

South Ayrshire Council

**Report by Assistant Director - Place
to South Ayrshire Council
of 29 June 2022**

Subject: Levelling Up Fund

1. Purpose

1.1 The purpose of this report is to provide an update on Levelling Up joint bid development and submission ahead of round 2 deadline.

2. Recommendation

2.1 It is recommended that the Council approves the submission of 3 bids to the Levelling Up Fund as detailed in section 4 by 6 July 2022.

3. Background

3.1 As part of the 2020 Spending Review, UK Government announced the creation of a number of funds, including the Levelling Up Fund. This is a competitive fund, with funding distributed to places across the UK on the basis of successful project selection. The Fund will set aside at least £800 million across Scotland, Wales and Northern Ireland over four years from 2021-2022 to 2024-2025.

3.2 A capital bid can be for an individual project or a package of up to 3 projects, up to £20 million in value per bid, or in exceptional cases up to £50 million per bid for larger transport projects. Both individual and package bids can contain proposals within a single, or across multiple themes, so long as they form part of a coherent, consistent proposal. Councils can only have one successful bid for each of their allocated number of bids over the lifecycle of the Fund.

3.3 The first round of the Fund focussed on three themes: smaller transport projects that make a genuine difference to local areas; town centre and high street regeneration; and support for maintaining and expanding the UK's portfolio of cultural and heritage assets.

3.4 It is expected that Members of Parliament, as democratically-elected representatives of the area, will back one bid that they see as a priority. South Ayrshire have been working with neighbouring Ayrshire Councils on two joint bids given that there are two UK Parliamentary constituencies within the area and will also be able to submit a separate transport bid.

3.5 Within the competition, funding will be targeted towards places in England, Scotland and Wales with the most significant need, South Ayrshire and the other two Ayrshire Councils have all been placed in Category 1- ie places with the highest level of need.

- 3.6 The first round of the Levelling Up Fund closed on 18 June 2021. Leadership Panel of 15 June 2021 agreed to participate in the second round of funding that was expected to open in Autumn 2021. During the Spring Statement 2022 the Government announced that the second round of the fund would open on 31 May and close on 6 July 2022. The new prospectus has also provided more detail and sub categories of funds three investment themes.
- 3.7 The Cities and Local Growth Unit have held a number of briefing sessions and officers have attended meetings with our new Area Lead as well as the Parliamentary Under-Secretary (Scotland Office). During this time work has continued with our bid partner authorities and specialist consultants to develop suitable bids with the best chance of success.

4. Proposals

- 4.1 Leadership Panel of 15 June 2021 approved the broad themes of South Ayrshire Council's joint bids with North and East Ayrshire Councils. Since then, significant work has been undertaken to develop bid proposals that meet the technical requirements of the fund as well as providing a coherent package of strategic interventions.
- 4.2 The broad themes for the joint bid with North Ayrshire Council for the Central Ayrshire constituency are *Commercial Development* and *Active Travel*. As outlined to Leadership Panel on 26 October 2021, two Commercial Development proposals were being developed with the first focussed on the live significant inward investment opportunity and the second based on increasing hangar capacity at Prestwick. As it is now evident that the inward investment opportunity is unlikely to meet LUF requirements and timescales, this part of the bid has now pivoted solely to developing hangar space for the purpose of developing an aerospace training and Maintenance, Repairs and Operations (MRO) facility. It is anticipated the total cost of the facility will be in the region of £10m. Further information on the project is provided in [Appendix 1](#).
- 4.3 The Active Travel theme will support Council's Green Recovery aims as well as aligning with UK and Scottish Governments ambitions for investment in low carbon infrastructure. The South Ayrshire element will build on proposals already under development by the Ayrshire Roads Alliance (ARA) that aims to create a new Active Travel route between Dundonald and Barassie as well as upgrades and improvements to the N7 National Cycle Route that connects the commercial areas of Prestwick and Irvine and the communities in between. A briefing on the scheme was presented to Portfolio holders following Leadership Panel on 26 October.
- 4.4 ARA have already secured around £3m of external funding for the scheme and given the increases in project costs experienced over the last year a further £5m will be required for full delivery. It should also be noted that the Council are able to use the external funding against the match funding component of the LUF requirements. The LUF financial ask for our bid as part of the Central Ayrshire submission is £5m for Active Travel and around £10m for Commercial Development.
- 4.5 The Round 2 prospectus for LUF changed the parameters of the bidding process. There is now no specific requirement for a joint bid where a parliamentary constituency spans a number of local authorities. East Ayrshire Council have intimated their intention to submit their own constituency bid for Ayr, Carrick and Cumnock. Therefore, South Ayrshire Council will also submit a constituency bid for

Ayr, Carrick and Cumnock. As previously agreed by Leadership Panel, this single bid will be the new leisure centre development in Ayr.

