
NORTH AYRSHIRE COUNCIL

29 August 2023

Cabinet

Title: B714 Upgrade

Purpose: To update Cabinet on the progress of the B714 Upgrade and seek approval for the reallocation of funding to support project delivery.

Recommendation: That Cabinet:

- a) Notes the progress made to date on the project;
- b) Approves the reallocation of Council funding, detailed at Appendix One, to support the delivery of the project, subject to the approval of the Final Business Case; and
- c) Agrees to the submission of the updated Outline Business Case to the UK Government for approval, informed by feedback on the draft submission.

1. Executive Summary

- 1.1 The upgrade of the B714 is a strategic transport priority of the Council. It aims to increase the potential for economic development and tourism by significantly improving connectivity to Glasgow, the Central Belt and wider motorway network. Cabinet approved the submission of an application for the project to the first round of the UK Government's Levelling Up Fund in June 2021.
- 1.2 The outcome of the application was confirmed in October 2021, providing a £23.7m funding award. Cabinet approved the acceptance of the award and the delivery of the project, subject to securing the necessary consents and permission in January 2022. This report provides an update on the progress made to date on the project, seeks approval for the reallocation of funding to support its delivery and seeks agreement for the submission of the Outline Business Case to UK Government.

2. Background

- 2.1 The UK Government's £4.8 billion Levelling Up Fund (LUF) aims to invest at least £800 million in Scotland, Wales and Northern Ireland. North Ayrshire was identified as a 'priority one' category authority given our socio-economic and connectivity challenges. The Fund focusses investment on projects funding across three themes: town centre and high street regeneration; local transport; projects and maintaining or explaining cultural and heritage assets.

- 2.2 Cabinet approved the submission of the B714 Upgrade on 15 June 2021 to Round One of the Fund as a key transport project. The application was submitted to UK Government on 18 June 2021 and the outcome received on 27 October 2021. This confirmed an award of £23.7m which equated to approximately 90% of the projected costs at the time of submission. This was match funded by a £3m allocation from the Council's Investment Fund providing the 10% balance required by the Fund.
- 2.3 The upgrade of the B714 will significantly improve connectivity between North Ayrshire and Glasgow, the Central Belt and wider motorway network. This will substantially increase the potential for tourism and economic development and provide enhanced links to the Arran and Cumbrae Ferry services. It will contribute to the repopulation of our islands and rural areas by providing improved access between the ferry terminals, mainland settlements, Glasgow, the central belt and wider motorway network. This will ensure that those living in our rural, remote and island communities are well connected and have equitable access to services as those living in the rest of Scotland. It will also divert a significant volume of traffic accessing the A78 away from Kilwinning as traffic will connect directly to the A78 via the new upgraded B714.
- 2.4 The Levelling Up Fund requires that a Full Business Case (FBC) be prepared and approved before larger transport schemes can formally commence and the full funding package is confirmed. The Department for Transport (DfT) has indicated that there is a possibility that the funding could be cancelled if Government policy changes or if the necessary legal permissions or match funding cannot be secured. To date the DfT has supported the project through the provision of Development Funding to enable the preparation of the Outline Business Case and design.
- 2.5 The B714 Project Team was formed comprising of representatives from Economic Development and Regeneration and Neighbourhood Services alongside the economic and design consultants. The Project Team has progressed the preparation of the OBC and design for submission to the DfT. Regular liaison has also been maintained and progress reporting undertaken with DfT during this period to meet the funding requirements. This has been overseen by the B714 Upgrade Project Board comprised of cross Service representatives and the Place Project Board.
- 2.6 Extensive consultation has been undertaken with landowners and a broad range of stakeholders during this period. This included a public consultation and exhibition in November and December 2022 on the preferred option. Detailed ground investigations and surveys including environmental and ecological surveys have also been undertaken with the landowners' approval. The feedback and information obtained from this process has informed the Business Case and design development.
- 2.7 Construction costs have substantially increased since the submission of the LUF application due to the impact of the pandemic and economic climate. This has resulted in increases in the projected costs. The Project Team has investigated several design and value engineering opportunities to deliver the project within the available £26.7m funding envelope. This has included consideration of measures which would also reduce the benefits proposed via the initial LUF submission. Any significant benefits reduction could however put the LUF funding offer at risk.
- 2.8 This process has now been exhausted. It is proposed that:

- The project be delivered across two phases with Phase One commencing at Girthill to the Hillend Roundabout with on-line improvements between Meiklelaught and Muirlaught.
- A roundabout be constructed to connect the upgraded road to the Hillend Roundabout.
- Phase Two between the Sharphill Roundabout and Muirlaught be delivered at a later date, subject to funding.
- The electric vehicle charging facilities and elements of the environmental enhancements be delivered through alternative funding sources.
- Active travel infrastructure and associated earthworks along the route be removed and delivered through alternative sources at future date.
- Localised active travel improvements within Dalry and Saltcoats be delivered through funding secured from Strathclyde Partnership for Transport's Capital programme and other external funding sources.

