similar areas such as Fife. The gap between BERD per head in Ayrshire and in Scotland has been slowly widening, as shown in Figure 1.6. This illustrates the challenge facing the Ayrshire economy in terms of raising investment in research and development and other innovation activity.

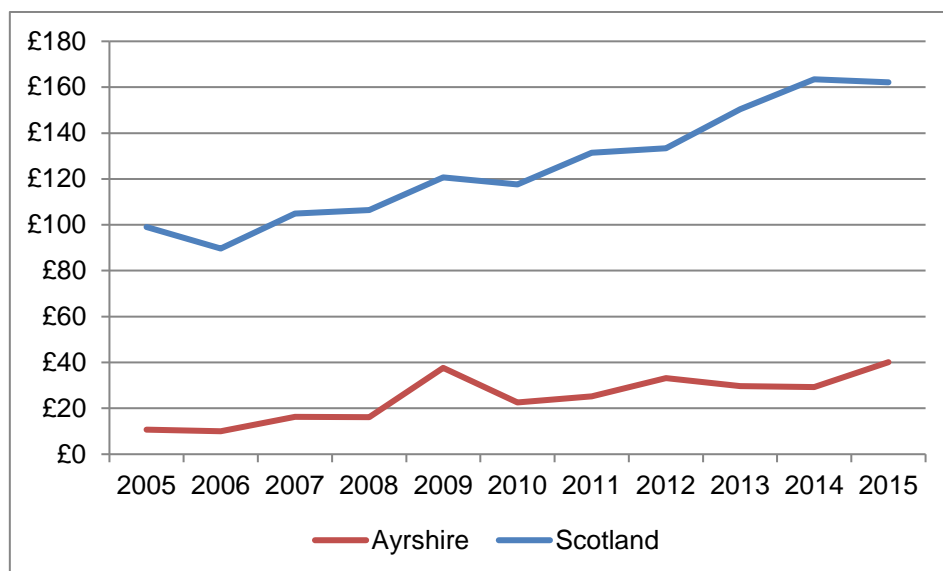
Ayrshire performs poorly in comparison to a number of ‘pockets of excellence’ in Scotland with regards to BERD per head of population, which can be used as proxy areas for high levels of innovation. For example, BERD in West Lothian is £791 per head of population, whilst spend in Aberdeen City (£492), City of Edinburgh (£428), Midlothian (£288) and Dundee City (£276) is also significantly high.

Some of these high spends may be explained by analysing employment concentrations in these authorities, and considering whether they represent those sectors where BERD can be reasonably expected to be higher. West Lothian has over double the national average of employment in the information and communication (241%) sector, while Ayrshire is under-represented in this sector at 30%

Aberdeen City has over ten times the national average of employment in mining and quarrying (Ayrshire has 21%), reflecting its strength in Oil and Gas. The strong finance sector in City of Edinburgh means employment in financial and insurance services is over three times the Scottish average, at 317%, compared to just 33% for Ayrshire.

Employment in Dundee City is over-represented in information and communication (151%), which Ayrshire is under-represented in. The high spend in R&D in Dundee is likely to be due, in part at least, to the high value gaming sector in the city.

Figure 1.6: BERD per head of population, 2005-2015



Regional Selective Assistance (RSA) awards

Regional Selective Assistance (RSA) awards support inward investment and Ayrshire attracts a considerable proportion of Scotland's RSA grants. Between 2011/12 and 2014/15, over £16m was awarded in RSA to Ayrshire, equating to around 10% of total

RSA grant awards in Scotland over the period. The majority of this was granted in North Ayrshire and almost one-third of the total Ayrshire RSA grant was awarded to companies in the Food & Drink.