- 4.6 The bid theme will focus on Town Centre Regeneration and will request the maximum bid value of £20m. As this is already factored within the Council's capital programme no further match funding will be required. In addition, a successful bid will 'free up' £20m within the capital programme which could provide the opportunity to develop further regeneration proposals across South Ayrshire's communities or used to cover project cost increases due to current market conditions.
- 4.7 The Council is also expected to submit a separate transport bid initially this was a joint bid with East Ayrshire Council to improve the A70, however since publication of the second prospectus East Ayrshire Council intend submitting Bellfield Interchange improvements as their Transport bid to support the AGD and defer the A70 and submit a bid under the shared prosperity round. Portfolio holders were briefed on 10 June 2022 regarding East Ayrshire Councils Transport bid and an alternative single Transport Project for South Ayrshire was proposed. The proposed submission is an active travel bid providing a link from Prestwick Station to Ayr including the construction of a bridge over the River Ayr and upgrading of the promenade, this submission will complement the joint constituency bid with North Ayrshire and is supported by Sustrans with the potential to attract additional match funding.
- 4.8 Transport Scotland have confirmed that they will not support individual projects and would expect that any bids associated with the National Network A77/A75 would require to align with the National Transport Strategy and STPR2.
- 4.9 The Ayrshire Roads Alliance on behalf of South Ayrshire Council in partnership with Dumfries and Galloway and Mid East Antrim have issued tender documents for the commissioning of an Economic Impact Assessment for the A77/A75 with a view on a submission based on the STPR2 in round 3 of the Levelling Up Fund. The document will be complete for publication in July 2022.

5. Legal and Procurement Implications

- 5.1 There are no legal implications arising from this report.
- 5.2 There are no procurement implications arising from this report.

6. Financial Implications

- 6.1 The Council has received £125,000 capacity funding to support bid development. On 26 October 2021, Leadership Panel agreed to allocate £125,000 from uncommitted reserves to provide additional capacity funding to be drawn down only if required.

7. Human Resources Implications

- 7.1 Not applicable.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

- 8.1.1 There are no risks associated with adopting the recommendations.

8.2 ***Risk Implications of Rejecting the Recommendations***

8.2.1 There are no risks associated with rejecting the recommendations.

9. **Equalities**

9.1 The proposals in this report have been assessed through the Equality Impact Assessment Scoping process. There are no significant potential positive or negative equality impacts of agreeing the recommendations and therefore an Equalities Impact Assessment is not required. A copy of the Equalities Scoping Assessment is attached as [Appendix 2](#).

10. **Sustainable Development Implications**

10.1 ***Considering Strategic Environmental Assessment (SEA)*** - This report does not propose or seek approval for a plan, policy, programme or strategy or document otherwise described which could be considered to constitute a plan, programme, policy or strategy.

11. **Options Appraisal**

11.1 An options appraisal has not been carried out in relation to the subject matter of this report.

12. **Link to Council Plan**

12.1 The matters referred to in this report contribute to Commitments 4 and 6 of the Council Plan: South Ayrshire Works/ Make the most of the local economy; and A Better Place to Live/ Enhanced environment through social, cultural and economic activities.

13. **Results of Consultation**

13.1 There has been no public consultation on the contents of this report.

13.2 Consultation has taken place with Councillor Martin Dowe, Portfolio Holder for Corporate and Strategic, Councillor Ian Davis, Portfolio Holder for Finance, HR and ICT, and Councillor Bob Pollock, Portfolio Holder for Economic Development Culture, and the contents of this report reflect any feedback provided.

14. **Next Steps for Decision Tracking**

14.1 If the recommendations above are approved by Members, the Director - Place will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Cabinet in the 'Council and Cabinet Decision Log' at each of its meetings until such time as the decision is fully implemented:

<i>Implementation</i>	<i>Due date</i>	<i>Managed by</i>
Submit LUF applications	6 July 2022	Assistant Director – Place/ Head of Roads, Ayrshire Roads Alliance
Further report to be presented to Cabinet on progress	December 2022	Assistant Director - Place

Background Papers **Report to Leadership Panel of 15 June 2021 - [Levelling Up and Community Renewal Funds](#)**

Report to Leadership Panel of 26 October 2021 - [Levelling Up and Community Renewal Funds](#)

[HM Treasury/ Ministry of Housing, Communities and Local Government/ Department for Transport - Levelling Up Fund Round 2: application guidance](#)

[HM Treasury/ Ministry of Housing, Communities and Local Government/ Department for Transport - Levelling Up Fund: Prospectus – March 2021](#)

[Ministry of Housing, Communities and Local Government – UK Community Renewal Fund: Prospectus 2021-22 – Updated 11 May 2021](#)

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Date: 21 June 2022

LUF proposal: Addressing the needs for workspace in Ayrshire – Hangar space to support MRO growth.