2.9 This has resulted in a cost estimate for the project of £31.7m, inclusive of contingency and inflation allocations, to support the submission of the business case. This is without a significant reduction in benefits as it contributes to the Levelling Up objectives by:

- Improving the resilience of and enhancing the most direct link between Glasgow and the Three Towns;
- Improving safety and contributing to accident reduction on the B714 through increased width and improved road alignment over the most sub-standard sections from Girthill to Hillend Roundabout and Meiklaught to Muirlaught; and
- Contributing to alleviating congestion and air quality related issues in Kilwinning.

2.10 This equates to an estimated £5m deficit based on the available £26.7m budget. The project will be subject to a tender process should the OBC be approved. The FBC would then revisit the OBC and record the findings of the tender process. Advice from the Council's consultant engineers and economic consultancy, recommends against any further reductions to the standard or length of the upgrade. This is due to the: reduction in benefits which could be derived from the project; the potential impact on the likelihood of securing LUF funding; and the impact on the programme and deliverability of the project within the funders' timescales.

2.11 The funding package for the project requires to be confirmed to allow the progress of both the Business Case through the formal DfT process and the Compulsory Purchase Order Process (CPO). A parallel landowner negotiation and CPO process is proposed to progress the land requirements for the project. This is to ensure that the land acquisition can be achieved, and the project delivered within the funding timescales. The preference will however be to negotiate and reach agreement with the landowners on the purchase of the land. A land agent and dedicated Solicitor with Legal Services were appointed and have supported landowner engagement to date. A report will be submitted to Council seeking approval for the CPO process.

2.12 Engagement with UK Government has concluded that additional funding will not be available via LUF to address the deficit. Transport Scotland has also confirmed that funding will not be forthcoming for the project. The reallocation of the Council funding outlined at Appendix One is therefore proposed to meet the £5m deficit. This proposes reallocating funding from other Council projects and sources to support the delivery of the B714 Upgrade including allocations under the Investment Fund.

Mitigation measures are identified for these projects. Officers would also continue to investigate potential sources of funding for the B714 and affected projects with a view to offsetting the financial contributions from these sources where possible.

2.13 The draft Outline Business Case (OBC) has been issued to DfT for initial feedback to inform the development of the final version. The approval of this reallocation will allow the formal submission of the OBC to the UK Government for approval, informed by feedback on the draft currently being reviewed by DfT and progress on the CPO process. A formal decision on the OBC will be received within a maximum 12 week period of its formal submission. This will determine whether the project can proceed to Full Business Case and construction. Further clarity is being sought from UK Government and DfT on the timescales for the delivery of Round One projects.

3. Proposals

3.1 That Cabinet:

- (a) Notes the progress made to date on the project;
- (b) Approves the reallocation of funding to support the delivery of the project, outlined at Appendix One, subject to the approval of the Final Business Case; and
- (c) Approves the submission of the updated Outline Business Case to the UK Government for approval, informed by feedback on the draft submission.

4. Implications/Socio-economic Duty

Financial

4.1 The Department for Transport (DfT) has indicated that there is a possibility that the funding could be cancelled if Government policy changes or if the necessary legal permissions or match funding cannot be secured. The Council requires to provide 10% match funding for the initial £26.7m project. This will be met by the £3m Recovery and Renewal Fund capital allocation approved by Cabinet on 15 June 2021.

Discussions with UK Government and Scottish Government have concluded that additional funding will not be forthcoming for the project via the LUF or Transport Scotland budgets. It is proposed that the balance of the £5m deficit outlined at Section 2.10 be met by reallocating the funding outlined at Appendix One.

The DfT has provided 10% of the overall allocation as development funding from the to support the development of the project to Outline Business Case stage. This approach aims to provide 90% of the costs to this stage with the remaining 10% being met from the Council's capital allocation. This has assisted in managing the financial risk to the Council in developing the project.

Human Resources

4.2 The estimated cost of the staffing requirements for the project were included in the application and business case submitted. These have been refreshed in the updated estimates. This includes project management and legal staffing requirements to support the land acquisition process.

Legal

- 4.3 A parallel landowner negotiation and Compulsory Purchase Order (CPO) process is proposed to progress the land requirements for the B714 project. This is to ensure that the land acquisition can be achieved, and the project delivered within the funding timescales. This is proposed due to the length of the route, number of landowners and timescales for delivery. The preference will however be to negotiate and reach agreement with the landowners on the purchase of the land.

The estimated cost of the CPO process was included within the funding application and business case submitted. This has been refreshed in the updated estimates. Engagement with landowners is ongoing. Further engagement will be undertaken informed by the outcome of this report and the Business Case consideration by UK Government. A further report will be submitted to Council seeking approval for the CPO process.

Equality/Socio-economic

- 4.4 The project will assist in meeting our socio-economic duty as set out in the Fairer Scotland Duty. It seeks to reverse economic, social and physical decline and reduce socio-economic disadvantage. It aims to build community wealth and tackle local deprivation by improving connectivity to support economic development and the repopulation of our islands which will contribute to the regeneration of our communities.