Geography	RSA awards	% of total grant	Jobs created/safeguarded
Scotland	£163,651,050	100%	20,984
Ayrshire	£16,318,500	10%	1,673
NAC	£10,344,250	6%	784
SAC	£3,034,000	2%	327
EAC	£2,940,250	2%	562

Source: ONS, Annual Population Survey (2016)

Internationalisation

Historically, there has been limited data on the international activities of the business base. There are also a number of limitations with the data that are available. For example, the Scottish Global Connections survey only includes VAT registered companies (those turning over £83,000 or more per annum). However, anecdotal evidence from Scottish Development International shows that it is the smaller companies, often below the threshold, that are more likely to export internationally, or have a greater international sales-to-turnover ratio than larger companies and these small firms are not captured in the published data sets.

Exports Trends: Scotland

At the Scotland level, the total value of exports from Scotland (excluding oil and gas) in 2015 was £78.6bn (Global Connection survey, notwithstanding the limitations identified above). This was a 4% growth from 2014. The rest of the UK is the largest market for Scottish exporters, making up £49.8bn (63%) of total exports. £12.3bn (16%) was exported to countries within the European Union and £16.4bn (21%) to the rest of the world.

The total value of international (non-UK) exports (excluding oil and gas) in Scotland in 2015 was just under £28.7bn, an increase of 4% from 2014 despite falling by 3% in the previous year. Total international exports from Scotland grew year-on-year from 2005, with the exception of 2014, and grew by a total of 46% over the ten-year period to 2015, equating to a growth of £8.7bn.

The top five international exporting industries in 2015 were:

1. Food and drink (£4.8bn, 80% of which is whisky exports)
2. Professional, scientific and technical (£3.5bn)
3. Petroleum and chemicals (£2.8bn)
4. Mining and quarrying (£2.1bn)
5. Wholesale (£1.6bn)

Scotland's top five international trading partners in 2015 were:

1. USA (£4.6bn of exports, or 15.9%)
2. Netherlands (£2.3bn, 8.0%)
3. France (£1.8bn, 6.3%)
4. Germany (£1.8bn, 6.1%)
5. Norway (£1.3bn, 4.6%)

By value, large companies export mostly to the rest of the UK (£29.5bn, or 59%), significantly more so than medium-sized companies (£10.9bn, 22%) and small companies (£9.4bn, 19%). Similarly, international exports in 2015 were dominated by large companies, who exported £15.6bn (54%). Medium-sized businesses exported £8.4bn (20%) and small companies exported £4.8bn (17%).

Many of the top exporting industries are prevalent in Ayrshire, including manufacturing and food and drink. For Scotland, the professional, scientific and technical sector is a strong international exporting sector and this is under-represented in Ayrshire.

For Ayrshire, aerospace, life sciences, manufacturing and food and drink are key priority sectors:

- Manufacturing exports - £26.4bn in Scotland in 2015, growth of 4% from 2014
- Food and drink exports - £8.9bn, growth of 2% from 2014, ranked 1st industry
- Basic pharmaceuticals - £590m, growth of 9% from 2014, ranked 23rd industry

The Labour Market

Total Employment

There were 155,000 Ayrshire residents in employment in the 12 months to June 2016, a 5% fall from 2006. This contrasts to nation growth in total employment of around 3% nationally as set out in Table 1.11.

The distribution of employment between the three authorities is broadly reflective of the distribution of the Ayrshire population. Resident employment in rates in South Ayrshire have remained steady over the past decade but there has been a drop of 2,700 residents in employment in East Ayrshire and a 4,800 resident employment decrease in North Ayrshire over the period.

Although there are fewer jobs in Ayrshire than 10 years ago, employment numbers continue to recover. There were more jobs in Ayrshire in 2015 than the previous year at a time of no jobs growth across Scotland.

