

SCOTTISH PARLIAMENT FINANCE AND PUBLIC ADMINISTRATION COMMITTEE CALL FOR VIEWS ON LEVELLING UP AND SHARED PROSPERITY FUND, NOVEMBER 2023

EAST AYRSHIRE COUNCIL

The Finance and Public Administration Committee are meeting the Secretary of State for Levelling Up on 7 December 2023. This latest call for views builds upon the previous one from December 2022, recognising the significant passage of time since then.

Local authorities are invited to provide any further comments on their experiences of the UK Government's approach to levelling up, including in the areas identified below:

Levelling Up Funds

- **the approach to identifying areas of priority places in round two (including the effectiveness of the updates and changes to priority places from Round one) and the investment themes.**

As stated in our previous response, East Ayrshire Council did not make any bids in round one (mainly due to time constraints) and we are therefore unable to comment on the changes made between rounds one and two. In broad terms, the investment themes laid down by the UK Government were aligned to the regeneration objectives of the Council and its key partners and stakeholders.

The selection of our two bids followed a detailed and comprehensive assessment of potential local regeneration and transport projects against the Levelling Up Fund criteria.

- **the process for bidding for round two funding and awarding successful bids.**

Our previous response set out, in some detail, the process which was undertaken by the Council and its partners in relation to the preparation of two bids: one for Cultural Kilmarnock (which was successful) and the other for the Bellfield Interchange upgrade (which was not).

The UK Government moved away from the competitive approach of earlier rounds in round three, and the scores used for decision-making in round two were applied once again. Projects were not rescored or recategorised for round three, and there was no further consultation with local authorities or opportunity for us to refine our submissions.

In late November 2023, it was confirmed that Bellfield had once again been unsuccessful. As a project of huge strategic importance to the Council, and

indeed, our wider economy, we are disappointed by this outcome and await feedback from the UK Government as we attempt to map a way forward.

- **the extent to which any funding for successful bids in rounds one and two have been released, to what timescales (compared with any in your project bid) and how confident you remain that the outcomes/projects will be delivered within the agreed funding and timescales.**

Following confirmation in January 2023 that our bid for 'Cultural Kilmarnock' had been successful, our project team immediately commenced work on the detailed implementation plan for the project. This project is being developed in partnership with East Ayrshire Leisure Trust and will link into the Kilmarnock Town Centre Strategic Regeneration Framework developed under the East Ayrshire Local Development Plan 2.

Funding from the UK Levelling up Fund is released on a quarterly basis following the submission of a quarterly monitoring report. There have been no issues with this process.

Design development, which had been on hold, recommenced in August 2023 following agreement of a proposed Strategy for addressing the challenging financial conditions of the different proposed project funders (Levelling Up Fund, Heritage Lottery Fund and Historic Scotland) in terms of their respective delivery programme timescales. It should be noted that these have not all been secured as yet.

Based on the current programme, it is anticipated that works could commence on site in Spring 2025, with completion on a phased basis from Summer 2026 to late 2026/early 2027.

The project faces challenges predominantly around the programme and the cost plan. There are significant challenges due to cost inflation from the original application and the agreed Minute of Understanding. On top of this, Cultural Kilmarnock is seeking match funds from other agencies. Every effort is being made to secure match funding to enable the full project to be delivered.

At the current time it is extremely difficult to determine what construction inflation will do over the next 2 – 3 years. The market has seen significant volatility in recent months leading to higher than expected inflationary increases. However future pricing will be linked directly to economic conditions nationally which are unpredictable at the current time. 'Inflationary risk' has been considered at all stages during the development of the project to date, and the revised Stage 2 cost projections include inflationary allowances that should cover the forecast construction period. The project Cost Consultants and Project Management team continue to regularly review market indices and the potential impact that these have on the project finances.

As a means of mitigating risk, the Project Team have also carefully considered the most appropriate procurement option for the works contract to try and minimise exposure to excessive market pricing and inflationary pressure by retaining risk rather than transferring this over to a third party. By retaining greater control the project team will therefore have significant influence over project deliverables and consequently, greater flexibility to deal with price fluctuations.

