

**Levelling Up Fund (LUF) Round 2 Application form**

**Final Version 19<sup>th</sup> July 2022**

LUF 2 CRITERIA	Cultural Kilmarnock Response
<b>Allowance Checks in England, Scotland and Wales</b>	
Please confirm which bid allowance you are using: <ul style="list-style-type: none"><li>- Constituency</li><li>- Transport</li></ul>	Constituency allowance
For bids using transport allowance, is your bid at least 90% investment in the transport theme?	Not applicable (not a transport bid)
Confirm that the bid does not exceed £20m	No – the bid is seeking a maximum LUF funding amount of £20m
Do you have more than 3 component projects	Not relevant
Joint Bid – Joint organisations need to complete a proforma.	Not relevant
<b>Gateway Criteria for all bids</b>	
I.1 Confirmation that some funding will be incurred in 2022/23. Eligible expenditure in 2022/23 could include capital development costs.	Yes - £744,065 is proposed to be incurred in 2022/23
Appendix I – Complete costings and planning workbook	Draft version completed – Appendix I Tables A to G
<b>Applicant Details</b>	
Applicant details	<b>Bid Manager</b> Name and position: Anneke Freel, Chief Officer, East Ayrshire Leisure Trust, The Dower House, Dean Castle Country Park, Kilmarnock KA3 5BU  <b>Senior Responsible Officer</b> contact details: Eddie Fraser, Chief Executive, East Ayrshire Council, eddie.fraser@east-ayrshire.gov.uk, London Road Headquarters, Kilmarnock KA1 7BU

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Consultancy companies involved CBRE, Faithful & Gould, Keppie Designs, Wardell Armstrong, Struer Consulting Engineers and RSP Consulting Engineers.

Where is bid being delivered? Scotland

VAT number (if applicable) GB 659 265 693

### **PART 2 – Subsidy Control and State Aid Analysis**

All applicants must establish if the direct award of LUF funds could constitute a subsidy.

2.1 All applicants must establish if the direct award of LUF funds from UK Government could constitute a subsidy. Applicants must consider whether any of the planned activities meet each of the four characteristics which indicate if it would be considered a subsidy. If any for the four responses is a no then the award is not considered to be a subsidy. Guidance on subsidy control

2.1.1. Is the support provided by a 'public authority' and does the support constitute a financial (or in kind) contribution such as a grant, loan or guarantee? Yes

2.1.2 Does the support measure confer an economic advantage on one or more economic actors? No.

The modernisation of building will be considered to bring the existing buildings to a modern standard suitable to maintain the delivery of the existing business model. Through the refurbishment, additional spaces will be introduced and may offer additional business opportunities to the East Ayrshire Leisure Trust, but EALT have been careful that these opportunities will not introduce an economic advantage over other local organisations. It should also be noted that EALT is not a commercial organisation. They manage services and facilities on behalf of East Ayrshire Council for the benefit of East Ayrshire communities. EALT has been working with local partners including Take A Bow and Centrestage. These organisations both operate community theatres in Kilmarnock and will work with EALT on collaborative programming to maximise performance spaces throughout the area which will include regional, community and outdoor performance.

2.1.3 Is the support measure specific insofar as it benefits, as a matter of law or fact, certain economic actors over others in relation to the production of certain goods or services?

No.  
Through the EALT Service Level Agreement with East Ayrshire Council, EALT will be able to offer to the Arts and Cultural Sector, higher quality buildings and performance spaces and associated facilities to encourage performance companies and acts to use the Palace and Grand Hall buildings for performances. It is anticipated that this will provide an economic benefit to the area and not to one particular organisation.

2.1.4 Does the support measure have the potential to cause a distortion in or harm to competition, trade or investment?

No,  
The support measure would improve the existing buildings and advance their business model of Theatre performances and bookable Community open spaces, there are no local competitors that would lose out as a consequence of the investment in these buildings. This would provide the only regional theatre and concert hall that would complement the community provision to enhance the overall offer in the area.

2.1.5 Did you respond ‘Yes’ to all the above? If so, the planned activities meet all four key characteristics which indicates it would be considered a subsidy.

3 responses were “NO” and as such, we would consider this not to be a Subsidy. *The Council has assessed the State Aid risk of the Council receiving funding from the LUF for the development of Cultural Kilmarnock. There are four key tests which need to be considered to establish whether a project contains State Aid.*

*The project is considered to have limited risk in terms of the definition of State Aid given that the infrastructure will be open to all and when built and will not favour any particular non-Council proprietor over any other party. On this basis, the funding of the project is unlikely to be regarded as “selective” (i.e. it does not favour only certain undertakings or entities) and on that basis, would not fall within the State Aid rules.*

2.2 Please demonstrate how the direct award of LUF monies from UK Government to you (as the applicant) has been considered under each of the subsidy principles. This will involve consideration of the how the subsidy can be provided in accordance with the following Subsidy Control principles listed in the Subsidy Control Bill: If the proposed LUF activities do represent a subsidy and all principles have been met, the LUF application will be considered compliant. Please separate your response where there are multiple awards of subsidy.

2.2.1 Subsidies should pursue a specific public policy objective to remedy an identified market failure or to address an equity rationale such as social difficulties or distributional concerns (“the objective”) Please demonstrate how your bid meets this principle.

2.2.2 Subsidies should be proportionate and limited to what is necessary to achieve the objective Please demonstrate how your bid meets this principle.

2.2.3 Subsidies should be designed to bring about a change of economic behaviour of the beneficiary that is conducive to achieving the objective and that would not be achieved in the absence of subsidies being provided. Please demonstrate how your bid meets this principle.

2.2.4 Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy. Please demonstrate how your bid meets this principle.

2.2.5 Subsidies should be an appropriate policy instrument to achieve a public policy objective and that objective cannot be achieved through other less distortive means. Please demonstrate how your bid meets this principle.

2.2.6 Subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition or investment within the United Kingdom. Please demonstrate how your bid meets this principle

2.2.7 Subsidies' positive contributions to achieving the objective should outweigh any negative effects, in particular the negative effects on trade or investment between the Parties. Please demonstrate how your bid meets this principle.

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## LUF – Cultural Kilmarnock

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2.4 Public authorities only. Please confirm if you will be disbursing the funds as a potential subsidy to third parties.

No - funding will remain within EAC's financial control and will be invested in East Ayrshire Council owned buildings and community open / public realm spaces. There will be no disbursement of funds.

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### Part 3 – Bid Summary

#### LUF 2 CRITERIA

##### 3.1 Bid Name – Cultural Kilmarnock

3.2 Please provide a short description of your bid, including the visible infrastructure that will be delivered/upgraded and the benefits that will be felt in the area. (100 words maximum)

Cultural Kilmarnock comprises the creation of an enhanced cultural park sited immediately to the east of Kilmarnock's town centre (within 300 m from The Cross, the town's historic public square). Proposed works include the sustainable upgrade of a significant cultural heritage asset – The Palace Theatre and Grand Hall to expand its visitor offer and events, the creation of a new parkland setting to create an important amenity for the Theatre, as well as the local community and businesses in the town centre, a new active route along Elm Drive and enhanced public realm and parkland to support The Dick Institute.

[100 words]

3.3 Please provide a more detailed overview of the bid proposal. Where bids have multiple components (package bids) you should clearly explain how the component projects are aligned with each other and represent a coherent set of interventions. (500 words – as a guide only)

*This overview should be more detailed than that provided in 3.2. Please provide full details of what activity will take place where, clearly setting out the planned interventions, outputs and benefits. If the activities are being undertaken across multiple locations, the applicant should clearly explain how the activities align with each other and represent a coherent set of interventions.*

Cultural Kilmarnock overarching vision is to create an enduring and vibrant area of cultural significance within Kilmarnock, as well as for East Ayrshire, and providing an attractive cultural park to the town, which aligns with the ambition for the town centre. The aim is for this project to act as a catalyst to drive forward the regeneration of the town centre.

The site (Appendix 3.1) comprises circa 3.5 ha (34,700 sqm) sited immediately to the east of Kilmarnock town centre which benefits from a rich history of culturally significant heritage assets, including The Palace Theatre and Grand Hall, and the Dick Institute, which are Grade A and Grade B Listed. The challenge however is to make more of Kilmarnock's cultural offering, through reimagining key spaces, enhancing the setting of the listed buildings and using culture to diversify the town centre offer. The Palace Theatre and Grand Hall is seen as being central to the town's cultural offer. This in turn will generate new visitors, footfall, greater dwell time and help to positively change the perceptions of the place.

The project has various elements which collectively form part of the overall Cultural Kilmarnock project and the contribution towards achieving the vision:

- **A reimagined Palace Theatre and Grand Hall** (Appendix 3.2) – These proposed works will comprise extensive refurbishment including new back and front of house provision, modernising and improving accessibility in customer and performer areas (DDA compliant), improved amenity offer (new café bar) and creation of a new shared foyer/entrance to create a more positive visitor experience as well as greater prominence for the building, given it provides an important gateway to Kilmarnock Town Centre. The proposals will maximise the efficiencies of the building, creating flexibility to host a wider range of events and attract key touring companies including local and national theatre, music and performance companies, as well as provide the opportunity to deliver added social value and benefits, including the establishment of a new youth theatre company.
- **Enhanced Parkland Setting** – Extensive public realm improvements will create an enhanced parkland setting and create and maximise the links between the Palace Theatre and Kilmarnock Water with the addition of a new pedestrian bridge. It will create a reimagined parkland area which celebrates Kilmarnock Water, a key asset within the town. New amenity space will be provided including the opportunity for outdoor performance space, creation of natural amphitheatre (having a seating capacity of up to 150 people) and a new pop-up café.
- **Improved Public Realm to create a new Cultural Park** (Appendix 3.3) – Together with the proposals for the rear of the Palace Theatre, 10,500 sqm of new public realm is to be created and/or enhanced, which will include an improved setting for the Dick Institute, as well as the installation of a new canopy which provides the opportunity for event and external performance space, which will allow Kilmarnock to broaden its offer of events and festivals, and create new links between the cultural assets. The public realm includes new lighting features and way-finding to improve legibility as well as safety.
- **Connectivity to the Town Centre** – Cultural Kilmarnock is just 300m away from the heart of the town centre but is segregated by dominating highway infrastructure (Sturrock Street – A735) and a poorly lit, unpleasant underpass provides the only link from the Theatre into the town centre. The project includes for the removal of the underpass and replacement with a future 'at grade' crossing. This will provide better connections with the Burns Mall and on Sturrock Street and create an improved gateway to Kilmarnock town centre.

- **Implementation of new green and active travel corridor** and wayfinding strategy within the heart of the Cultural Park (2,340 sqm). This will provide connections into the proposed Infinity Loop - (a 26 mile loop allowing cultural venues to be connected together along with sports and leisure assets), creating better active travel links to the north and east of the site, including Kilmarnock town centre.
- **Aligning with a Cultural Asset trail for the town centre** – encompassing the benefits of the enhanced Cultural Park alongside the wider offering within the town centre including the White Tiled building, the Civic Centre, the Railway Heritage Village, and the former Grange Church which now provides a leisure offer - Above Adventure.

3.4 Please provide a short description of the area where the investment will take place. If complex (i.e. containing multiple locations/references) please include a map defining the area with references to any areas where the LUF investment will take place. (500 words – guide only)

*The response should provide a broad description of the area, with further detail given in question 3.5 below. If complex (i.e. containing multiple locations/references) please include a map defining the area with references to any areas where the LUF investment will take place.*

Kilmarnock is East Ayrshire’s principal town and is located 25 miles south west of Glasgow.

Cultural Kilmarnock is a project that sits to the east of Kilmarnock town centre, within 300m from the main high street and historic square – The Cross. The site is bounded by London Road (B7073) to the north, Loanhead Street to the east, Elmbank Drive to the south and Sturrock Street (A735) to the west.

The whole site covers an area of 3.5 ha and is characterised by the existing heritage assets – Palace Theatre and Grand Hall (Category A Listed) and the Dick Institute (Category B Listed), as well as by large pockets of greenspace. The site red line excludes existing residential properties and the CentreStage building (former Kilmarnock Technical School – Category B Listed), although these will also benefit from the proposals and overall enhancement to the amenity of the area.

Importantly the project will also start to address the inter-relationship between the proposed new Cultural Park and Kilmarnock Town Centre, through removing the existing underpass and creating enhanced links into the heart of the town. This project will therefore help to catalyse the redevelopment and regeneration of the town centre.

Kilmarnock is within East Ayrshire, having a population of 46,770, and is the largest town in Ayrshire. Historically centred around heavy manufacturing and goods-based services, the town has suffered economic restructuring leading to the closure of the Johnnie Walker bottling plant in 2012 and decline in textile and manufacturing industries. As a result, Kilmarnock has experienced a continuing net loss of jobs. This project will help to reinvent Kilmarnock as a cultural centre of expertise, and in time, support the creation of new creative industries as part of a new knowledge-based economy.

## LUF – Cultural Kilmarnock

3.5 Please confirm where the investment is taking place (where the funding is being spent, not the applicant location or where the bid beneficiaries are located). If the bid is at a single location please confirm the postcode and grid reference for the location of the investment. If the bid covers multiple locations please provide a GIS file. If this is unavailable please list all the postcodes / coordinates that are relevant to the investment.

For all bids, please confirm in which constituencies and local authorities the bid is located. Please confirm the % investment in each location.