Table 1.11: Ayrshire Labour Market, 2016

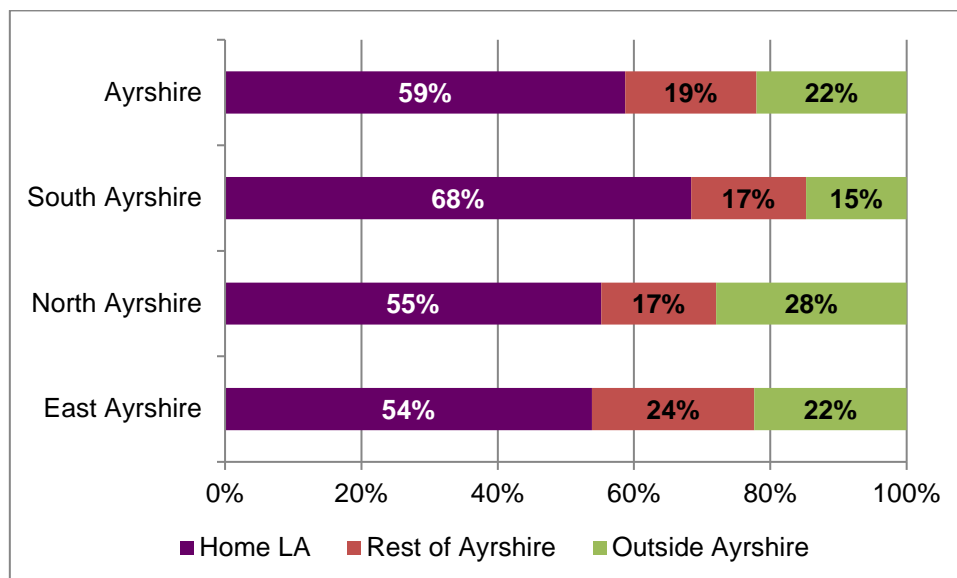
Geography	Resident employment	% share of employment	Employment rate	Unemployment rate
Ayrshire	155,200	100%	68.6%	8.4%
NAC	54,200	35%	65.6%	10.2%
EAC	51,300	33%	67.3%	8.0%
SAC	49,800	32%	73.7%	6.6%

Source: ONS, Annual Population Survey (2016)

Commuting and Travel to Work

The 2011 Census shows there to be a strong pattern of outward-commuting in Ayrshire. Figure 1.7 shows that of the 129,000 employed residents, 78%, (100,800 people), work in the region. At the time of the Census, 59% of Ayrshire residents worked in their own authority and 19% in another authority in the region. Just over a fifth (22%, 28,500 people), commuted to jobs outside Ayrshire.

Figure 1.7: Travel to Work Areas for Ayrshire residents, 2011



Commuting to work outside the region is more common in North Ayrshire (28%) than East (22%) and South Ayrshire (15%). This is due to North Ayrshire's proximity to employment opportunities in Glasgow and Renfrewshire and its transport connectivity. Many from Ayrshire commute to better paid employment outside the region.

The most common destinations for commuters from Ayrshire are Glasgow City (10%, 13,500 people), Renfrewshire (4%, 5,500) and South Lanarkshire (2%, 2,200). Outward-commuting by age is similar across the three authorities. Of those that commute outside of Ayrshire, 40% are in the 35-49 year age group. Around one quarter of those working outside Ayrshire are aged 50-64 years. Combined, these groups are likely to include higher level, professional, managerial and director positions.

The 16-24 year age group account for 13% of outward-commuters from the region, and 22%, or 3,600, of this group work outside of Ayrshire. This suggests that younger people are less likely to commute out to work than their older counterparts, perhaps reflecting the lower pay levels of the jobs they can access, making it uneconomical to commute, although there is still some leakage.

Table 1.12: Ayrshire out-commuters by age group, 2011

Geography	16-24	25-34	35-49	50-64	65+
Ayrshire	13%	21%	40%	24%	2%
NAC	13%	20%	40%	25%	2%
EAC	13%	23%	41%	22%	2%
SAC	13%	20%	39%	26%	2%

Source: Scotland Census (2011)

Employment Specialisms

The region has a concentration of employment in the human health (at 136% of the Scottish average), manufacturing (135%), wholesale and retail, and water supply (both 122%) sectors. The high concentration of employment in the health sector reflects a relatively weak private sector jobs base in the region. Ayrshire is under-represented in a number of higher value sectors, including information and communication and the financial sector, both of which are at about one third of national employment levels. Employment in the professional, scientific and technical sector is also under-represented in the region, a considerable growth sector in Scotland, and one forecast to grow further.