Background:

Prestwick is the home of the Scottish Aviation industry with a history of 80 years of aerospace excellence. The Prestwick Aerospace Cluster is an established centre of excellence for MRO, aero structures and design engineering. The size of the UK aerospace sector is second only to the US with reported sales of £31.8bn last year, up 8% on the previous year. MRO operations are an essential part of this sector with over 1,300 companies based in the UK, with a combined turnover of £15bn and 57,000 staff.

The Prestwick Aerospace cluster is an integral part of this UK success story with an established MRO hub which comprises 55% of Scotland's aviation industry with over twenty companies employing over 4000 people in high value jobs. The cluster boasts many of aviation's world leaders such as Spirit Aerosystems, GE, UTC and BAE. The future of this confident cluster depends on its ability to compete, expand and diversify its offerings and is vital to both the Ayrshire and Scottish economies.

In order to compete, expand and grow, Glasgow Prestwick Airport (GPA) urgently needs to address the lack of airside commercial hangar space. Hangar space is urgently needed to capture current and forecasted demand for Maintenance, Repair, Overhaul (MRO) operations. It is believed that the current growth in requirements for MRO services, combined with the re-shoring of work due to capacity and skill shortages in Eastern Europe and Asia, presents a time bound and mobile opportunity to invest in infrastructure for the future safeguarding of Prestwick's place as a global centre of aviation.

The proposal is being co-ordinated and developed by partners to bring good quality industrial property to the market that will act as a catalyst for digital/data driven advanced manufacturing and aligned services - attracting new inward investment and supporting recovery and growth across the indigenous business base and helping the struggling post-industrial Ayrshire economy to 'level up'.

The South Ayrshire component will support the construction of Hangar space for MRO operators and inward investors at the Prestwick Space and Aerospace Cluster.

With the legacy of aerospace MRO activity and the proposed (horizontal launch) space port facility at the Prestwick Airport site making significant progress, there is a recognised opportunity to build a cluster of activity to grow the aerospace sector. Specifically, within the MRO and MRO Decommissioning sub-sector where SAC and partners have had numerous inward investment enquiries.

Project Outline:

The proposed project is to provide additional, flexible hangar space to accommodate multi-use work packages for a number of potential stakeholders that have already identified demand that is currently unmet.

Several companies have expressed to South Ayrshire Council a requirement for hangar space to be able to deliver diverse services to a range of customers. This includes MRO and re-design services for aircraft operators, provision of aviation engineering training, including Part 145 which incorporates work on live aircraft and produces licenced aviation

engineers and a new Fixed Base Operator (FBO) service to replace the current FBO which requires upgrading.

Multi-use requirements need to be clearly articulated to identify layout requirements, equipment provision, workshop space, classrooms, parts storage and offices to be planned.

The project will see the erection of modular single storey hangars within the curtilage of Glasgow Prestwick Airport. The development of 50m X 50m standalone hangar facilities, will be leased by South Ayrshire Council to operators in the Aerospace Sector on a minimum 15-year lease term. Lease income generated from the facility will be utilised to further invest in commercial space and the provision of training to young people and those unemployed or economically inactive. Additional training facilities will be created by establishing a fully accredited EASA Part 147 training centre that will provide a key resource in addressing the skills and workforce requirements of both the Aerospace Cluster at Prestwick and the wider needs of the industry in the UK. In particular, the centre will address the current ongoing shortage of qualified Part 147 Engineers.

Why is this important

The rationale and case for change include:

- Existing stock of business and industrial premises in the Prestwick cluster is inadequate for the needs of the aerospace and space sector
- Existing rents / yields in the Prestwick cluster are insufficient to generate new speculative build without public sector support. The commercial viability gap is preventing businesses from growing and prevents developers to invest.
- Pre-COVID, Invest South Ayrshire identified approximately 80,000 m² of potential unfulfilled demand from the aerospace and space sectors. Current opportunities and inward investment enquiries alone are expected to create over 1,000 jobs.
- The development of Hangarage will further establish the cluster at Prestwick so that it achieves a critical mass, which is expected to catalyse further cluster growth as additional companies recognise the benefits of co-location. As a result, Prestwick will become the hub for the space and aerospace sectors in Scotland.
- COVID-19 has resulted in the acceleration of opportunities pertaining to the decommissioning of aircraft. Currently, development of this significant and strategically aligned market opportunity is constrained by the lack of airside hangarage.

COVID-19 and Brexit have also created potential opportunities for local SMEs to bid for work within aerospace and space supply chains for customers who may be attracted by their proximity and the relative ease of delivery during disruption. COVID-19 has also driven substantial change within the airline industry with operators terminating lease contracts on older, thirstier aircraft disrupting the MRO supply chain. This shift in policy has created an increase in demand for services currently and potentially offered in Prestwick.