*We need to clearly understand where the funding is being spent. This information will be used to determine the “Characteristics of Place” score and will be used for reporting purposes. If the bid is at a single location please confirm the postcode and grid reference for the location of the investment. If the bid covers multiple locations please provide a GIS file. If this unavailable please list all the postcodes/coordinates that are relevant to the investment. For all bids, please confirm in which constituencies and local authorities the project is located. Please confirm the % investment in each location.*

The LUF investment is proposed for Cultural Kilmarnock (site outlined in Appendix 3.1). The postcode for the location is KA1 3BN. Grid Reference is NS 42991 37945.

The project is located within the Kilmarnock and Loudoun constituency (MP) and the constituency in terms of the MSP is Kilmarnock and Irvine Valley.

3.6 Please confirm the total grant requested from LUF (£).

*This should be the total LUF grant value (excluding match funding) requested from round 2 of LUF. This total LUF grant value should align with that presented in the relevant Costings and Planning Workbook – Table B – Funding Profile*

The total grant requested from LUF is £20m. This aligns with that presented in the Costings and Planning Workbook – Table B – Funding Profile (Appendix I).

3.7 Please specify the proportion of funding requested for each of the Fund’s three investment themes: a) Regeneration and town centre (%) b) Cultural (%) c) Transport (%)

*This should be the % of LUF grant to be spent in each investment theme. Please ensure the total adds up to 100%. When identifying the percentage of themes within a bid applicants should define this according to costs associated with activity in support of each theme. For example, if 75% of a bid’s total value contained costs associated with activity in support of a regeneration output or outcome, with 25% costs associated with activity in support of a cultural output or outcome, it would be defined as being a 75% regeneration and 25% cultural bid.*

The Cultural Kilmarnock bid is for a wholly cultural bid only. As such 100% of the proportion of LUF monies is requested for the cultural investment theme.

3.8 Please tick one or more subcategories that are relevant to your investment:

**Regeneration**

Commercial

Civic

Residential

Other

**Cultural Arts & Culture**

Creative Industries

Visitor Economy

Sports and athletics facilities

**Heritage buildings and sites**

*Please tick one or more subcategories that best match your bid. If you have ticked ‘other’ you will be asked to elaborate.*

- Creative industries
- Visitor economy
- Heritage buildings and sites

3.9 Please provide details of any applications made to other funding Applicants should list any other funding applications they have made. Where a successful outcome might lead to you no longer requiring the LUF grant please provide details and confirm when you might expect the outcome to be known.

*Applicants should list any other funding applications they have made for this scheme or variants thereof that may impact the requirement for LUF funding if successful. If applicable, anticipated timeframes should be provided for receiving the outcomes of these applications. Applicants should also specify the amount of funding being applied for from other funds and, if successful, how this will affect the LUF grant sought.*

An Expression of Interest (Eol) bid will be submitted to the Heritage Lottery Fund (HLF) in July 2022. This will request £4.5m funding to help ensure that heritage is better cared for, support people’s engagement with the heritage asset, and through which, promote greater awareness of the importance of heritage assets within the general population.

The outcome of the bid process (Eol stage) is expected to be announced in August 2022. Following this, a stage 1 bid will be prepared and would need to be submitted in October 2022. There is a 2-year period to submit the stage 2 bid. However, given how advanced the Cultural Kilmarnock concept is, it is likely a stage 2 bid will be submitted by April 2023. A final decision will be expected in Summer 2023.

The HLF is part of the match funding strategy for the project. LUF funds will still be required to ensure the project can be delivered.

Further match funding will be sought from Historic Environment Scotland (HES) for £500,000. This bid was prepared and submitted in May 2022 and will deliver on the refurbishment and modernisation of the Palace Theatre and Grand Hall in particular. The timescale for a decision on this funding package is expected to be Autumn 2022.

A further funding application has been submitted to the Scottish Vacant and Derelict Land Fund (£750,000) . The timescale for a decision is expected to be in Autumn 2022.

#### **Part 4 – Strategic Fit**

4.1.1 Has an MP given formal priority support for this bid? Y/N

4.1.2 Please confirm which MP has provided formal priority support: (name)

4.1.3 Which constituency does this MP represent?

Please also complete pro forma 6 (Appendix 2).

Yes, Alan Brown MP has provided his formal priority support for this bid.

Alan Brown is the Scottish National Party MP for Kilmarnock and Loudoun.

4.2.1 Describe what engagement you have undertaken with local relevant stakeholders, including the community (the public, civic society, private sector and local businesses).

How has this informed your bid and what support do you have from them? (500 words)

*Applicants will be given the opportunity to upload evidence of stakeholder engagement at the time of submission. This should include, if applicable, MLAs in Northern Ireland, MSPs in Scotland and Members of the Senedd in Wales. Applicants should use this section to articulate the methods and strategies used (including innovative virtual methods in light of COVID-19) to engage with stakeholders, as well as detailing how this interaction has influenced the proposal, and how any potentially controversial aspects of the bid will be resolved. Applicants should detail how stakeholders were identified, and what efforts were made to reach those more isolated members of the community, including rural communities, who might not normally engage. Evidence of stakeholder engagement can be provided in various forms including letters of support or minutes of meetings and attached as an annex. Applicants should explain how the engagement activities have informed the development and design of the bid. The range of engagement feedback should be clearly explained and evidenced including reference to any current/ongoing consultations, community forums, etc. Where success of the bid is reliant on the cooperation and support of stakeholders or the local community, the application should clearly explain and evidence this. Whilst there is no pre-defined list, potential relevant local stakeholders and partners may include: - Elected representatives of Local Government (i.e. Democratic decision-making process of the Local Authority, Cabinet Decisions etc.) - Local businesses - Local Enterprise Partnerships - Public transport providers - Police and emergency services - Community representatives / groups - Government bodies / organisations e.g. Historic England, Arts Council - Environmental representatives - Public health representatives - Universities, and further education colleges - Audience, visitors, spectators and participants*

The Cultural Kilmarnock project has been scoped and defined following extensive stakeholder engagement since 2010. The concept for a defined and connected Cultural Quarter stemmed from an initial analysis and preparation of a Development Plan for the town centre (Kilmarnock Urban Integrated Development Plan (2011)), which recognised the challenges in the town centre as well as key opportunities (including the town's cultural assets). Stakeholder engagement has been ongoing as the project has been refined during key stages.

### **Kilmarnock Urban Integrated Development Plan (2011)**

Kevin Murray Associates were commissioned to prepare this Urban Development Plan in 2011, recognising the challenges from the structural changes within the town (e.g. Johnnie Walker bottling plant closed in 2012), but also key opportunities, including cultural assets of the Palace Theatre and Dick Institute. As part of this exercise, they engaged with over 450 people and undertook workshops in early March 2011 with participants from public agencies, businesses, and community groups. The outcome of these discussions set out key priority themes, with stakeholders recognising a need to encourage more people into the town centre and to improve the overall vitality and vibrancy of the town.

A key priority was to make the town centre more competitive and attractive, including through broadening the town centre offer, events and activities (including those taking place in cultural venues), along with place-making enhancements; recognising the importance of the town's key assets (which includes the town's cultural venues); building Kilmarnock's leisure and recreational role; improving connectivity between parts of the town centre and its assets, and celebrating Kilmarnock -promoting the town's identity, pride and offer.

### **Celebrate Kilmarnock Town Centre Community Action Plan (2015)**

Building on the IDP, Celebrate Kilmarnock Action Plan was prepared and shaped by 4 stakeholder events including representatives from local businesses, faith groups, voluntary sector and community groups (including local schools) to discuss the future vision for the town centre and identify priorities for action. Over 500 people were engaged in the process and agreed five top priorities including a need to provide for more events and festivals and encouraging a café and night-time economy. The overarching vision includes an ambition to create an 'animated and creative place'.

*"Establish a cultural quarter, to include the Dick Institute, Kilmarnock Academy and the Palace Theatre"*

*"Promote and develop an already strong music and arts scene to attract people"*

*"Exploit the creative arts to generate energy into the evening"*

*"Exploit our parks and river way to reinforce cycling and walking connection between residential neighbourhoods and the town centre"*

*"A vibrant town centre invests in its leisure, recreational and cultural activities"*

*"Kilmarnock's tourist attractions must be better connected and contribute to the health of the town centre"*

Figure 1: Key Messages from Stakeholders (Celebrate Kilmarnock Action Plan 2015)

### **Kilmarnock Cultural Quarter: A Vision (August 2017)**

Keppie Design were appointed by East Ayrshire Council (EAC) to develop vision recommendations for the 'Kilmarnock Cultural Quarter'. Initial engagement with key stakeholders (Key Council officers including transport and highways, regeneration, town centre manager, community officer and planning) and client team over April and May 2017 confirmed the key priorities as enhancing connections, preservation of the natural and built environment and overall, *'the need to create a vibrant quarter of cultural significance that encapsulates the rich history of the area and the people of Kilmarnock'* (Appendix 4.1).

A wider consultation event was held at the Dick Institute on 29<sup>th</sup> June 2017 which was attended by circa 100 people including internal EAC stakeholders and key community representatives. Comments included the need for the Cultural Quarter to provide 'Flexible infrastructure for cultural events', to 'inspire the youth of Kilmarnock' and look 'to create vibrancy and excitement throughout the whole day' (Appendix 4.1).

This work helped to shape the overarching vision and key objectives for the project. Key messages coming from the discussions included a priority to introduce a mix of new uses and amenity into the area, creating a flexible event space, the need to reinforce the green routes to the town centre and alongside this, enhance access for pedestrians and cyclists and undertake improvements to the entrance of the Theatre.

### **Kilmarnock Town Centre Study (August 2018)**

A town centre wide study was undertaken in August 2018 and included TGP Landscape architects and the Council holding a series of consultation events. 155 responses were received. Key feedback included concerns that the town centre was in decline – manifesting itself with the quality of the retail (and other uses) on offer, the need to provide a USP and niche for the town to become attractive to investors, highlighting anti-social behaviour as a key issue, the missed opportunity given Kilmarnock turns its' back on the river and more needs to be done with this, and that heritage is a key asset for the town. Overall, there is a real desire for change.

### **Town Centre Health Check (2019)**

A Town Centre Health Check was commissioned by the Council in 2019 and included a series of site visits alongside a public survey in summer and autumn 2019. The survey sought to understand how the general public viewed their town centres and whether they were deemed to be attractive, active and accessible. Kilmarnock was viewed to be run-down, lacked an evening and night-time economy, despite positive heritage assets in place. 540 responses were received in total. The quality of place was rated highly, with higher scores related to Kilmarnock's distinctiveness and sense of welcome. In terms of accessibility, whilst well connected to the strategic road network and link to railway, movement by foot was seen as problematic, and road crossing of the inner ring road challenging. Almost 60% of respondents felt that there was not a good level of cultural and social activity in the town centre, and that improvements needed to be made. Likewise, 54% of respondents felt that existing leisure and night life attractions were not considered to be a good standard nor easily available.

Just over 40% of respondents felt that the historic buildings were well maintained.

### **Stakeholder event – 2nd September 2021**

In September 2021, the design team held a client team (and wider stakeholders) focus group to redefine the brief, vision and objectives for the project. This included a 'look back' to the 5 original questions as posed in 2017 (as per Appendix 4.1). The workshop included attendees from East Ayrshire Leisure, East Ayrshire Council and key community groups.

A summary overview of the proposals was presented to EAC Management Team on 20/12/2021, who formally agreed to support the project, although recognised the importance of sustainability and net zero as key aims of the scheme as well as tackling the issues of the existing highway network.

During this stage, an online questionnaire was prepared (Appendix 4.2) which was issued to the local community, the majority of which resided within 1 mile of Kilmarnock town centre. Despite this, the results confirmed the preference of the car as the main mode of transport. Respondents were asked how often they visited the Palace and Grand Hall, with the majority confirming that they visited on an annual basis, given a lack of interest in the acts/ exhibitions in place, and 15% being discouraged to visit given their view was that the venues were run down. Positively a number of respondents confirmed that they made use of the existing open spaces/ public realm, but felt that the public realm wasn't well maintained, was over-dominated by traffic and concerns were raised regarding anti-social behaviour and the fear/ perception of crime.

### **EAC -Council Management Team – December 2021**

Engagement was also undertaken with East Ayrshire Council's Council Management Team on the 20th December 2021.

### **Wider Consultation – January 2022**

An initial engagement session/ information sharing was undertaken with Kilmarnock Business Association on 25th January 2022 where 43 businesses were in attendance and Celebrate Kilmarnock on 9th February 2022. The proposals were positively received. East Ayrshire Council's Special Equalities Forum, East Ayrshire Leisure Board of Trustees – and The Palace Theatre and Grand Hall User Groups was also engaged with over February.

### **EAC - Corporate Management Team – May 2022**

A follow up session with the Council's Management team was undertaken on the 8th May 2022 to enable key strategic links to be made with the LUF 2 Transport bid for Bellfield on the Eastern gateway to the town. This is a significant transport investment fund that also supports active travel and links to the Infinity Loop and will further complement the Cultural Kilmarnock bid.

### **Updated Online Survey**

An updated online survey was prepared (Appendix 4.3) which was published on 23<sup>rd</sup> February 2022 and ran for a period of 5 weeks. This confirmed that:

- 122 responses were received, the majority of those completing the survey were local residents, although 14% were business owners, or worked in Kilmarnock.
- As per the survey in 2021, the majority of those visiting Kilmarnock (even though over half were up to 1 mile away from the town centre), tended to drive by car.