Table 1.13: Ayrshire sector specialisms, 2015

Sector	Employment	LQ
Most specialised sectors		
Human health	28,100	136%
Manufacturing	12,300	135%
Wholesale and retail	22,600	122%
Water supply	1,000	122%
Least specialised sectors		
Mining and quarrying	400	21%
Information and communication	1,000	30%
Financial activities	1,400	33%
Professional, scientific and technical	5,100	61%

Source: ONS, Business Register and Employment Survey (2015)

At the local level, North Ayrshire has a very high concentration of employment in the utilities of electricity, gas and steam (230%) and water supply (201%) and also in manufacturing (155%); East Ayrshire has a high concentration in human health (160%); and South Ayrshire's employment specialisms are in accommodation and food services (144%) and manufacturing (138%). The high value sectors of professional, scientific and technical; financial activities; and information and communication are under-represented across all three authorities, all under 65% of the national level.

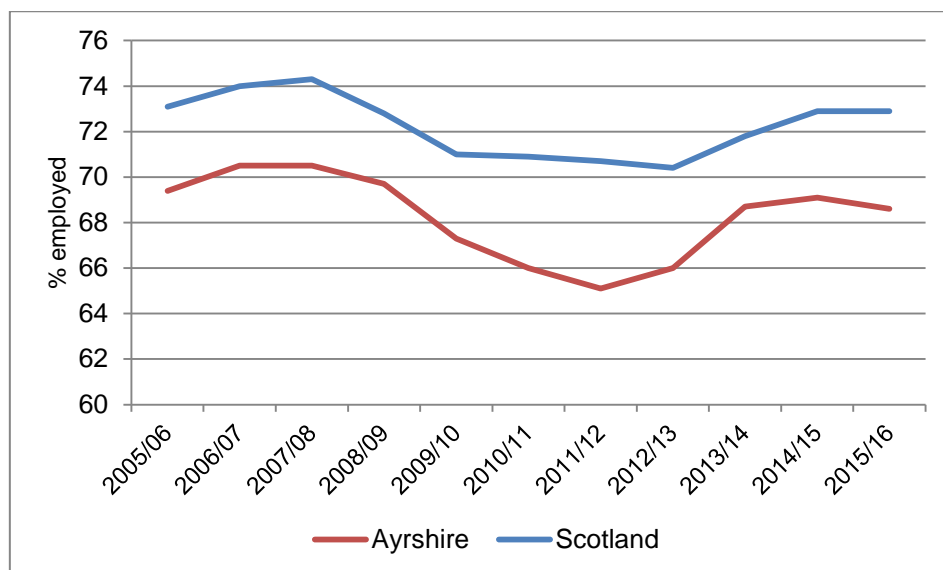
Employment Rate

The employment rate in Ayrshire was 68.6% in the 12 months to June 2016, below the Scottish rate of 72.9%. Figure 1.8 shows that the Ayrshire employment rate has been

below the Scotland rate over the last ten years, both dipping during the height of the recession in 2010/11, 2011/12 and 2012/13, before recovering to 2014/2015. As with the national picture, Ayrshire is yet to fully recover to pre-recession levels. Of concern is the fall in employment rate again in 2015/2016 which indicates the fragility of the economy.

The employment rate in South Ayrshire is higher than the rest of Ayrshire, and, at 73.7%, has recently exceeded the national average. In contrast, East and North Ayrshire have lagged behind the Scottish average over the past decade, and are now at 67.3% and 65.6% respectively.

Figure 1.8: Employment rate (16-64 year olds), 2005/06-2015/16



Apprenticeships

There were 2,065 Modern Apprenticeship (MA) starts in Ayrshire in 2015/16:

- 845 in North Ayrshire;
- 725 in East Ayrshire; and
- 495 in South Ayrshire.