This project is vital to capture the economic growth opportunities of the aerospace and space sectors. In the post COVID-19 landscape, it is also imperative that we act to counter the new threats that we face.

What will we deliver?

The project consists of the erection of modular single storey hangar space within the curtilage of Glasgow Prestwick Airport. The hangars are a standalone facility with a footprint

of 50m Wide x 50m Deep and minimum wall height of 8m. The hangars will also require a minimum opening access door of 43m wide x 8m height generally with a 9m wide 14m height central opening door. In addition to the Hangar a modular accommodation building will be provided offering welfare facilities for use by hangar staff. Construction of the hangar will be a modular steel frame design with an insulated waterproof cladding, a brushed finished concrete floor slab suitable to support the required aircraft and associated mechanical and electrical services. Construction of the accommodation building will be of a modular steel frame design with an insulated waterproof cladding to the exterior. The accommodation building is a standalone facility adjoined to the hangar with a footprint of Approx. 22m Wide x 10m Deep and minimum internal ceiling height of 2.4m. Maintenance and construction access to be determined by manufacturer/supplier. Within the scope of the project also includes the removal and replacement of an existing sub-station.

Planning Permission:

Under The Town and Country Planning (General Permitted Development) (Scotland) Order 1992 the hangar building, and associated welfare facility fall under Class 44 –Development at an Airport. As the works are considered to be the erection of an operational building/s there is an exemption offered from seeking planning permission if prior notification is submitted. Our planning consultants will form and issue a Prior Notification application. The buildings fall within the modular building category, but exceed the area required for exception from building standards. Therefore, a building warrant application will be required.

Location of the project:

The Ayrshire Growth Deal investment portfolio aims to establish Prestwick as a premier Aerospace and Space Park. Master planning for the site has been undertaken. Air site hangar facilities have been identified north of the main runway as shown below.

Project Benefits:

- Up to 150 high skilled jobs for each hangar
- Inward investment into the Prestwick Cluster of MRO & MRO-D operators
- Cluster Building
- A programme has been prepared for the construction of hangarage. By adopting a modular approach to the Hangar, the programme from approval to completion is 14 months.
- Full project costings are being finalised ahead of the bid submission.

South Ayrshire Council Equality Impact Assessment Scoping Template

Equality Impact Assessment is a legal requirement under the Public Sector Duty to promote equality of the Equality Act 2010. Separate guidance has been developed on Equality Impact Assessment's which will guide you through the process and is available to view here: <https://www.south-ayrshire.gov.uk/equalities/impact-assessment.aspx>

Further guidance is available here: <https://www.equalityhumanrights.com/en/publication-download/assessing-impact-and-public-sector-equality-duty-guide-public-authorities/>

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. See information here: [Interim Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018.

1. Policy details

Policy Title	Levelling Up Fund
Lead Officer (Name/Position/Email)	Kevin Carr, Assistant Director - Place – kevin.carr@south-ayrshire.gov.uk

2. Which communities, groups of people, employees or thematic groups do you think will be, or potentially could be, impacted upon by the implementation of this policy? Please indicate whether these would be positive or negative impacts

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	-	-
Disability	-	-
Gender Reassignment (Trans/Transgender Identity)	-	-
Marriage or Civil Partnership	-	-
Pregnancy and Maternity	-	-
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	-	-
Religion or Belief (including lack of belief)	-	-
Sex – gender identity (issues specific to women & men or girls & boys)	-	-
Sexual Orientation – person's sexual orientation i.e. LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	-	-
Thematic Groups: Health, Human Rights & Children's Rights	-	-

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage? (Fairer Scotland Duty). Consideration must be given particularly to children and families.

Socio-Economic Disadvantage	Negative Impacts	Positive impacts
Low Income/Income Poverty – cannot afford to maintain regular payments such as bills, food, clothing	-	-
Low and/or no wealth – enough money to meet Basic living costs and pay bills but have no savings to deal with any unexpected spends and no provision for the future	-	-
Material Deprivation – being unable to access basic goods and services i.e. financial products like life insurance, repair/replace broken electrical goods, warm home, leisure/hobbies	-	-
Area Deprivation – where you live (rural areas), where you work (accessibility of transport)	-	-
Socio-economic Background – social class i.e. parent’s education, employment and income	-	-

4. Do you have evidence or reason to believe that the policy will support the Council to:

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low
Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as Medium and/or High)	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
Rationale for decision:	
<p>This report outline funds and the bidding process for the Levelling Up and Community Renewal Fund and seeks approval for the submission of bids. Members’ decision on this has no specific equality implications</p>	
Signed : Kevin Carr	Assistant Director - Place
Date: 10 May 2022	