- Of those visiting The Palace Theatre and Grand Hall, 12% attended on a regular basis (monthly), but the majority (69%) only attended on an annual basis. 19% had never been to the venue. The majority of those who didn't attend was because the acts or exhibitions at the venues were not of interest. The condition of the buildings and car parking were also cited as key reasons. 78% of respondents noted that they were not satisfied with the overall condition and facilities provided at the venues, with particular concerns about the entrance.
- Despite respondents confirming that they did not visit the Palace Theatre and Grand Hall on a regular basis (the majority being once a year), 32% of respondents still visit the external public realm (unclear as to for what purpose) on a weekly basis. This could be just to walk through to visit the town centre and/or place of work however, rather than spending the time within the grounds.
- Concerns were raised with the quality of the amenity provision and look and feel of the Palace Theatre and Grand Hall. The majority of feedback received was fairly negative, although a few comments acknowledge the potential that the area could have if investment was forthcoming. Comments received included thoughts about the quality of the overall area and public realm, noting it was unwelcoming, dark, hard to navigate and felt unsafe, particularly in terms of accessing the venues from the town centre via the underpass.
- In terms of the public realm, visitors did not see the area as an attractive destination, rather, a place to walk through, and as such as missed opportunity given the cultural assets in the locality.
- Respondents also noted the lack of a prominent entrance, narrow footpaths leading onto the busy highway and lack of drop-off space making it particularly challenging for disabled visitors.

Specific feedback is provided in Appendix 4.3.

If the proposals are realised, including improving amenity space to the rear of the Palace Theatre and Grand Hall, 83% respondents confirmed that they would use the space and attend outdoor events, and dwell for longer in the newly created parkland setting. There was also acknowledgement that respondents would be more encouraged to attend a cultural event if the improvement works would be carried out.

### **Engagement with Statutory Consultees**

As part of the process there has also been engagement with statutory consultees, including Historic Environment Scotland (a presentation took place on 4th February 2022) (Minutes are provided in Appendix 4.4), Ayrshire Roads Alliance to agree the principles of the proposed Stopping-Up Order (19<sup>th</sup> October 2021 – Appendix 4.5) and a formal pre-application meeting has taken place which confirmed that the principle of the proposed development is acceptable.

### **Pre-application Engagement**

Following the pre-application meeting, the Local Planning Authority – East Ayrshire Council provided a formal response to the pre-application (letter dated 30<sup>th</sup> March 2022) (Appendix 4.6). This noted that the initial scheme designs were generally positively received, the vision for ‘Cultural Kilmarnock’ understood and supported, and, provided that the works are undertaken sensitively, and discussed in detail with Historic Environment Scotland (HES), the modern extension was seen as being ‘a significant benefit to the surrounding area’.

### **Historic Environment Scotland (HES)**

A meeting with HES was held on 4<sup>th</sup> February 2022 and confirmed overall support to the proposals, and that the principle of a modern extension could be appropriate, provided there is key consideration to the interface between old and new.

### **Engagement with Elected Members**

Engagement took place with elected members on 27<sup>th</sup> January 2021 this confirmed that the proposals were a priority as part of the overall Kilmarnock masterplan and vision.

Presentations to the new council elected members took place on 15<sup>th</sup> June 2022 and the proposals received positive support.

4.2.2 Has your proposal faced any opposition? Please provide a brief summary, including any campaigns or particular groups in support or opposition, and if applicable, how will you work with them to resolve any issues. (250 words)

*Applicants should summarise any opposition to the bid, its relevance (i.e. impact), and what has/will be done to resolve this and any other concerns raised during stakeholder engagement activities. Applicants should explain if there is any sensitivity in their stakeholder engagement, for example if part of the bid process has not been made public or if the bid requires compulsory purchase of buildings. Please provide reasoning if certain stakeholders could not be engaged with and how any impacts of this have been mitigated.*

As referenced in Section 4.2.1, stakeholder engagement has been broadly positive to date and the proposals have, in the main, been well-received with members of the local community, as well as with statutory consultees. There is broad support for the vision and overall ambition of the Cultural Kilmarnock project. Through the most recent online public survey there have been a few concerns raised in terms of some elements of the proposals, which will need further design and parking considerations as the project progresses to RIBA Stage 3. The main concern relates to car parking and traffic management, particularly for those residents living in and around Elm Bank Drive, and for parents collecting children from Loanhead Primary School. A couple of other comments also related to the need to ensure key events, such as the Remembrance Sunday parade could still be held within the re-designed public realm and open space. The feedback is being addressed as the design evolves and develops. A separate car parking strategy is being prepared to respond to car parking concerns which includes Cabinet approval (dated 16<sup>th</sup> June 2021) for parking improvements within Kilmarnock, including new car parking provision within the grounds of Ayrshire Arts Centre and additional parking in and around the Dick Institute.

4.2.3 Do you have statutory responsibility for the delivery of all aspects of the bid?

If no: - Please confirm those parts of the project for which you do not have statutory responsibility - Please confirm who is the relevant responsible authority - Please confirm that you have the support/consent of the relevant responsible authority

*Applicants that do not have statutory responsibility for the delivery of all aspects of their bid must secure the support/consent of the relevant responsible authority prior to proceeding. All bids with a transport element must supply a pro forma of support from the relevant authority with statutory responsibility for transport unless the applicant has statutory responsibility, in which case the applicant should state N/A. For any bids in England, Scotland, and/or Wales where the applicant does not have statutory responsibility to deliver all of the transport elements of their bid, they are required to demonstrate that they have the support of all the authorities with the relevant statutory responsibility before proceeding with their application. Please complete pro forma 1. Rail-related applications would need the support of Network Rail and applications for infrastructure on the Strategic Road Network would need the support of National Highways, for example. For any bids in Northern Ireland with transport elements, support from the relevant local council and the Northern Ireland Executive (if non-public sector led bid) is an eligibility requirement. Please complete pro forma 4.*

Yes, EAC has statutory responsibility for the delivery of all aspects of the bid.

### **Case for Investment**

3.1 Please provide evidence of the local challenges / barriers to growth and context that the bid is seeking to respond to. (500 words). Applicants should provide quantifiable evidence of the local challenges and barriers to growth, and detail how the planned intervention/s will address these.

*Applicants should provide quantifiable evidence of the local challenges and barriers to growth, and detail how the planned intervention/s will address these. Evidence could include (but is not limited to) data regarding: - Employment details, income levels, deprivation, skills and educational attainment - Vacancy rates and footfall - Land and development challenges - Transport challenges including poor connectivity to existing assets, congestion and air quality issues - Crime and anti-social behaviour* Transport applications should consider evidence within the local context with clear identification of sources. This may include: - Reliability of the network (e.g. cancellation rates, congestion, capacity levels, variability in journey times) - Safety data including accident rates. - Environmental data including air quality and carbon emissions. - Journey satisfaction - Time taken to reach specified number of jobs or services - Data on mode of travel. - Data on number of services, spending and maps showing existing transport network Heritage/Cultural applications should also consider providing some of the following evidence. These should be contextualised within the local context: - Cultural/creative/community/sports vision. - Creative/curated/community sports programme. - Range of programmes (e.g. public libraries programmes going beyond culture, such as business support, health and well-being, literacy). - Practitioners track record. - Level of demand. - For heritage/museum collections, how the assets will be maintained/conserved in line with statutory and best practice. - Improvements to provision of public spaces and community facilities. - Audience/participant/user engagement benefit – reach/diversity/depth of engagement. Audience/participant/user development – including segmentations. - Current cultural heritage sports offer and provision of community facilities, how they are perceived, how well they already inspire community cohesion/pride in and attractiveness of place - Local levels of engagement/demand - Added value that this project would bring (particularly for upgrades).

The Cultural Kilmarnock project is seeking to respond to a wide range of challenges but also key opportunities and future pipeline of interventions that could come forward across the town centre, but which will be supported and unlocked through the confidence that a successful LUF bid would bring.

Kilmarnock, as East Ayrshire's key commercial and industrial centre (catchment population of 69,000, PROMIS retail market area, 2020) and 46,480 in the town itself (City Population, 2020) also provides a key focus for culture, leisure and entertainment. It secured an award in 2015 as the most improved large town (SURF Awards 2015) and benefits from key heritage assets, a successful learning quarter and office/incubation hub (Halo Project), a vibrant and committed local community, a walkable town centre and important green and blue infrastructure assets such as Kilmarnock Water, but despite this the town has suffered from reducing footfall, rising unemployment rates and lack of productivity, which has worsened as a result of Covid-19.

The primary challenge for Kilmarnock is the need to create a vibrant and diverse town centre which is active both during the daytime and the evening, to restore pride in place and to focus on the town's key strengths and niche, which includes the town's cultural assets but which, as evidenced through the stakeholder engagement work, are not fully appreciated. The town has benefited from recent investment, including the redevelopment of the former Johnnie Walker distillery through the HALO project which has brought forward a 28-acre site, generated £205m GDP and created 1,500 jobs as well as the expanded Ayrshire College Campus (opened in 2016). Despite these large-scale projects (which sit on the periphery of the town centre) there remains inequality within Kilmarnock, challenges within the main town centre in terms of high vacancy rates, reduced footfall, and lack of a diverse retail and leisure offer. There is a lack of confidence from investors wanting to 'step-in' and help transform the town centre.

Given this market failure, the public sector therefore needs to intervene to set the right conditions for future investment. One approach to this is to harness the town's niche and maximise the existing strengths within the town to positively change perceptions of the place – both in terms of how the local community feel about Kilmarnock but also from an investor perspective. Heritage and culture help contribute towards the town's distinctiveness and that through investment into a key project such as Cultural Kilmarnock, there is an ability to generate a catalytic impact for the betterment of Kilmarnock's cultural and creative sector as well as for the town and region as a whole.

This project aligns with the wider ambitions to regenerate and transform Kilmarnock Town Centre, which includes bringing forward a range of potential development sites, repurposing of public sector assets, delivering active travel infrastructure (the proposed Infinity Loop project) and making Kilmarnock a more connected place.

LUF investment is needed into the Cultural Kilmarnock project to respond to the following local challenges as barriers to growth:

**The position of Kilmarnock within the regional shopping hierarchy has eroded, and there are challenges in providing a viable, attractive and vibrant town centre. The town centre has no vibrancy after 5pm.**

Kilmarnock is expected to see significantly below average percentage growth in the available pool of retail spending up to 2025 and sits below the average for 'Average Weak Towns', ranked 193 out of the PROMIS centres (PROMIS 2021). The Primary Retail Market area is one of the least affluent (compared to PROMIS catchments). Kilmarnock is expected to see a modest decline in population growth up to 2025.

Under-represented café and restaurants than average (5 compared to PROMIS of 13), and poorer performer and weak score on non-food retail (comparison goods) compared to PROMIS average. Vacancy rates 2021 Q2 stood at 20.9% of units (slight increase on that from 2019 Q4). Kilmarnock also faces above average competition from other retail centres (e.g. Glasgow).

### **Young adults up to the age of 24 years old are under-represented within the town.**

Young adults (15-24) are under-represented within the town and local area, which in part may be related to the 'attractiveness' and perceptions of Kilmarnock as a place. In order to encourage a younger professional demographic into the town, Kilmarnock needs to re-position itself, including providing a more experiential offer, a focus on leisure, food & beverage and cultural activities (including music events) to appeal to a broader and young demographic.

The need to host more events and having more things going on in the town centre with '*a good programme of activities/ events in public spaces [and] a wider range of events in venues like the Palace*' (IDP, 2011)

### **Inequalities, deprivation and levels of affluence**

Kilmarnock contains significant above average proportion of adults of working age in the least affluent social groups (D and E respectively), whereas those in the most affluent group are particularly under-represented.

The local claimant count was 5.5% of population 16-64 compared to national claimant count of 4.5% (November 2021), and there is a higher proportion of workless households than the UK average (17.6% compared to 13.7% UK average).

Ayrshire has experienced low levels of economic growth and productivity in recent years, diverging significantly from Scotland, and recovery from the 2008/09 recession has been slower than in other parts of the country. In the year to March 2020, the Ayrshire region had the second highest unemployment rate (16+) in Scotland before the start of the Covid pandemic.

Some of the highest levels of deprivation in Scotland can be found in Ayrshire, with 27% of children living in poverty (after housing costs deducted from their income) compared to 23% in Scotland as a whole. 30% of Ayrshire's data zones are in the 20% most deprived in Scotland.

**Existing heritage assets within the town are disconnected from the main town centre/ primary shopping area, and physically segregated given over-dominated highway infrastructure (Sturrock Street)**

This lack of connection makes it more challenging to encourage visitors to the venue and encourage linked trips between the town centre and the heritage assets. A Town Centre Health Check has been undertaken, as well as place-based analysis by Austin Smith Lord. This recognises the barrier that the existing highway network provides and the opportunity to use Levelling up Funding to help ‘reconnect’ the important cultural assets back into the town centre.

IDP (2011) noted the need to better connect the town centre with the ‘civic area’ – around the cultural assets and greenspaces, citing the barrier of the one-way system and traffic dominating, limiting the ability of pedestrians and cyclists.