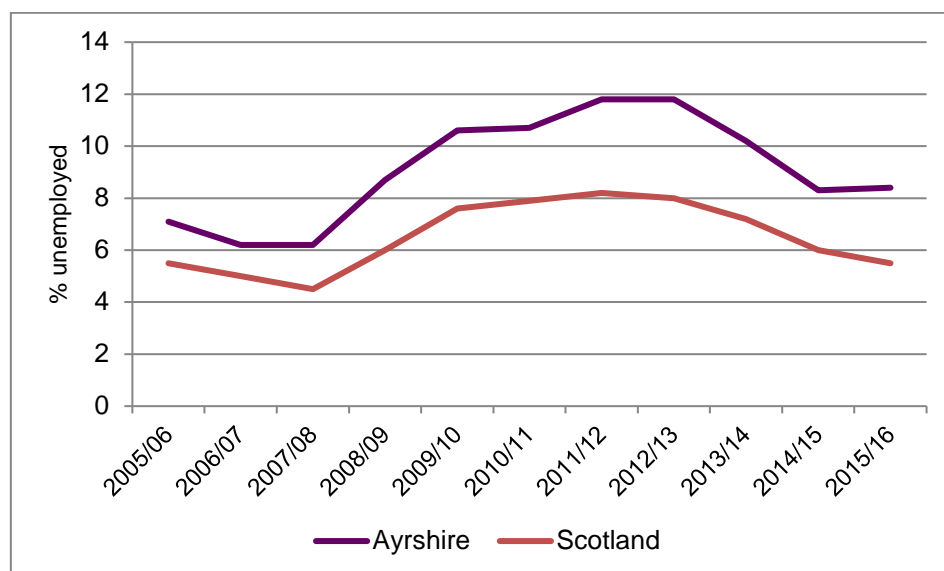
Popular MA frameworks in Ayrshire included hospitality and business and administration (both 195 starts), social services and healthcare (145), retail (140) and engineering (135). Of the 1,950 Modern Apprentices in Ayrshire who left in 2015/16, the achievement rate was 74%, slightly lower than the Scottish rate of 76%.

Unemployment Rate

The unemployment rate in Ayrshire in 2015/16 was 8.4%, significantly above the Scottish rate of 5.5%, as it has been over the past decade. All three Ayrshire authorities have an above-national-average unemployment rate. The rate is highest in North Ayrshire, at 10.2%, with East Ayrshire at 8.0% and South Ayrshire lower at 6.6%. Latest data for

2015/2016 shows that the unemployment rate in the region is no longer falling as it is for Scotland.

Figure 1.9: Unemployment rate (16-64 year olds), 2005/06-2015/16



Key point summary

The following summarises the performance of the Ayrshire economy.

Demographics

- The Ayrshire population is declining, against national trends, and there has been a strong decline in the 35-44 year age group. There has also been a sharp fall in the number of young people aged 0-19 years, more so than across Scotland. There are strong commuting patterns to Glasgow out of the region. This indicates the challenge Ayrshire has in terms of competition for a skilled workforce and the creation of good quality local employment opportunities.
- As with other regions across the country, the Ayrshire population is ageing, and this is expected to continue over the next two decades, resulting in a smaller working age population for employers to recruit from.