- **monitoring arrangements in place for Levelling Up funds.**

Detailed monitoring arrangements are in place in relation to the Cultural Kilmarnock project. Progress updates are provided to the Council's Cabinet and Governance & Scrutiny Committees via the 'East Ayrshire Performs' report (Alternative Delivery Models) section.

The project has a 3 stage approach to monitoring. There is a project team which works closely with the design team to ensure that the delivery is in line with the agreed outcomes. The project team then reports to a programme board comprising senior officers from East Ayrshire Council and East Ayrshire Leisure Trust. To complement this process an external stakeholder group is being established to review the project at key milestones through design and delivery. This group comprises community, agency and user group representatives.

A Monitoring and Evaluation Plan has been produced for the project. This will be monitored through the project team and East Ayrshire Leisure throughout the development and construction phases as well as for 10 years beyond the project handover. IBP has been appointed as evaluation consultants. IBP are developing a framework for regular survey and monitoring to track impact of a number of outcomes. This will be reported to LUF every 6 months throughout the programme.

UK Shared Prosperity Fund (grant determinations for revenue and capital for 2022-23 and 2023-24)

- **the process for agreeing and submitting your investment plan.**

The Council agreed to submit its SPF Investment Plan to the UK Government by 31 August 2022. The Head of Economic Growth co-ordinated the production of the Council's Investment Plan in conjunction with a wide range of Council services and other delivery partners. Full details of this were set out in the Council's earlier response.

The Employability Board, who assumed oversight of our SPF projects, took the opportunity in mid-2023 to review the content of the Investment Plan and whilst the projects remain broadly the same, a number of gaps in provision and improvements were identified. The detail of this will be shared with the UK Government via our Q2 performance report.

- **the extent to which the funding you were allocated will deliver the outcomes identified in your investment plan within the agreed timeframe;**

Funding was released to the Council in January 2023, and meetings took place to discuss action plans for the various projects. The delays from the UK Government's side in terms of the release of funding were documented in our earlier response, and we welcomed confirmation from them that local authorities could carry over Year 1 spend into Year 2.

As Year 2 of the programme draws to a close, a number of our projects are behind their scheduled position in terms of anticipated spend and outcomes. In some cases, the mobilisation of projects has taken longer than anticipated and we have also had to navigate the transition from previous arrangements for those employability programmes which had been funded via ERDF.

In mitigation, the Council's Employability Board (the local oversight body for SPF) meets on a regular basis to discuss progress with our 13 SPF projects, and to identify interventions and remedial action. In line with the UK Government's reporting requirements, we also provided a detailed report at 2022/23 year end which documented progress and also set out our plans to reprofile carried over spend commitments.

Whilst the UK Government's timetable indicated the need to provide quarterly reports throughout the lifespan of SPF, it has been disappointing that the planned report for Quarter 1, 2023/24 did not take place, largely as a result of technical difficulties with the reporting platform, which has been difficult to understand and has generated considerable negative feedback from many local authorities.

In an attempt to create a more user friendly version, redevelopment work has been undertaken; but this has also been beset with difficulties. As a result, the planned Quarter 2 report, which was to have been submitted in early November, has been the subject of delay. At the time of writing, we await further guidance on revised timelines.

- **the appropriateness of and flexibility provided by the UKSPF Interventions, Objectives, Outcomes and Outputs relevant for Scotland;**

The UK Government has built in an element of flexibility to deal with variations and exceptions to the agreed Investment Plans. Many of our projects were either in their conceptual stage or being designed at the time that the Investment Plan was submitted and as such, there have been a number of changes, particularly in terms of our outputs and outcomes.

Prior to commencement of Q2 reporting, the Council undertook a fuller review of our SPF measurement framework to ensure measures remained fit for purpose in the light of our experience. This has recently concluded and the

amended framework has streamlined the number of measures we have in place, to reduce overlap and prevent double counting across projects.