**Existing heritage assets (Palace Theatre and Dick Institute) are poorly related to one another, hindered by the dominance of highway infrastructure and surface car parking**

Keppie Design have undertaken an analysis of the existing features, constraints and opportunities within the proposed Cultural Park area and concluded that the existing buildings within the Cultural Quarter share a defensive relationship to their immediate context. Despite their architectural significance, the buildings are within localised seas of tarmac or playgrounds, surrounded by iron railings which only reinforce their urban isolation. There is an opportunity to create more cohesiveness to the area through creating a more attractive green and blue infrastructure setting and developing the concept of the Cultural Park.

Community workshops highlighted issues around poor wayfinding between locations, safety of the underpass, lack of artistic or creative community, and poor connectivity between the Palace and Town Centre. In response, seven core themes emerged in the vision, centred around The Dick Institute Redevelopment, The Loanhead Primary School Arts Programme, a Flexible Public Plaza, Kilmarnock Academy Redevelopment, a Pedestrianised Green Spine, Extension of Green Spine, and Connectivity of the Town Centre.

**Existing cultural venues are failing to realise their potential**

The Palace and Grand Hall were closed from March 2020 until September 2021, Christmas 2021 and it has taken time to encourage people back into the venues given social distancing requirements (initially), and lack of confidence from the general population. This has negatively impacted their revenue, visitor numbers and opportunities for sponsorship. There were no visitors to the Palace in 2020/21, and a 26% reduction in visitors in 2021/22. Likewise for the Grand Hall, no visitors in 2020/21 and a significant loss of over 84% down from previous years.

These closures have resulted in significant revenue losses (Table 1, Appendix 3.4).

**There are challenges in maintaining the structure of the building, necessary repair works, and ensuring the long-term viability of key listed heritage assets**

An internal and external condition survey of the building fabric undertaken in 2018 noted the building has significant water ingress problems, and key areas of the building that require full refurbishment. There were also health and safety issues flagged as two years prior to the condition survey, pieces of masonry were falling from the principal street elevations which require a permanent resolution to the issue. Interventions were undertaken to remove any loose masonry.

A structural inspection more recently undertaken in November 2021 noted that the masonry structure appears to be in good condition, given the age, and there does not appear to be any significant structural defects. Minor structural defects such as cracked lintels, re-pointing and effects of dampness are noted, however these would be remediated as part of the development works. The report also noted that a specialist rot survey of the timber roof trusses, floors and timber elements be undertaken.

**Functionality of the venues (Palace Theatre and Grand Hall) is limited**

Given the lack of soundproofing and constrained back of house space (e.g. quantum of dressing rooms), the Palace has had to turn away key bookings, such as DF Concerts. The investment will enable better dual functionality of the venues and co-use, enabling up to 3,000 visitors for each event.

The 2011 IDP noted the need to make more of existing venues like the Palace, introducing more bands for all ages.

**Productivity of the creative sector in East Ayrshire is lacking compared to Scotland as a whole**

The overall performance of the creative sector within East Ayrshire has seen strong growth in Creative industries businesses but overall productivity is lacking compared to Scotland as a whole. This is in part due to the condition, accessibility and technical specification of the creative venues and facilities available. The overall GVA of the creative sector is estimated to be £3,690m (2012 – Creative Scotland/ Scottish Enterprise), and accounts for the direct employment of 84,400 people in Scotland.

East Ayrshire benefits from a higher proportion of Performing Arts businesses compared to Scotland as a whole (6%, compared to 3% for Scotland– 2016 (CI Sub-sector breakdown, source BRES), and there has been a 100% increase in the quantum of performing arts business between 2011 and 2016 in East Ayrshire, despite this overall productivity is lacking in this sector compared to Scotland as a whole.

The proposals will enable EAL to migrate existing uses of the Palace Theatre and Grand Hall to more appropriate venues and develop the overall creative industry offer.

**There are negative perceptions of Kilmarnock which impact investor and developer confidence, and the overall attractiveness of Kilmarnock for new business, residents and visitors is poor.**

The 2011 Integrated Urban Development Plan noted that anti-social behaviour is a real issue – in part caused by the concentration of methadone dispensing in town centre pharmacies. This is a strong deterrent to people coming into the town, particularly around the bus station entrance (which is close to the Palace).

Area around the bus station is unwelcoming during the day and unsafe at night (IDP, 2011).

### **Kilmarnock Water is a key asset but is not celebrated**

Kilmarnock Water flows through the town from the north to south but the town centre turns its back on this key asset, and developments over the years have meant that it is largely hidden from view (e.g. Burns Mall is built over it), and it is hidden from the Palace Theatre/ inaccessible. Potential therefore to establish a more positive relationship with the river and create a series of connected blue/green spaces using active travel opportunities.

A number of stakeholders, particularly members of the public have raised this as an issue and a missed asset of the town.

### **Poor health outcomes (obesity/ life chances)**

The mode share for cycling is very low in Kilmarnock at 0.5%. This is significantly lower than the Scottish average.

Health outcomes for the local population is particularly challenging in Kilmarnock, one in three (31%) people in the Kilmarnock Locality have a long-term health condition.

4.3.2 Explain why Government investment is needed (what is the market failure?) (600 words)

*Applicants should explain what market failure(s) are present and why Government intervention is needed. Market failure occurs where a market is unable to function according to the economic ideas of efficient markets. From a Green Book perspective, which looks beyond simply economic efficiency, this means the market is unable to provide satisfactory levels of welfare efficiency. Examples of market failures include, but are not limited to:*

*- Public goods – goods which are not provided by the private sector because they would be unable to supply them for a profit – for example, road infrastructure or place-making activities. A public good is often under-provided in a free market because its characteristics of non-rivalry and non-excludability mean there is an incentive not to pay.*

*- Imperfect information – for some goods or services the availability of information or information processing difficulties may prevent people from making rational decisions. This can be a barrier to economic activity as potential gains from trade could be realised if better information allowed people to provide or consume additional goods and services.*

*- Negative externalities – these occur when an activity imposes costs or produces benefits for economic agents not directly involved in the deal. For example, pollution not covered by regulation may be profitable for a perpetrator but impose real costs on others who are not directly involved in the market. Where applications involve non-public sector partners, for example through the delivery of commercial property development, the applicant should ensure they clearly justify the need for government intervention and the assumptions underpinning this.*

Government investment is needed in the Cultural Kilmarnock project given there are the following market failures:

- Public realm and active travel infrastructure is widely considered to be a public good that benefits all. There is therefore limited incentive for a single private sector party to invest. In Kilmarnock, there is limited incentive for private sector land interests within the town centre to invest in enhanced public realm, landscaping, and the creation of new active travel links as these proposals will benefit all parties, and not just a single private sector interest.
- Viability gaps are evident in the capital investment proposals, requiring the public sector to intervene. The viability challenge is likely to increase further given inflationary pressures resulting in higher build costs, and the specific challenge of sensitively extending a listed building and associated abnormal costs given the heritage asset.

- Informational failure– There is a deficiency in market signals that allows private sector investment in such facilities especially in more remote areas where the rate of return is perceived lower and therefore less investable.
- Geographic dislocation from key investment areas (i.e. mainly urban agglomeration benefits) precludes many areas of potential capital markets.
- Cultural inequality of access to high quality cultural events, for example, ensuring inclusive access to all for the opportunity to see important cultural events and performances, which will be supported by the investment.

4.3.3 Please set out a clear explanation on what you are proposing to invest in and why the proposed interventions in the bid will address those challenges and barriers with evidence to support that explanation. As part of this, we would expect to understand the rationale for the location. All applicants should clearly explain what they are proposing to invest in and evidence how the planned interventions will address the identified challenges and barriers.

*All applicants should clearly explain what they are proposing to invest in and evidence how the planned interventions will address the identified challenges and barriers. All applicants should set out the different options considered as part of the process of deciding on the intervention chosen and justify why the proposed solution is the preferred option above others. As part of this, applicants should justify why the proposed location of the investment is the preferred option above others*

### **The Proposed Investment**

EAC and EAL are proposing to invest in the Cultural Kilmarnock project; the development of a new cultural park for the town which includes the sensitive refurbishment and extension for the Palace Theatre and Grand Hall, the creation of new public realm and active travel and wayfinding links within the cultural park, and improved connections to Kilmarnock Water (to the rear of the Palace Theatre) and to Kilmarnock town centre. It brings together the town's key heritage assets and re-presents these in an improved parkland and public realm setting, as well as helping to better connect them to the main town centre and primary shopping area.

The investment will support the long-term economic viability of the Palace Theatre, Grand Hall and Dick Institute, preserve the viability of important Listed buildings for future-generations, make the cultural and 'events-focused' offer more prominent in Kilmarnock, with an overarching aim to bolster footfall, dwell-time, local expenditure and improving the vibrancy and vitality of Kilmarnock town centre.

### **How the Investment will address Challenges and Barriers**

1. Increase the vibrancy and vitality of the town centre – through positively changing the perceptions of Kilmarnock as a place and weaving in arts, culture and music into the town’s ‘DNA’ – this niche will help to attract new visitors into the town, with the potential for greater spending power, increased potential for overnight stays, greater economic spend within the local economy (benefiting the local high street/ local businesses), and in turn helping to encourage future investment (new business start-ups/ occupation of vacant units in the town centre/ repurposing of retail assets) for the betterment of the town.
2. Support the creation of new jobs and apprenticeships – helping to address the local unemployment rate through providing new employment opportunities within the creative sector and upskilling the local community (including the offer of apprenticeships, youth theatre workshops and summer schools).
3. Increase the life chances of younger people, encouraging them into the creative arts sector – this includes expanding the youth theatre offer as well as providing training/career pathways for young people into the creative sector.
4. Enhancements to the public realm, green and blue infrastructure which in turn will positively benefit health and wellbeing including mental health, encouraging modal shift to active travel modes (walking/ cycling) which will link in with the proposals to develop an Infinity Loop within and around Kilmarnock.

**The position of Kilmarnock within the regional shopping hierarchy has eroded, and there are challenges in providing a viable, attractive and vibrant town centre. The town centre has no vibrancy after 5pm**

The investment will be used to support the cultural strengths and assets that already exist in Kilmarnock, helping to diversify the overarching town centre offer, and through providing improved amenity, helping to create greater vibrancy and footfall after 5pm.

Through investing in the town’s strength and making more of the established cultural venues within the town, there will be a positive impact on Kilmarnock’s visitor economy, attracting new visitors into the town centre and encouraging greater dwell-time which will support existing shops and businesses.

Key linkages between the proposed cultural park and the town centre will also be improved. The proposals include the development of a town wide programming plan to ensure that assets are linked through a calendar of events for the town.

**Young adults up to the age of 24 years old are under-represented within the town**

Broadening the reach of the town centre offer to include key cultural, music and other events and an improved programme of key events specifically catered for young adults will encourage young people to enjoy leisure activities within the town centre.

The Cultural Kilmarnock project also proposes to create a new youth theatre group (< 17 years old) and introduce a new young company (18-24 year old), specifically targeted at young people to engage in both the performing and technical side of the theatre, improving life chances, employment prospects and overall wellbeing

### **Kilmarnock has key challenges in terms of worklessness households, low levels of economic growth and productivity and some of the highest levels of deprivation in Scotland**

The proposals will help to address unemployment rates through providing 28 new FTE jobs, as well as construction jobs created as the development commences on site.

Through engaging with young people, including the creation of a new youth theatre group, young people will likely be more inspired, have increased confidence and have greater opportunities to go into paid employment or further education and training.

East Ayrshire Leisure will endeavour to fill all vacant posts with local candidates and will continue to develop links with local training providers: Ayrshire College for hospitality vacancies and University of the West of Scotland for technical posts. The creation of the Young Company within the venue will provide a continuation for Youth Theatre members wishing to progress into the arts industry by providing them with hands on training and development opportunities giving them with qualifications and experience to continue into higher level arts positions.

### **Existing heritage assets within the town are disconnected from the main town centre**

The existing heritage assets within the town are disconnected from the main town centre/ primary shopping area, and physically segregated as a result of over-dominated highway infrastructure (Sturrock Street). This lack of connection makes it more challenging to encourage visitors to the venue and encourage linked trips between the town centre and the heritage assets.

The creation of the Cultural Park includes undertaking initial phase I works through the removal of the unsightly (and perceived to be unsafe) underpass which provides the current main connection between the site and the primary shopping area/ town centre. The creation of an at grade crossing over Sturrock Street is part of the project.

### **Existing heritage assets are poorly related to one another**

The existing heritage assets (Palace Theatre and Dick Institute) are poorly related to one another, hindered by the dominance of highway infrastructure and surface car parking. There is an opportunity to create more cohesiveness to the area through creating a more attractive green and blue infrastructure setting and developing the concept of the Cultural Park.

### **Existing cultural venues are failing to realise their potential**

The existing cultural venues are failing to realise their potential and have been badly affected by the pandemic as a consequence of forced closures during national lockdowns. This has negatively impacted their revenue, visitor numbers and opportunities for sponsorship, and at the same time, there are challenges in maintaining the structure of the building, necessary repair works, and ensuring the long-term viability of key listed heritage assets.

The investment will provide the necessary support to ensure the long-term viability of this important heritage asset, through addressing any structural requirements and essential repair works alongside creating a more prominent entrance feature which will act as a gateway to the town centre.

There is the opportunity to create a cultural trail leading from the proposed cultural park through to key assets (existing and proposed) within the town centre. This includes linking in the proposals with Civic Centre South, off John Finnie Street.