The Business Base

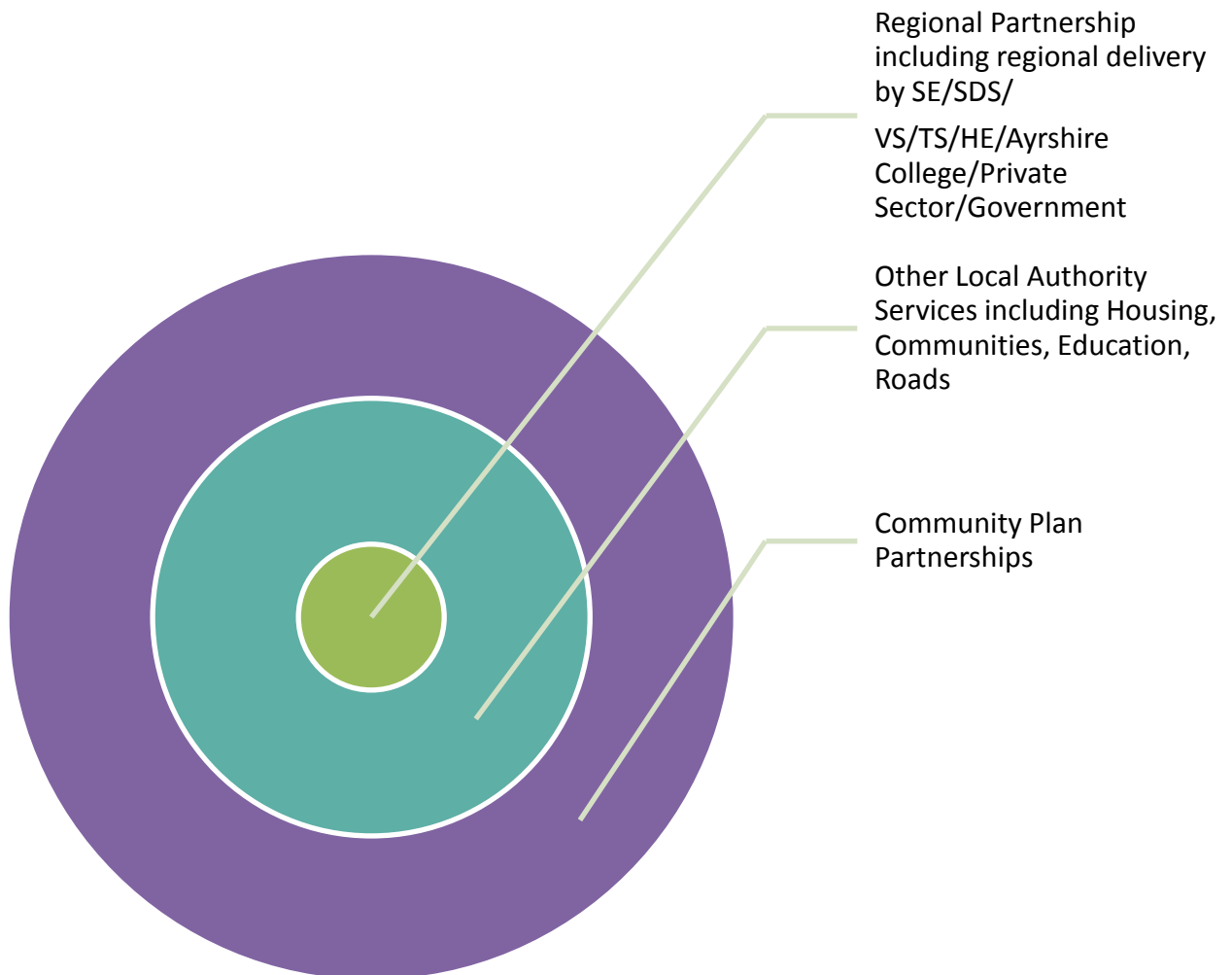
- There has been strong growth in the business base in recent years, most recently overtaking the national growth rate. Business birth rates have historically been low compared to nationally although these too are increasing. The recent growth in the business base should be encouraged, alongside growing businesses of scale. Innovation and internationalisation will be key to this.
- The region lags far behind the national average in terms of BERD (£32 per head v £162 per head) and the gap is widening. Greater and more targeted support for innovation is needed to encourage the existing business base to invest in R&D, and to attract new businesses into the region that are already undertaking R&D

activity. R&D is just one aspect of innovation, and there is a need to stimulate all forms of innovation activity in the Ayrshire business base.

- There is little Ayrshire-specific data on exporting. However, the case for internationalisation is strong in terms of creating more competitive economies, and the region has a number of important sectors on which to build.