Environmental and Sustainability

- 4.5 The project aligns with the Environmental Sustainability and Climate Change Strategy. The upgraded B714 project will also reduce the impact of transport on our communities, will see improved electric vehicle charging availability between the Three Towns and the Garnock Valley. In particular, it will reduce the volume of traffic travelling through Kilwinning past four schools, reducing pollution, congestion and the potential for accidents.

Key Priorities

- 4.6 The project will contribute to the four Council Plan priorities and key activities of: Ensuring our places and spaces where we live, work and visit are well maintained and accessible; Developing infrastructure to support business growth; Working with communities to adopt low carbon behaviour change; Transitioning to low and zero carbon travel; and Focusing our investment on priorities.

Community Wealth Building

- 4.7 The project will contribute to Community Wealth Building and will have a significant positive impact on the Council's ambitions under the following pillars.

Procurement: Local supply chain opportunities will be created through the project. For future procurement exercises related to the project, the EDR Business Development team will review opportunities for the North Ayrshire business base and provide supplier development support as required.

Fair Employment: The project will create employment opportunities particularly within the construction sector. Where North Ayrshire is the contractor for services, through our enhanced Community Benefits approach we will ensure the creation of local training and work experience opportunities. Furthermore, the upgrade of the B714 will provide enhanced connectivity to help those from rural areas access work.

Financial Power: The project will invest in localities and leverage external national investment into North Ayrshire.

5. Consultation

- 5.1 The project has been informed by the Regeneration Delivery Plan (RDP). The RDP sets out the Council's priorities for regeneration until 2026 and was the subject of extensive consultation including workshops with Council Officers; workshops with Elected Members; reports to and feedback from North Ayrshire Ventures Trust and the Community Wealth Building Expert Panel; and public engagement via Consul. It was also informed by the Locality Partnerships' priorities and previous public consultation exercises including Charettes.
- 5.2 The draft Outline Business Case and design has been informed by extensive consultation with Elected Members, landowners, communities, road users, transport providers, transport industry and community organisations. This included a public consultation and exhibition in November and December 2022. Further consultation and engagement will be undertaken to inform the development of the Final Business Case and detailed design.
- 5.3 Letters of support were received for the funding application from a range of sources including: the Rt Hon Patricia Gibson MP; Kenneth Gibson MSP; Jamie Greene MSP; and the Nuclear Decommissioning Authority.

RUSSELL McCUTCHEON
Executive Director (Place)

For further information please contact **Louise Kirk, Interim Head of Service – Economic Development and Regeneration**, on **01294 324766**.

Background Papers

Cabinet Report, Levelling Up Fund, 15 June 2021

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

Cabinet Report, Levelling Up Fund B714 Upgrade, 25 January 2022

Appendix One: Funding Reallocation Proposals

The table below summarises proposals to reallocate capital allocations previously approved to support the delivery of economic development priorities to the B714 Upgrade project. This includes the reallocation of funds agreed under the Investment Fund and capital receipts projected from the sale of land and assets. The proposals have been developed through engagement with Finance.

Fund and background	Proposed approach and mitigation
Recovery and Renewal Fund	
Stimulating Start Up and Early Stage Business Growth (£1m). Agreed as part of the Renewal Investment allocations in June 2021 to stimulate start up and early stage business growth through the delivery of commercial space.	<ul style="list-style-type: none"> • Allocate £1m to the B714 Upgrade. • Investigate the potential to resource the delivery of the investment fund priorities through future years place based funding allocations and external funding applications.
Investment Fund	
Community Wealth Building – Communities and Town Centres (£1.2m allocation). Agreed as part of the original Investment Fund allocations in March 2020 to tackle vacant and derelict land and buildings in town centres through regeneration and economic development projects.	<ul style="list-style-type: none"> • Allocate the balance of £0.857m to the B714 Upgrade. • Investigate the potential to resource the delivery of the investment fund priorities through future years place based funding allocations and external funding applications.
Commercial Estate / Infrastructure / Town Centre Investment (£1.155m). Agreed as part of the original Investment Fund allocations by Council in March 2020 to invest in the commercial estate including improving the sustainability of assets.	<ul style="list-style-type: none"> • Allocate the balance of £0.988m to the B714 Upgrade. • Investigate the potential to resource the delivery of the investment fund priorities through future years place based funding allocations and external funding applications.
Existing Capital Resources	
Industrial Portfolio Council Commercial estate investment allocation (£1m). Balance of £0.430m currently remaining.	<ul style="list-style-type: none"> • Allocate the balance of £0.430m to the B714 Upgrade. • Investigate the potential to resource the delivery of the investment fund priorities through future years place based funding allocations and external funding applications.
Flexibility	<ul style="list-style-type: none"> • Allocate £0.377m to B714 Upgrade
Capital Receipts	
Uncommitted Capital Receipts: Anticipated capital receipts of £5.555m have been identified. Following the deduction of abnormal and other costs, a balance of £1.348m is now available for utilisation to support capital investment.	<ul style="list-style-type: none"> • Allocate £1.348m to B714 Upgrade.
Total reallocation	£5.0m