The aspiration is to develop a local heritage centre and open museum which will focus on ‘innovators and entrepreneurs’ from Ayrshire, whilst the open museum will allow us to provide public access to the 130,000 items held within the East Ayrshire Museum collection.

This project will begin concept design stage in the autumn of 2022 and is likely to require substantial investment if the aspirations for an open museum and heritage centre are to be realised.

### **Functionality of the venues (Palace Theatre and Grand Hall) is limited**

The investment will enable better dual functionality of the venues and co-use, enabling up to 3,000 visitors for each event.

### **Negative perceptions of Kilmarnock which impact investor and developer confidence**

The planned investment will help to showcase Kilmarnock’s cultural assets, creativity, and key strengths. This in turn can be used as place marketing to put Kilmarnock on the map, selling the opportunity for investors, visitors, and new potential residents alike.

### **Failure to realise the town’s assets**

Kilmarnock Water flows through the town from the north to south but the town centre turns its back on this key asset, and developments over the years have meant that it is largely hidden from view (e.g. Burns Mall is built over it), and it is hidden from the Palace Theatre/ inaccessible. There is potential to establish a more positive relationship with the river and create a series of connected blue/green spaces using active travel opportunities.

### **A lack of a thriving visitor economy**

The lack of a thriving visitor economy within Kilmarnock Town Centre. Out with the town centre, to the north of the town lies Dean Castle and Country Park, attracting over 1.2 million visits each year, but these visitors do not come into the town centre as the existing visitor offer is lacking.

The investment will help to put the Palace Theatre and Grand Hall on the map, repositioning the cultural venue to attract a broader audience, wider demographic and attract new visitors into the town centre with an attractive proposition.

### Options Analysis

An initial options assessment has been undertaken which has identified the creation of the new Cultural Park as the preferred option. Other options considered include:

- **Do nothing**– The Palace Theatre and Grand Hall would continue to struggle to attract larger touring performances, given the poor back of house space (including poor accessibility), and as a consequence fail to fully recover following the impact of Covid-19. The cultural assets would continue to be seen as quite disparate and not connected into Kilmarnock Town Centre.
- **Do minimum** – Works could be undertaken to refurbish the Palace Theatre and Grand Hall only, taking into of remedial/ maintenance issues but failing to improve and alter the layout, performance spaces and back of house areas. Accessibility issues will not be addressed as a result.
- **Palace Theatre and Grand Hall only** – A focused project to look at refurbishment and extension works to the Palace Theatre and Grand Hall only. No wider cultural park proposals are included within this option and works just relate to the external façade/ internal works to the building. No allowance for public realm and place-setting.
- **Enhancement of public realm only** –Public realm improvements to enhance the setting of the Palace Theatre and Grand Hall, and the Dick Institute
- **Creation of a new Cultural Park and comprehensive cultural regeneration offer** – creating the refurbishment and enhancement to the Palace Theatre and Grand Hall, including new public realm works, removal of underpass, enhanced setting of the heritage assets and new active travel links, creating a new Cultural Park for Kilmarnock town centre.

Option x has been identified as the preferred option given that a comprehensive approach was considered to offer the strongest fit with the key issues and challenges within Kilmarnock. Delivering improvements to the Palace Theatre and Grand Hall in isolation would be a missed opportunity, failing to address the wider landscaping and anti-social behaviour concerns alongside the disconnected nature of the cultural assets in this location, but also the link between the assets and the town centre.

### Rationale for selecting Kilmarnock as the focus for LUF investment

Kilmarnock is the principal town for East Ayrshire, and as such is relied upon by a local catchment (businesses/ residents) to provide employment opportunities, amenities and services, retail, leisure and cultural function. Investment into Kilmarnock, and specifically the proposed Cultural Park, has been identified for its potential to generate synergy and wider catalytic impact arising from the investment. Until now, the focus has been on the north of the town and the opportunity that arose as a result of the former Johnnie Walker distillery ceasing operations (the Halo Project), and some piecemeal development opportunities led by the Council in the primary shopping area of the town. There has been little previous investment into culture within Kilmarnock but it is this focus which will help to generate greater visitor numbers, footfall and help to shape and scope a more diverse and sustainable offer for the town.

Without investment now the area and town centre will continue to decline. The ambition is for the investment within the Cultural Park to act as a catalyst to provide investor confidence and encourage private investors/ landowners to regenerate and improve the town centre and high street.

The Council and East Ayrshire Leisure has significant landholdings and therefore ‘control’ within the proposed red line for the LUF bid. Alongside this, there is the opportunity to build upon recent investment made by Centrestage and the repurposing of the former Ayrshire Arts Academy. Finally, in spatial terms, the cultural park abuts the town centre (which is located just beyond/ the other side of Sturrock Street), and therefore it is expected that investment here will encourage a ‘ripple effect’ to stimulate further investment in the town centre (see wider Placemaking map – Appendix 3.5).

4.3.4 Please explain how you will deliver the outputs and confirm how results are likely to flow from the interventions. This should be demonstrated through a well-evidenced Theory of Change. Further guidance on producing a Theory of Change can be found within HM Treasury’s Magenta Book (page 24, section 2.2.1) and DLUHC appraisal guidance. (500 words)

### **Need**

- Lack of investment in cultural assets by public sector and at risk of condition of buildings continuing to deteriorate, representing health and safety concerns to members of the public, and the loss of important heritage assets.
- Sub-optimal perceptions of Kilmarnock
- Cultural assets are dispersed with little coordination or connection
- Low awareness of the cultural assets, events and opportunities for the local community and visitors.
- Lack of a diverse offer within the town, beyond 9-5, to attract families and younger people into the town.
- Challenging to find significant upfront investment required.

### **Opportunities**

- To develop culture and creativity as part of Kilmarnock's uniqueness
- To enhance the cultural offer within Kilmarnock by making more of the existing cultural assets, and better linking the Palace, Grand Hall and Dick Institute.
- To connect assets to help build their collective value
- To use culture to differentiate Kilmarnock from competitor towns.

### **Objectives**

- To provide new reasons to visit Kilmarnock
- To increase the number of visitors coming into Kilmarnock
- To increase visitor spend within the town
- To change perceptions of Kilmarnock town centre

### **Inputs**

- £20m LUF requirement
- £10.75m match funding requirement (HES - £500,000/ HLF - £4.5m/ EAC - £5m/ £750,000 Vacant & Derelict Land Fund)
- Delivery resource provided by EAC and EAL

### **Activities**

- External façade improvements and new visitor entrance
- Improve back of house facilities including changing areas

- New and enhanced public realm, better reflecting existing blue/green infrastructure
- Cultural trail created
- Better wayfinding and connectivity to town centre

### **Outputs**

- Improved Palace Theatre and Grand Hall offer created
- New cultural events programme created
- New and enhanced public realm, better reflecting existing blue/green infrastructure
- New cultural trail created

### **Outcomes**

- Improved and more visible culture and heritage offer
- Increased visitor numbers and longer dwell time
- Jobs created and safeguarded

### **Impacts**

- Increased visitor numbers and longer dwell time
- Improved perceptions of Kilmarnock
- Increased incidence of repeat visits
- Increased incidence of linked trips (between cultural venues and between the cultural park and town centre)
- Improved resident and visitor amenity
- A re-emphasised and more recognised USP for Kilmarnock

4.3.6 Applicants should also briefly set out how other public and private funding will be leveraged as part of the intervention. (500 words)

The Cultural Kilmarnock project will leverage in additional private sector funding through increased commitment from key sponsors, having greater confidence to invest once the refurbishment and improvement works have been undertaken. For example, EAL have begun conversations with Scottish Music Centres who programme some of the most significant music venues including the O2 in Glasgow and the Scottish National Theatre too.

The project will be complemented by wider public sector funding as match, including Heritage Lottery Funding and monies from Historic Environment Scotland, and a commitment from EAC to invest £5m capital funding into the project.

The intention is for the project to act as a catalyst and attract additional investment into Kilmarnock's cultural assets, but also to benefit from increased investor confidence and the opportunity to leverage in wider public and private sector support across the wider town centre. For example, there are ambitions for a future extension to the Dick Institute, the refurbishment of key assets within the town centre as part of the creation of a wider heritage/ cultural trail (for example White Tile building, Civic Centre South, etc), and attracting key revenue funding to deliver a comprehensive events programme that all can benefit from.

The catalytic impact of the project will also help unlock town centre sites and encourage investment into the nearby Burns Mall shopping centre and address vacant units within the town centre (for example the former BHS site).

### **Alignment with context**

4.4.1 Explain how your bid aligns to and supports relevant local strategies (such as Local Plans, Local Economic Strategies, Local Cultural Strategies or Local Transport Plans) and local objectives for investment, improving infrastructure and levelling up. For Northern Ireland, Scotland and Wales bids: In addition, explain how your bid aligns to the strategic plans and objectives of devolved administrations.

Cultural Kilmarnock aligns to and supports national, regional and local strategies as follows:

National

#### **Scotland's National Strategy for Economic Transformation (2022)**

This sets out the priorities for Scotland's economy, recognising the economic potential across a number of key sectors, including within creative industries. New Market Opportunities is a key strand (Figure 1, Appendix 3.6). The Strategy acknowledges the importance of community wealth building, key opportunity sectors (such as creative industries), encouraging events and tourism, which draw on Scotland's long-term cultural assets, such as the Palace Theatre and Grand Hall.

#### **A Culture Strategy for Scotland (2020)**

This strategy sets out a collaborative vision for culture and contains guiding principles, ambitions and aims to provide the strategy with transformational power. It is produced with synergies to Scotland's existing strategy for its historic environment, museums, galleries and libraries. It recognises that culture permeates everyday life and actions in Scotland and in doing so provides a unique contribution to society and helps foster shared experiences, inclusivity, creativity and understanding.

#### **Scotland Outlook 2030**

A visionary document that sets out 6 principles of success which include harnessing the power of technology and data; ensuring a suitable regulatory landscape; having access to investment; investing in transport and digital connectivity; providing a strong business network; and a successful positioning of Scotland and its tourism industry.

### **Scotland: The Perfect Stage (2015-2025)**

This recognises the importance of Scotland's culture and heritage as key assets to attract high profile events, deliver entertainment, encourage a diverse mix of communities, and ensure that innovation within the events sector is supported and nurtured. It identifies the benefits that cultural events can provide including creating community cohesion, and the importance of accessibility when delivering events.

### **The Draft Fourth National Planning Framework (NPF4) (November 2021)**

The National Spatial Strategy emphasises the need for;

- Sustainable places – which reduce emissions and restore biodiversity
- Liveable places – where people can live better, healthier lives
- Productive places – which produce a greener, fairer and more inclusive wellbeing economy
- Distinctive places – where we recognise and work with local assets

The draft NPF4 Spatial Principles also promote;

- Compact growth – promoting the use of brownfield and vacant/ derelict land, reducing travel needs
- Local living – promoting 20 min neighbourhoods
- Balanced development – so people have choices on where to live, learn and work
- Conserving and recycling assets
- Urban and rural synergy – including improving green infrastructure
- Just transition – transforming places whilst addressing climate change for a fair and better future for all

These NPF4 Spatial Principles provide a strong conceptual framework and align with the proposals put forward within the Cultural Kilmarnock project.

### **Regional**

The vision is for Ayrshire to be '*a vibrant, outward looking, confident region, attractive to investors and visitors, making a major contribution to Scotland's growth and local well-being, and leading the implementation of digital technologies and the next generation of manufacturing.*' (Ayrshire Growth Deal, 2019). A key sector for Ayrshire is tourism, with investment of £30.75m through the Growth Deal and considering how this sector can be strengthened to support the delivery of inclusive growth (addressing challenges of low productivity, industrial decline and social exclusion).

### **Local**

The East Ayrshire Local Development Plan (EALDP) was adopted in April 2017 and outlines the role of Kilmarnock town centre ‘to provide a hub for culture, tourism, retail and transport services’ (LDP, pg. 56) and confirms the ambition to create a ‘cultural quarter’ within the town, which brings together the Dick Institute and redeveloped Kilmarnock Academy (now Centrestage) and recognises the need to provide better connections between the proposed Cultural Park and the main shopping area, to generate increased footfall to this area and Hill Street (aligning with allocated housing growth areas, which have now been developed out). The plans also show a focus on enhancements to the blue/green infrastructure (including Kilmarnock Water) (Figure 2, Appendix 3.7).

Proposed works (outlined in the LDP Strategy Document) include stopping-up the existing underpass and creating a new at grade crossing over Sturrock Street, with future ambitions to address the one-way system and dominant highway infrastructure.

The importance of the Cultural Quarter/ Park is also referenced within the emerging Local Plan, which is at a second key stage of development and will be consulted on during summer 2022 (to commence 31<sup>st</sup> May 2022). A key aim of the new Local Plan is to ‘protect, enhance and capitalise on East Ayrshire’s historic environment and cultural assets’, and ‘increase tourism opportunities’, as well as recognising the changing face of retail and the need to promote town centres ‘as places where all members of the community can meet work or be entertained’. Kilmarnock Town Centre is identified as a key place of change where regeneration is required.

The importance of tourism as a key growth sector for East Ayrshire is also recognised, with a commitment to improve, expand and promote the distinctive offer to diversify the local economy.