Jobs and Skills

- The number of jobs has fallen by 5% in Ayrshire in the last decade, and this is particularly prevalent in North and East Ayrshire. Job losses in the recession were later but more severe, and there remain 2,200 fewer jobs now than in 2009. However, recent jobs growth has been good at a time of no increases in Scotland. Growing the business base through innovation and internationalisation can continue this trend.
- Ayrshire has proportionately more jobs in the public sector, notably health, which reflects a weaker private sector base. There remains a strong manufacturing base on which to build higher value added jobs and skills. However, the professional, technical and scientific sector in the region is weak, a key export sector, and the financial and information and communication sectors are under-represented. Increasing the number of higher value added jobs to the region will increase productivity and GVA.



OPTIONS FOR A REGIONAL APPROACH

A high-level overview of the options for a regional pathfinder are illustrated below:

Option 1	Option 2	Option 3	Option 4
Status Quo	Regional Governance	Regional Governance and collaboration of Local Authorities	Ayrshire Economic Vehicle
Existing arrangements between the 3 Councils & national agencies are maintained.	Minimum needed to secure AGD funding Strong Ayrshire governance structure including public, private, and third sectors. An example of this is shown below	Regional governance as per option 2 Collaboration by services to deliver a consistent product	Regional governance as per option 2 Services supporting Economic development are combined into a single body working alongside national agency staff in a new approach to economic development.

The Ayrshire Growth Steering Group (AGSG) have considered the options and concluded the following high level assessment.

Option 1	Option 2	Option 3	Option 4
Status Quo	Regional Governance	Regional Governance and collaboration of Local Authorities	Ayrshire Economic Vehicle
Pros ✓ No change required	Pros ✓ Quick to establish	Pros ✓ Quick to establish	Pros ✓ Achieves maximum impact ✓ Improves resilience ✓ Creates the possibility of enhanced expertise and specialisms ✓ Creates a single powerful voice for Ayrshire ✓ Improves strategic capability and

			relationship with key stakeholders
Cons <ul style="list-style-type: none"> ✗ Would not satisfy the governments minimum requirements to secure AGD funding and regional partnership 	Cons <ul style="list-style-type: none"> ✗ Less likely to achieve step change in economy ✗ Does not achieve increased service resilience and reduced capability ✗ Does not retain specialisms 	Cons <ul style="list-style-type: none"> ✗ Less likely to achieve step change in economy ✗ Does not achieve increased service resilience and reduced capability ✗ Does not retain specialisms 	Cons <ul style="list-style-type: none"> ✗ Significant upheaval ✗ Consequential structure changes for Local Authorities

The conclusion of the AGSG was that option 4 had the most possibility of securing the required impact coupled with ensuring more resilient services in the context of significant financial pressures.

The above information was provided to each Council cabinet in October 2017 and approval for further consideration of option 4 was agreed.

RISK REGISTER

Appendix 4

RISKS	IMPACT	LIKELIHOOD	OWNER	MITIGATION
Failure to meet the ambitions of each Council	There is a danger that one or more Councils perceive that their own objectives are not being or are only partially being met.	Medium	EAC, NAC, SAC	An Ayrshire Economic Strategy will be put in place. An annually updated 3 year service plan will be put in place. A Joint Committee will be established to provide strategic direction to the Regional Partnership and this will ensure that Councils can raise and have any concerns addressed.
Perceived loss of local control	Elected Members and communities may perceive a reduction in responsiveness to enquiries and requests for support. Elected Members may feel less in control of investment decisions aligned to economic development.	High	Joint Committee	A customer charter will set out what clients should expect in terms of responsiveness and support. The service plan will have budgets aligned to it and the criteria for support will be agreed through design and implementation phase of this project. Consequently, the service plan approval process will review the appropriateness of support measures and will adapt them to changing needs and demands.
Inadequate staff training	A failure to adequately train staff on new processes and procedures will impact on the effectiveness of this partnership and will negatively impact on the perceptions of clients, potentially leading to a loss of confidence amongst stakeholders.	Medium	HoS	Staff will be involved in the design of service delivery and training of all staff to ensure common processes and procedures will be part of the transition to live phase of this proposal. Adequate time and resource will be built into the implementation plan to support staff training. Reflecting good practice in each of the Councils at present, staff will all undergo a PDP process with their line management and any additional training requirements will be address through this process.
Poor communications with staff	Misunderstanding and misinformation can impact on staff performance and levels of stress across the workforce and could lead to a breakdown in trust of	Medium	HoS	A full communications plan devised by the new Head of Service is considered a key element of the design and implementation phase. Planned and regular communications with staff will be required to ensure ownership of this proposal is as broad as possible.