Whilst this exercise has helped to clarify our reporting framework, the configuration of the UK Government's reporting system has served to complicate the reporting process and it requires a twin track approach; the Council has had to create its own SPF Project Tracker spreadsheet which is used to aggregate performance measures for inclusion in the Government's new reporting app.

Moving forward, a much simpler and more transparent approach would be to record performance against our projects rather than against individual UKG interventions.

Finally, in the latest performance report, a number of the outputs and outcomes which were created at the outset of SPF appear to have simply disappeared. The Government have not provided an explanation for this, except to say that these would be reintroduced for year end. This has further confused the situation for councils.

- **the adequacy of the administrative expenditure provisions.**

There are no concerns in relation to the provision of administrative expenditure.

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- **There are also a number of other funds which the UK Government identifies as contributing towards its ambitions for Levelling Up such as Multiply, the Community Ownership Fund, and the multi-sport grassroots facilities programme. The Committee would welcome any comments from you on your experiences of using these funds for levelling up. If you are in an area that includes one of the seven towns awarded funding through the 'Long Term Plan for Towns' initiative, we would also welcome your views on this.**

Kilmarnock is one of the seven Scottish towns which has been awarded funding via the Long Term Plan for Towns Initiative (£20m over 10 years). This funding is welcome and it will be used to pursue a number of the Council's regeneration objectives and it will also complement the Levelling Up funding secured previously for Cultural Kilmarnock.

At the time of writing, the Scottish guidance has not yet been published. We look forward to receiving this over the coming weeks so that detailed delivery plans and governance structures can be put in place.

Since the announcement was made, a number of internal meetings have taken place involving colleagues from Economic Growth and Community Regeneration and elected members have been made aware of the situation. We have also reached out to our colleagues in some of the other six Scottish

towns in receipt of this funding to explore commonalities, and we will continue to do so as proposals are further developed.

The new funding will be aligned to the Kilmarnock Strategic Vision 2022-27, which is taking a holistic approach to town centre regeneration focussing on five strategic priorities, working in partnership with local communities and led by the Kilmarnock Strategic Group (KSG). The Group is likely to have a role in taking forward proposals for this funding, and we await clarification on this from the UK Government.

In November 2023, it was confirmed that a pan-Ayrshire bid secured £3.8m to support our business community and digital economy through the 5G Innovation Regions programme. This is one of 10 awards across the UK and 2 in Scotland (of which the other is the Glasgow City Region).

This funding will be used to build on technologies at three of the strategic Ayrshire Growth Deal sites (Digital Processing Manufacturing Centre, Irvine, Aerospace Innovation Hub, Prestwick and Ayrshire Innovation Park, Kilmarnock). The Scotland (5G) Centre Innovation Hub is located at HALO in Kilmarnock, and will serve as the catalyst for where testing can happen in a 5G private network environment.

The enhanced 5G and wireless coverage will make these key strategic sites even more productive and attractive for investment.

- **Finally the Committee would welcome any comments on the policy coherence between the UK Government's approach to levelling up and Scottish Government's policies and priorities.**

In broad terms, the Council is satisfied that the aims and objectives of both Governments are aligned with our own regeneration plans and those of our partners. Within Ayrshire, we have a good track record of working with the UK and Scottish Governments, as seen most tangibly in recent years with the development and delivery of the Ayrshire Growth Deal, which has presented a generational opportunity to transform the economic prospects of the wider region.

The Council is, however, concerned about the fragmented nature of funding opportunities which have proliferated in recent years (examples include the SPF, LUF, CRF, Place-Based Investment Programmes and RCGF). Whilst we will continue to take advantage of all external funding opportunities to maximise the services we can deliver for our communities, it would be beneficial for a more co-ordinated approach to be taken across the jurisdictions and reduce the officer and elected member time that is currently spent on co-ordinating and submitting funding applications.

We look forward to continuing to work closely with both Governments and to continued investment in all our communities so that we can deliver on our economic ambitions for East Ayrshire.