**Celebrate Kilmarnock – Town Centre Action Plan 2015-2020** confirms the need to carve out a new role of the town centre, creating more of an experiential offer which moves away from the town centre as a purely retail destination. Key issues identified by stakeholders in 2015 confirmed the need to address empty shops and encourage a night-time economy.

### **East Ayrshire Community Plan 2015-2030**

The Community Plan is recognised as the sovereign strategic planning document for the delivery of public services in East Ayrshire from 2015 to 2030 and sets out the overall vision for the local area.

The plan first recognises the key challenges facing East Ayrshire, which include constrained public sector budgets, an ageing population, poverty and deprivation, unemployment, and inequality. In response, a set of strategic aims are formed around economy and skills, safer communities, and wellbeing, each with a focus on community empowerment as a vehicle for tangible change. To encourage more localised decision-making, communities are encouraged to develop their own Community Led Action Plans that reflect broadly reflect the Community Plan, but with a local focus.

The Kilmarnock Town Centre Community Led Action Plan identifies restoration of cultural and heritage assets as key to the regeneration of the town centre. It plans to identify places for art installations and creative workspaces and encourage café culture and night time economy through improved lighting and an events space at The Cross. It also hopes to connect attractions with the town centre, structure the town centre using 'quarters', developing a community space in the town centre, and develop the benefits of Kilmarnock's rich local heritage.

### **East Ayrshire Economic Development Strategy (2014-2025)**

This document sets out the Economic Development Vision and Priorities with associated key actions for between 2014 and 2025. The purpose of the document is to guide the transformation of East Ayrshire's economy in alignment with the themes of the Scottish Government's Economic Strategy and the Community Plan Partnership. It provides a vision of economic growth towards 2025 based on 6 priority areas that include integrating East Ayrshire with the regional economy, facilitate economic restructuring, increasing town centre vibrancy, improving the tourism offer, promote economic participation, and the acceleration of infrastructure improvements.

In Kilmarnock, the development of an integrated Urban Development Plan has created a blueprint for the future of the town. Investment in the built environment has safeguarded the heritage of the town, as well as creating additional office space within its core. The Economic Development Strategy states that £15m will be invested into Kilmarnock by 2025 under the IUDP and a series of measurable outcomes for Kilmarnock are laid out under each of the 6 priority areas.

### **Emerging Ayrshire Economic Strategy**

Research and engagement is underway on a new Ayrshire Regional Economic Strategy, which will take a unique approach by embedding Community Wealth Building throughout the entire process. Work has commenced with a socio-economic study and literature review, in addition to wide-ranging engagement with key regional stakeholders. The emerging strategy will provide a focus for future external funding submissions, by identifying challenges and opportunities for the region and through the provision of an action plan.

### **Kilmarnock's Draft Development Framework for Kilmarnock Town Centre (2022)**

Sets out an approach to longer-term development across the town centre, with the overall ambition to create an inclusive and thriving town and promoting a 20-minute neighbourhood which access to quality local facilities (such as cultural venues). The strategy references and acknowledges the importance of the Cultural Kilmarnock project and the connectivity between the proposed cultural park and the town centre (Plan 4: Appendix 3.5).

4.4.2 Explain how the bid aligns to and supports the UK Government policy objectives. For Northern Ireland, Scotland and Wales: In addition, explain how your bid aligns to any specific policy objectives, legal and statutory commitments relevant to the devolved administrations.

*Applicants should explain how the bid aligns with UK Government policy objectives, including the missions set out in the Levelling Up White Paper, and legal and statutory commitments, such as the Clean Growth Strategy, Clean Air Strategy and the target to achieve Net Zero carbon emissions for 2050. Bids should be aligned to and support Net Zero goals: for instance, be based on low or zero carbon best practice; adopt and support innovative clean tech and/or support the growth of green skills and sustainable supply chains. Bids should set out how they will minimise any negative environmental impact and where they are promoting positive environmental choices. Bids should consider how projects can work with the natural environment to achieve project objectives – considering at a minimum the project’s impact on our country’s natural assets and nature, as well as the resilience of any capital and infrastructure project to potential hazards such as flooding. Transport applications in particular should clearly explain their carbon benefits. For bids involving regeneration and town centre investment, relevant strategies may include the UK Industrial Strategy, Local Industrial Strategies, National Infrastructure Strategy, Strategic Economic Plans, Local Plans, place-specific regeneration strategies or housing plans. Applicants may also reference alignment with Covid-19 recovery plans. For bids within Scotland, Wales and Northern Ireland, applicants should additionally make clear links to the relevant strategies from the Devolved Administrations.*

The Cultural Kilmarnock Project aligns and support the UK Government policy objectives as follows:

### **Levelling up White Paper/ Missions**

- Education and Skills – The proposal will help re/up-skill the local community, with a specific focus on training and encouraging young people to forge a career within the creative industries sector through the Youth Theatre and proposed Young Theatre Group.
- Health and wellbeing – The project will support health outcomes, encouraging community wellbeing through participation in key events and with the arts as well as improvements to the built environment. Greater physical activity with the creation of new active travel connections and improved permeability will also be encouraged.
- Pride in Place – The project will improve the local community (residents, businesses) and visitors perception and pride in Kilmarnock town centre, and in supporting engagement with culture through hosting town-wide events and broadening the offer within the Palace Theatre and Grand Hall.

- Crime – Through enhancing natural surveillance and opening up the rear of the Palace Theatre and Grand Hall to create new amenity space, levels of crime (real and perceived) and anti-social behaviour will be discouraged.

### **Clean Growth Strategy**

East Ayrshire's vision is to be a low carbon place with a thriving and diverse environment, which has strong, healthy, resilient, and vibrant communities that benefit from high quality places, multi-functional green spaces and access to high quality services that are well located to maximise sustainable travel choices. Our economy will have recovered and be fairer, greener and more inclusive, with all East Ayrshire citizens able to benefit from greater economic opportunities.

EAC has committed to net zero by 2030 and has joined UK100.

Buildings account for 46% of EAC's overall carbon emissions with The Palace Theatre and Grand Hall being amongst the worst performing buildings. To contribute to the ambitious net zero target and to determine the best technologies to adopt, RSP has undertaken a Low and Zero Carbon Feasibility Study for the project (Appendix x). This has confirmed that the proposal is to provide an air source heat pump to provide the space heating, hot water and other heating demands within the building. This will help deliver a reduction in carbon emissions of 38,793 kgCO<sub>2</sub> and aligns with Government's Clean Growth Strategy to reduce greenhouse gas emissions by at least 80 per cent by 2050, and the need to accelerate the pace of clean growth.

This approach also adheres to Scottish Policy, exploring the potential of Scotland's renewable energy resource and generated 50% of Scotland's overall energy consumption by renewable resources by 2030 (Scottish Energy Strategy, 2017).

The proposal aligns with and supports Net Zero goals through considering how to effectively retrofit the Palace Theatre and Grand Hall using LUF investment alongside creating a more sustainable external built environment through the creation of improved parkland, better permeability, connections with active travel links (proposed Infinity Loop) and reinforcing the principles of a 20-minute neighbourhood by re-connecting the Cultural Park with Kilmarnock town centre. The enhancements to the environment will encourage people to visit the cultural assets via walking and cycling as opposed to using the private car.

The project will link in with the proposed Infinity Loop project which will connect all residential and community areas with key retail areas, the town centre, all educational facilities, parks, leisure and tourist destinations using high quality, safe and green travel corridors. It supports East Ayrshire Council's aspirations for 'Green, Clean and Vibrant' communities as well as East Ayrshire Leisure's vision to support everyone to 'Live their Best Life'

### 4.4.3 Where applicable explain how the bid complements / or aligns to and supports existing and / or planned investments in the same locality.

Where, for example, the LUF investment represents a first step in the implementation of a place's regeneration/town centre strategy the application should demonstrate how the bid fits into the overall vision and would be a catalyst for transformation. Funding streams could include but are not limited to: - LUF Round 1 - Towns Fund (including Future High Streets Competition) - City Region Sustainable Transport Settlement Fund - Major Road Network - Large Local Major Schemes - City and Growth Deals - Bus transformation funding - Cycling and Walking funding - Forthcoming UKSPF investment plans and any Community Renewal Fund investments - Freeports - High Streets Heritage Action Zones - Heritage Action Zones - Transforming Places Through Heritage - Heritage Horizon Awards - Cultural Development Fund - Museums Estates and Development Fund (MEND) - Libraries Improvement Fund - Discover England Fund - Great Places Scheme - Northern Cultural Regeneration Fund - UK City of Culture bids - Create Growth Programme - Creative People and Places - Arts Council England capital investment programme And any investment available by devolved administrations

The Cultural Kilmarnock project aligns and supports the investment that has already been forthcoming as part of the Halo Project, the regeneration of a 28-acre site (former Johnnie Walker bottling plant) to the north of the Palace Theatre and Grand Hall, which will provide new housing as well as an enterprise and innovation hub supporting digital and creative industries. Once completed, this project will generate £205 million GDP and will stimulate 1,500 new jobs. There are synergies with Halo and Cultural Kilmarnock given that the town needs a better, more diverse offer, beyond retail to provide the amenity, services and cultural offer to attract new businesses and new residents into Kilmarnock.

In addition, the project also aligns with investments in the pipeline:

- The **Kilmarnock Green Infinity Loop** (a £29m initiative) comprises a radial route around the town, interconnected by a spinal route running North/South through the town centre. The infinity loop is a 'figure of eight' network of pathways comprising 26km of shared use paths. One of the key goals of the Infinity Loop is to increase the use of walking and cycling within the town. By providing safe and direct active travel paths throughout Kilmarnock, this will encourage the public to see cycling and walking as a more attractive option. Improving active travel access to local businesses and tourist attractions around Kilmarnock can have significantly positive local economic benefits. Most of Kilmarnock's tourist attractions including all the buildings and spaces included in this project are also located on the Infinity Loop. This introduces opportunities to incorporate the culture, heritage and activities of the area into an active travel route and wider cultural trail for the town.

- **Creation of a town centre green corridor** – The proposals will create new amenity space, enhanced public realm and green spaces and will create a new town centre green corridor, linking up existing assets such as Kay Park to the north, safeguarded open space which sits to the north of the Palace Theatre and Grand Hall (abutting Kilmarnock Water), and safeguarded open space to the south of the site (adjacent to Elm Bank Drive) together with enhancements to the rear of the Palace Theatre and Grand Hall, improvements along Elm Drive and an improved parkland setting around the Dick Institute. Through joining these areas together, it will create a more comprehensive blue/green corridor, providing greater opportunity for improving local amenity and community well-being, as well as positive biodiversity impacts (Plan 5, Appendix 3.7).

- **Town Centre Regeneration**

The project supports the key vision and objectives of Kilmarnock’s town centre regeneration programme which has key aims including supporting community-led regeneration, delivering more open space, being a wellbeing town, creating a thriving town centre and be a future, better connected town. The Cultural Kilmarnock project will complement and support this vision through providing an enhanced cultural offer within the town centre and helping to diversify the appeal of the town centre to a broader demographic, support the creation of an evening economy, encourage greater footfall and dwell-time. In doing so, the improved amenity on offer will help to support proposals for new town centre living, including that on Council-owned land as part of the Strategic Housing Investment Programme (SHIP), as well as helping to bring forward key residential allocations in the Local Plan.

The project will also complement the proposed ‘One Public Estate’ programme, where the Council is seeking to centralise key services.

- **Ayrshire Arts Academy (Centrestage)**

Established in 2006, Centrestage uses the arts to bring people of all ages and backgrounds together. In 2019, the charity secured the future of the former Kilmarnock Academy, an iconic building within the area. This was the largest Community Asset Transfer in Scotland at the time. In 2018, the project received £2m from the Scottish Government’s RCGF and the Ayrshire Arts Academy opened in 2021. The Academy focuses on working with communities and individuals to nurture and promote social enterprise and entrepreneurship through the arts, complementing the Cultural Kilmarnock project and forming an integral part of the proposed Cultural Park.

- **Take A Bow Development Trust**

Take a Bow is a musical theatre company for young people. They provide weekly classes through their new opportunity centre in Kilmarnock. The Trust secured a 25 year lease for a community centre in the northern edge of Kilmarnock and have subsequently secured over £1m of capital funding to transform the centre into an community facility to support theatre classes, children's parties and community functions. Whilst they have a small theatre within the centre, Take A Bow uses the Palace and Grand Hall for their 8 annual productions.

- **Above Adventure**

Above Adventure is a £4million pound redevelopment of the former Grange Church in Kilmarnock to create an ambitious climbing centre within the historic building that will offer people of all ages and abilities the opportunity to gain skills in bouldering and rope work. The first phase was opened in February 2022 with phase 2 planned for later in the year.

4.4.4 Explain how bid aligns with and supports Government's expectation that all local road projects will deliver/improve cycling/walking infrastructure and include bus priority measures (unless it can be shown that there is little or no need to do so). Cycling elements of proposals should follow the Government's cycling design guidance (250 words).