RISK REGISTER

Appendix 4

	management and ultimately to delivery failure.			A forward plan for consultation with Trade Unions will be put in place by the new Head of Service.
Poor communications with stakeholders	Lack of information to stakeholders and clients can lead to misunderstanding and a breakdown in trust and confidence in the public sector to provide adequate support to businesses and individuals.	Medium	HoS	A robust communication plan will be devised to address this issue, as detailed above.
Poor communications between Councils and partner agencies	This could lead to confusion and a breakdown in trust.	Low	HoS and Joint Committee	The proposed governance arrangements involve Councils and partner agencies and are designed to ensure robust communication.
Business disruption during implementation	Business as usual needs to be maintained whilst changes are being implemented. This will be difficult to manage and could potentially lead to reputation damage if not adequately addressed.	High	HoS and Managers. NAC	The proposed structure includes a Change Manager post to support the new Head of Service in terms of implementation of the new arrangements. Staff from HR, Finance and Legal are also already involved in this work and will support implementation. The current management structures in each individual authority will remain responsible for service delivery until the end of March 2019 and will work with the new structure to ensure continuity of service delivery.
Loss of connectedness with other Council services	The services involved in this proposal do - at each Council level - have established connections across other Council services and there is a risk that those connections are undermined by this proposal.	High	HoS	The services subject to this proposal have the greatest interdependencies and transferring them in their entirety seeks to ensure connections and a joined up approach to economic development. The new management team as well as the senior management teams within each Council will have responsibility for ensuring that close links across a range of services are maintained.

RISK REGISTER

Appendix 4

Weakened governance arrangements		High	EAC, NAC, SAC	The Governance arrangements for this partnership are not new and lessons can be learnt from previous partnerships. A minute of agreement between the 3 Councils will also be put in place.
Inadequate IT systems	Inadequate systems and hardware could lead to a loss of confidence amongst stakeholders; an inability of staff to do their job and ultimately to the failure of this proposal.	High	NAC	An IT plan will be a key element to be delivered in the design phase of this proposal. IT staff from each of the 3 Councils will be involved in this work and will support the implementation phase.
Loss of key personnel and associated expertise and experience	There is a significant pool of expertise across Economic Development and related services and a failure to resolve debates about a Regional Partnership is already impacting on morale and leading to individuals seeking opportunities elsewhere. This may continue and will undermine the quality of the partnership's service delivery.	Medium	HoS	The development of a communication plan by the Head of Service needs to address this issue.
Negative impact of having employees on different terms and conditions as a consequence of TUPE	Differences in terms and conditions and salaries across similar jobs could lead to demotivation and low staff morale. This could impact on attempts to build new teams around service areas.	High	HoS, NAC	Management will be required to work closely with the Trade Unions on this issue and there will also be a need to act sensitively to these issues.

RISK REGISTER

Appendix 4

Conflict between a regional focus and elements of service that legislatively must be delivered at a local level				Input from Legal Services across the 3 Councils will be required at design and implementation stages to ensure that each Council does not negate its legal responsibility at local level.
Unwillingness of key partner to commit services to the delivery model or to engage in economic planning or delivery on an integrated, pan-Ayrshire basis.	The impact could be a) capacity of that authority to take forward major projects in isolation, or to be involved in the planning or delivery of pan-Ayrshire projects, b) ability to use this model of joint working for AGD; C) lack of clarity over governance relating to choice of projects, delivery of pan-Ayrshire projects and integrated working may be a disincentive for Government investment in AGD, partner involvement on a pan-Ayrshire basis and business investment.	High	EAC, NAC, SAC	Exploration of alternative models.

Ayrshire Regional Partnership for Inclusive Economic Growth