4.4.5 Please tick to confirm which of the Levelling Up White Paper Missions your project relates to:

*Applicants should tick each of the Levelling Up White Paper Missions the project will contribute towards and then provide a short sentence to demonstrate how the bid contributes to the mission. Multiple missions can be selected if applicable*

- Education
- Skills
- Health
- Wellbeing
- Pride in Place
- Crime
- Local Leadership

The Cultural Kilmarnock bid contributes to the Levelling up mission through restoring the sense of community, local pride and belonging for the people of Kilmarnock and helping to support and strengthen a key asset within the town, which at present does not fulfil its full potential. The project will also help to inspire the local community, particularly young people, to aim higher and reach their potential, with a strong community outreach programme proposed. This will increase the skills of the local population. Through the external improvements and enhanced public realm, people will be encouraged to walk and cycle, and take pride in an improved built environment, experience less crime and anti-social behaviour through increased natural surveillance and contributing to better health and wellbeing outcomes.

<b>Part 5 – Economic Case</b>		
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5.1.1 – Up-to-date evidence to demonstrate scale and significance of local problems and issues (500 words)

Applicants should explain the scale and significance of the local issues that they are seeking to address through the bid using data for the most relevant area; comparisons should be made between the area and the wider region and/or nation to evidence the scale of the problem.

*Data should be provided from credible and robust sources. The following list is not exhaustive but is indicative of the quality of sources expected: - Office for National Statistics - Indices of Multiple Deprivation - Labour Force Survey - Published studies - Past examples of similar interventions - Local area surveys - LA commissioned research reports - White papers on the area of focus/sector of interest - Comparative Devolved Administration data sources - Traffic count data - DCMS Sectors Economic Estimates - Culture and Heritage Capital Portal - The Active Lives Survey - Taking Part Survey - VisitBritain Surveys The data analysis and the evidence should be interwoven in the economic case providing a concise and easy to understand narrative.*

Kilmarnock is the largest town in East Ayrshire and contributes widely and significantly to the sub-regional economy. Kilmarnock has a population of 56,033 people and is the most densely populated area of East Ayrshire. Kilmarnock is East Ayrshire's principal town and as such services a large catchment with the expectation that the town's offer should be diverse, include key attractors (such as the town's cultural assets) and be a place that is vibrant and thriving, both during the day as well as evening. Many parts of East Ayrshire are prosperous however, significant inequalities continue to exist within and between communities including in Kilmarnock.

The town centre, and Kilmarnock's local population have key challenges that this bid is seeking to respond to. The Cultural Kilmarnock project falls just inside the Kilmarnock East and Hurlford Ward.

Key local issues are as follows:

### **High deprivation rates in comparison to the Regional and Scottish average:**

- One in four people (25%) in the Kilmarnock Locality live in a deprived neighbourhood.
- One in five children (21%) in the Kilmarnock Locality live in poverty.
- Three in ten (27%) Kilmarnock Locality residents live in an area identified as the 0-15% most deprived for crime.
- One in three (31%) people in the Kilmarnock Locality have a long-term health condition.

According to the latest Scottish IMD (Index of Multiple Deprivation, 2016) a total of 26 datazones (35%) within the Kilmarnock Locality are in the most deprived 20%. 'Deep rooted deprivation' is a feature within the Kilmarnock Locality with Altonhill North & Onthank, Altonhill South, Longpark & Hillhead, and Shortlees being areas where one or more datazones that were consistently among the most deprived 5% in Scotland since SIMD 2004.

### **Life Expectancy and Health/ wellbeing**

Kilmarnock has lower life expectancy than Scotland as a whole – 75.7 years (male) against 77.1 Scotland, 79.8 years (female) against 81.1 for Scotland. By implication it has high early mortality rate and higher levels of anxiety, depression and psychosis (2018/19) – 20% against 19% for Scotland. In the 2018/19 financial year, 20% of people were prescribed medication for anxiety, depression, or psychosis (ADP) in Kilmarnock Locality. This is a 4.6% increase from the previous financial year.

### **Negative Perceptions**

Less than 10 years ago Kilmarnock was cited as one of the worst towns in Scotland to reside within (Source -The Scotsman 2013). This reflected – and in large part still does – the deindustrialisation that the town has experienced over the last 50 years from which it has somewhat struggled to retain its prominence as the principal town in the county.

### **Local Economy and Unemployment Rates**

The economy of Kilmarnock has historically been centred around heavy manufacturing and goods-based services. In recent years, and in line with other towns and cities across Scotland, Kilmarnock's economic dependence has shifted from manufacturing and instead become more reliant on skills-based knowledge – including the development of the cultural sector. Kilmarnock's traditional industries have suffered decline and there has been the closure or significant reduction of many of its traditional large employers: Glenfield and Kennedy, Massey Ferguson, BMK, Johnnie Walker (which ceased in March 2012) and Saxone. Although significant attempts have been made to halt this decline and attract new employers, Kilmarnock has experienced a continuing net loss of jobs. Unemployment (4.6%) remains stubbornly high and well above the Scottish average (3.8%).

The HALO Urban Regeneration building is designed to bring the service transition to this once proud manufacturing heartland in East Ayrshire. The development of the Palace Theatre and Grand Hall chimes with this changing sentiment towards a service-based economy as well as the important contribution it can make in terms of well-being and the offer of jobs and training that should appeal to those unemployed and in economic transition.

### **Town Centre Issues**

Alongside the changing and challenging socio-economic backdrop, the town has structural issues in key areas:

**Public realm** – with particular regards to the spatial location of the Palace Theatre, the current public realm has accessibility issues and emergent anti-social behaviour problems, which is militating against the presence and operation of the venue, but also its future development opportunities.

**Car dominated infrastructure** – This part of the town has car-dominated infrastructure, which contributes to accessibility problems for the venue, lack of spill-out space and poor entrance/presence.

**Inactive green space** – the lack of or difficult accessibility also contributes to large areas of beautiful green space being largely inactive. The proposals plan to open these green spaces to the wider (visiting) community and make the most of this space to host key events.

**Low footfall and dwell-time** – the retail sector alongside other services is challenged in Kilmarnock, which has been exacerbated by Covid-19. There is evidence that footfall and dwell time is decreasing and is now at low levels. Although traditionally the main shopping area for most of the surrounding districts, social patterns have changed over the last 20 years, including a marked shift to online shopping, which has been accelerated as a result of Covid-19. This together with new retail developments at Silverburn, Braehead and East Kilbride, has impacted footfall within the town centre. This more challenging economic climate is most visible in the town centre, the eastern part of which has been extensively redeveloped, with important historic buildings such as King Street Church and the town hall being demolished and Duke Street (the link from Kilmarnock Cross to the Palace Theatre and out to the London Road) built over. The area requires an investment uplift to increase the attractiveness of the area and induce greater investment.

**Increasing voids/ vacancies** – this part of the town also shows signs of increasing economic distress with a weakening retail proposition and empty shops. Whilst this is not unique in Scotland and compounded by the effects of the Covid pandemic, it reflects negatively on an otherwise splendid attraction and landmark.

The development of the Palace Theatre and Grand Hall will help Kilmarnock move towards a service-based economy as well as continue to support the important contribution it can make in terms of well-being and the offer of jobs and training that should appeal to those unemployed and in economic transition.

5.1.2 – Please demonstrate the quality assurance of data analysis and evidence for explaining the scale and significance of local problems and issues. Please demonstrate how any data, surveys and evidence is robust, up to date and unbiased. (500 words)

*Applicants should provide the sources that the information presented in 5.1.1 were taken from and explain why these are appropriate data sources. Applicants should justify why the evidence used is the most appropriate (i.e. is it reliable and the most up to date) and explain why it is an accurate reflection of the challenges the area faces (i.e. not subject to bias). Data collection reports may be useful for transport schemes.*

The data analysis and evidence base referenced in Section 5.1.1 has been robustly assured using approved known data sets, through ONS/Nomis data where possible. The locality geography data has been used alongside more granular Ward (Kilmarnock East and Hurlford Ward) and Data zone data to reflect the spatial location of the proposed Cultural Kilmarnock project.

A refresh on the stakeholder engagement has been undertaken to ensure that latest feedback from members of the public, visitors and users of the existing cultural venues is as up to date as possible to inform the preparation of this business case.

5.1.3 – Please demonstrate that the data and evidence supplied is appropriate to the area of influence of the interventions. (250 words)

*Applicants should explain how the data provided in 5.1.1 is relevant to the area targeted for the intervention. If the data provided is at a lower level of granularity than the specific area explain why the data is appropriate.*

An appraisal of the catchment area for the existing Palace Theatre and Grand Hall has been considered, reflecting on the actual catchment area/ reach of visitor numbers that the venue currently benefits from as well as drawing on key data from the Scottish Household Survey 2019 (Table 5.1, Appendix 5.2), which provides an overview of the potential client base for the reimagined Palace Theatre and Grand Hall.

5.2.1 – Please provide analysis and evidence to demonstrate how the proposal will address existing or anticipated future problems. Quantifiable impacts should be forecasted using a suitable model. Theory of Change evidence should be identified and referenced. (750 words)

*Applicants should provide a clear link between the problem, the proposal and the expected impact, describing the assumptions and the models used to justify how the proposal will be effective in resolving/mitigating the issue/s identified. For all proposals, evidence should be referenced which demonstrates how the inputs and activities from the Theory of Change clearly link to the outcomes and impacts the project intends to deliver. Quantifiable impacts should, where appropriate, be forecasted using a suitable economic impact model. At its most simple form, the model should demonstrate a % change of X will lead to a % change of Y, based on Z rationale.*

*Data collection and survey reports may be annexed*

This project will allow the facility to greatly expand the scope and scale of its activities – not just performance and production, but also delivering a range of other cultural events. Table 5.2 (Appendix 5.2) shows the current baseline of annual activity and following this investment, the change it should induce.

Alongside which there will be a range of other activity, which the facility will expect to support (for example, two Art rooms, Youth theatre, establishment of the Young Company, etc). In total, the annual throughput is expected to reach over 1,000 events/activities/performances annually.

To support this change and the impact therein there will be a material effect on inputs, outputs and outcomes associated with this project. Given the Theory of Change proposals then the key quantifiable outputs generated through the project are likely to include:

- Employment
- Visitors
- Public realm

The more qualitative / wider outputs are expected to include:

- Aesthetic visual improvements to the area including energy savings
- Well-being / health impacts / human capital benefits
- Crime suppression
- Potential catalytic investment

### Employment

The forecast increase in employment has been assessed for the project taking detailed account of:

- The current programme of events and productions at the Palace Theatre and Grand Hall and adjoining performance areas
- The current baseline employment supporting the current productions (in FTE)
- Benchmark studies of UK Theatres and Halls performance, particularly capacity utilisation rates for this size of venue
- The likely uplift in employment required to deliver the number of productions etc expected after the re-development of the facility in its entirety (ie including café, Youth Theatre etc)
- The assumption that a full complement of employees will need to be in place to deliver on the extended programme, which has been forecasted. Increases / expansion in the programme are expected to be supported through an increase in productivity (ie the total forecast employment should be sufficient to support any marginal growth in programming)

### Visitors

The forecast increase in visitors has been assessed for the project taking detailed account of:

- The current programme of events and productions at the Palace Theatre and Grand Hall and adjoining performances areas
- The current baseline employment supporting the current productions
- Benchmark studies of UK Theatres and Halls performance in particularly capacity utilisation, number of productions / performance rates for this size of venue
- The proposed uplift in the number of productions, performances etc expected after the re-development of the facility in its entirety (ie including café, Dick Institute grounds/public realm, Youth Theatre etc)

- The forecasts are based on increasing visitor numbers at a decreasing rate from an initial uplift of 38% reducing over a 10-year period to a steady rate of growth of 1% over the rest of the forecast period. This remains a conservative estimate given this target remains below the expected benchmark capacity utilisation for a multi-modal regional facility as proposed.

As noted above a key assumption is that a full complement of employees will need to be in place to deliver on the extended programme forecasted. Increases / expansion in the programme are expected to be supported through increase in productivity to sustain the visitor forecasts proposed.

### Public Realm

The target area of public realm works comprises 3 hectares of key renewal areas. This will enhance the area's attractiveness to visitors more generally in the area but also suppress potential crime spots in this part of the town (the value of which is implied by the estimated savings forecast). This should provide a strong complementary interface across performance areas supporting both employment and visitor forecasts.

In terms of the wider qualitative outputs then these are summarised as follows (but are not included in the quantitative BCR assessment):

- **Visual / Aesthetic improvements** – the redevelopment of the frontage and the public realm works should together provide a more attractive, accessible and appealing facility for visitors to frequent.
- **Well- Being Benefits** - this is a growing area of interest within appraisals where it can be sensibly applied and reasonably measured. Measuring visitor footfall gaining some 'satisfaction' levels from visiting and experiencing the performances is assumed to be indirectly captured through their 'willingness to spend' and therefore it would be inappropriate to measure well-being or satisfaction rates of visitors with the potentially high incidence of double counting apparent in capturing these effects. However, a key component of delivery within the context of this facility is that of performers and participation in training, which will be a key offering. Individuals will therefore experience levels of satisfaction and well-being which will be different to those visiting but equally if not more important. Whilst not included for the measurement of BCR purposes, to prevent double counting, an attempt has been made to gauge the value of this aspect as a positive feature of the development. This is included in the Technical Appendix (Appendix 5.1).
- **Crime Reduction** – whilst crime is not a particular feature of this part of the town – the growing fear of it is. Anecdotally the problem is currently thought to be a social nuisance rather than a more formal definition of crime or criminality. That said the development of the Palace Theatre and Grand Hall and, in particular, the public realm works will suppress the potential problem locally and make the wider area more amenable to visitors. An implied value of these positive effects are included in the Public Realm amenity estimate – Refer also to the Technical Annex (Appendix 5.1).

- **Catalytic Investment** - an assessment of the potential local development opportunities has been undertaken, which identifies sites, which have a latent but clear link to improvement to this part of the town. There is a wide mix, scope and status associated with these sites. A number of sites have been identified as offering leveraged investment were this project to go ahead as intended. These would provide a mix of businesses and employment locally. At this juncture it would be inappropriate or misleading to claim their dependency on this particular project where the veracity of such a claim was judicially challenged, however these are sites where this project could genuinely induce a 'pump priming' effect on the wider area – including investment on these sites.
- **Net Zero** – the project expects to adopt energy saving options to operate the building, which should generate CO2 savings over the life of the project.

The nominal gross 25-year forecast for the 3 quantitative outputs are therefore detailed below:

Employment: 42 FTE jobs

Visits – just over 4 million additional visitors

Public Realm – 3 hectares of renovated / new amenity

to which a model has been developed to establish the main economic benefits for the project.

The employment model designed to measure the impact is summarised in Table 5.3 (Appendix 5.2).

This is summarised as Gross jobs minus Deadweight employment minus Displaced employment minus Leakage of employment times the Multiplier yields the Net Additional Jobs (see Table of assumptions below for the additionality rates). This is then multiplied by the average East Ayrshire Gross Value Added (GVA) per filled job which has been adjusted to current prices and which yields the first year Net Total GVA from employment. This is extrapolated for 22 years starting from 2025/26 and employment is assumed as a constant relative to visitor growth. GVA per filled job is assumed to grow at the rate of inflation of 2% for the forecast period. The first 3 years of the project period has no additional jobs and are therefore included as zero to make up the 25-year period. This is then discounted at 3.5% to generate the Net Present Value of employment benefits.

The visitor model designed to yield the impact of greater visitor spending is summarised as per Table 5.4 (Appendix 5.2).

Noting that spending per head (ie A) will be adjusted for inflation (ie 2% pa) for the forecast period.

The general assumptions underpinning the economic impact model (EIM), and so BCR assessment are as follows:

The catchment is based on the past visitor flows to the Palace Theatre and Grand Hall and the perceived catchment area for the venue which should be consolidated by the project. The catchment area for the main impacts from the development of the project is listed within Table 5.5., Appendix 5.2.

- The total population associated with this wider area is just under 1m people with very marginal inflow from beyond these borders
- Additionality of impacts will therefore be based on this hybrid sub-regional area
- The timeframe for the impact assessment is 25 years taking account of the long term nature / gestation of the project. That said the main delivery period will be over the first 10 years of the project - from which a steady state will be apparent with very marginal (0.5%) growth in activity and visitors
- All relevant outputs will be discounted at the notional 3.5% for investment with gestation below 30 years
- Prices and costs are brought up to 2021/22 prices using the ONS GDP deflator
- Inflationary price change (where applied and appropriate) will be applied at the Government's long run target of 2% pa for all forecasts
- Additionality and related assumptions are summarised within Table 5.6, Appendix 5.2.

These provide the underpinning assumptions of the economic model used to assess the outcomes from the proposal.

5.2.2 – Please describe the robustness of the analysis and evidence supplied such as the forecasting assumptions, methodology and model outputs. Key factors to be covered include the quality of the analysis, the quality of the evidence and the accuracy and functionality of the models used. (500 words)

*With reference to 5.2.1, applicants should discuss why the forecasting assumptions are reasonable, why the methodology and choice of model is appropriate and why the evidence used is accurate. Key factors to be covered include: - the quality of the analysis - the quality of the evidence - and the accuracy and functionality of the models used*

The forecasting assumptions have undergone a significant iterative process to achieve what are considered as robust defensible forecasts of the activities, which then generate the employment / visitor throughputs. Greater fixity is assigned to public realm given its definitive spatial benefits, the measurement for which have been estimated by using DCLG evidence base and metrics. These components provide the key benefits from the project and feature in the BCR / VfM assessment. However, other important benefits are also considered and in some cases estimated with equal care as an important consideration to the overall contribution of the project.

The main sources supporting the modelling work include:

- East Ayrshire Council /East Ayrshire Leisure - visitor and participation data
- Faithful + Gould (F&G) – project costs and spatial metrics
- Green Book (and numerous supplementary guidance therein ( eg Well Being Guidance for Appraisal - HMT / SITF 2021 etc, Optimism Bias Supplementary Guidance )
- HCA Additionality Guide and supplementary guidance
- Treasury 5 Stage Business Case
- LUF 2 Guidance
- DCLG Appraisal Guide (and numerous supplementary guidance therein (eg DCLG Data Book, Valuing the Benefits of Regeneration) etc)
- UK Theatres – Benchmarking Report (2014)
- Visit Scotland (2019)
- Comparable LUF1 applications
- ONS - numerous source (eg Regional productivity 2022 , GDP deflators March 2022 etc)

Whilst the main focus of DCLG based appraisals has of late centred on Land Value Uplift (LVU) this project doesn't lend itself towards such analysis of benefits. The project's main focus is upgrading frontage and internal refitting / facilities allied with public realm improvements. Theatres by their very nature are not marketable commodities and so modifications to the building has in effect very little if no effect on actual land value. Whilst in this case it may improve the building, but the value is derived through its' offer - the greater number and scope of performances and the increased scale of visitors attracted to the area. This has been the main focus of the economic case for the project. The direct (and indirect) value base of this project lies with:

- The visible aesthetic improvement to the Theatre and Grand Hall frontage and entrance
- The public realm improvements that go along with these which should increase the visitor attractiveness of the area more generally which will draw some contributory value as well through supressing latent or emergent anti-social issues
- The direct increase in local employment opportunities through an enhanced performance programme
- The forecast increase in visitor numbers and projected spending locally therein
- The (latent) well-being uplift that should materialise amongst performers and participants expected to frequent or support performances
- The increased 'human capital' associated with training within the performing arts

Alongside which we might wish to consider the wider (catalytic) benefits including

- Potential wider ancillary investments upgrading land, developments or retail offerings that could at least in part be attributed to this development in LVU terms.

This has thus been the key feature of the EIA. Gathering the key quantitative information to feed the economic models has been an iterative process and takes account of benchmarks both within Scotland and wider afield in the UK and the current throughput supported by current staffing levels.

The operational model has been thoroughly tested in terms of current staffing feedback on the proposals and establishing the necessary capacity to deliver. The ONS data has been used to calibrate client share of potential visitors, which is thought achievable within the context of a regional facility. Importantly this development is designed to provide 'over-and above' facilities which are considered highly additional to the current offering in Western Scotland, and this has fed into the additionality assumptions proposed. Therefore, whilst acknowledging that there are a number of smaller theatres and venues within and outside the proposed catchment area, the proposal is still considered highly additional. This facility alongside the proposed investment is considered different with a different offering thereby limiting displacement and leakage effects and supporting a reasonable sub-regional multiplier as proposed / assumed.

### 5.3 Analysis of costs and benefits

5.3.1 – Please explain how the economic costs of the bid have been calculated, including the whole life costs. (500 words).

The economic costs of the project are based on the financial forecasts appropriately discounted for the phased build period. This effectively represents the whole life economic costs of project. Running and other upkeep costs are assumed as financial costs and should be incorporated into the financial planning costs in terms of depreciation and operational costs.

Optimism Bias has been assessed and summarised as follows:

- The OB levels provided by HMT guidance is an upper bound of 24% (cap ex) and 4% (works duration) for standard buildings from which it is possible to mitigate. The OB rates are made up of key factors including procurement, project specific etc . An assessment of the contributory factors for project indicates that the potential areas of mitigation include:
- Dispute claims (% of OB contribution 29% (capex) and 4% (wd) ) – land is owned by the Council and / or developer and is unlikely to dispute itself

- Business case (% of OB contribution 34% (capex) and 31% (wd)) – the Council has successfully undertaken large project and will expect a full business case to support the investment
- Economic (% of OB contribution 11% capex) – the evidence base indicates that the project will work in this part of the town and given the wider context then economic conditions should favour a successful project.
- Which leaves an OB estimate of  $24\% * (1-74\%) + 4\% * (1-35\%) = 8.84\%$  which has been applied to the BCR calculations. All costs include a contingency for any inflation.

The total costs of the project are detailed in table 5.7 (Appendix 5.2).

The financial costs are scheduled between 2022/23 – 25/26 (set out in table 5.8, Appendix 5.2).

The economic costs including the estimated OB are detailed within table 5.8 (Appendix 5.2).

The estimated economic costs of the project is therefore just over £30m, which will be the basis of the BCR calculation.

5.3.2 Please describe how the economic benefits have been estimated, including a discussion and evidence to support assumptions (750 words)

*Applicants should describe the quantifiable benefits of the proposal and where possible, be explained in terms of outcomes. These must be categorised according to the different benefits of the proposal. Suitable benefits include, but are not limited to, direct land value uplift, wider land value uplifts, amenity benefits, air quality benefits, reduced journey times, supporting employment, or reduced carbon emissions.*

*Applicants should describe any assumptions used that have not been described in 5.2.1, including unit values used, forecasting assumptions and additionality. References to guidance and/or unit values that have been used should also be provided*

The model developed to produce the forecasts, outcomes and BCR estimates is based on Green Book, DCLG, HCA and related guidance on producing HMT 5 Case Business Models. This has been supplemented by drawing on other LUF approvals (eg Inverness Castle). To this effect each element of the project has been assessed separately before providing the final BCR assessment required for the bid application. The following provides the key underlying assumptions underpinning the forecasts:

### Data

The data for each project component has been based on detailed appraisals by East Ayrshire Council, East Ayrshire Leisure Trust and the development consultants (ie Keppie); these underpin both the costs and benefits assumptions supporting this bid application. This includes:

- Theatre and Grand Hall – area, employment, visitor, practitioner / performers outputs and costs details for the proposal
- Public Realm – area and costs details only.

The underlying model has been to assess each quantitative benefit component for additionality and then apply a standard sub-regional multiplier (1.25) to these consistent with the area of impact (ie East Ayrshire – sub-regional) - as per below (composite additionality rates in parentheses):

### Grand Hall and Theatre:

- Net Additional jobs created and GVA (54%)
- Net Additional visitors attracted to the area (81% - net of deadweight).

### Public Realm

- Reduced anti-social and criminal behaviour (100%)
- Area of improvement (100%)

All non- LVA / Public Realm benefits have then been subject to a 25 year extrapolation based on a defined commencement date and (where appropriate) a profile of growth before reaching a steady state; 2% growth pa for the period has been applied to the GVA (per filled job)<sup>1</sup> and Visitor spend<sup>2</sup>. A discount rate of 3.5% (as per Green Book) has then been applied to provide the NPV value of the benefits. Public Realm benefits by nature can be difficult to quantify and therefore a DCLG<sup>3</sup> based BCR has been applied to the whole scheme area to secure an estimated monetised benefit. This has been tested with other DCLG metrics (See Technical Appendix) and is thought robust but also implicitly includes crime reduction savings. There are no presumed direct LVA benefits from this project in that the improvements to the Palace Theatre and Grand Hall indicates an enhanced value, but this is unlikely to be realised in real market terms. The value therefore of the development is effectively intrinsic to the specific functionality of Palace Theatre and Grand Hall and the service and outputs it provides in Kilmarnock. The land value for alternative use is hypothesised as being indifferent to pre / post development.

The quantifiable benefits of the proposal are as follows:

- Net Additional jobs created within the reimagined Palace Theatre and Grand Hall
- Net Additional visitors attracted to the area (including visitors to the reimagined Palace Theatre and Grand Hall, and to the wider Cultural Park area, attracted to the improved public realm setting and events programme which will be realised).
- Ancillary benefits (for example, training / apprenticeship provision)
- Well- being, human capital and visual benefits
- Public Realm (comprising an area of improvement of 3 ha)

The economic benefits have been estimated using the following methodology:

### **Employment Benefits**

The application for including Land Value uplift (LVU) for this cultural project is inappropriate. As such we have taken account of other key metrics that could be associated with this project, including net employment benefits created.

An increase in staffing levels will be required on the basis that:

- A new upgraded café will be available on site for patrons as well as the general public

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<sup>1</sup> GVA is estimated using the 2022 ONS regional productivity tables.

<sup>2</sup> Visitor spend was based on the latest Visit Scotland (STEAM) report for 2019 and adjusted by the HMT GDP deflator

<sup>3</sup> Valuing the Benefits of Regeneration 2010

- The scale and scope of performances are expected to increase considerably following the investment which will require technical and ancillary staff support to ensure delivery of the highest quality

The planning assumptions for the venue for employment are detailed in the table 5.10 (Appendix 5.2).

The current baseline employment is 14 FTE – which in effect represents the deadweight or counterfactual employment levels. The remaining additional employment has then been assessed in terms of displacement and leakage.

Total staffing complement including casuals for the facility post-development is likely to be of the order of 42 FTE people (albeit the number of people actually working within the venue will be significantly greater than this). A key assumption is that all jobs will need to be in place by time of opening, some clearly before, therefore all 42 jobs are expected to be in place from 2025/26 with the capacity to build the visitor numbers and deliver the performances (which is necessary from the first year). Adopting the latest average GVA per filled job metric for East Ayrshire and adjusting to current prices, the gross contribution over the operational / appraisal period is detailed within Table 5.11 (Appendix 5.2) for employment:

Employment is therefore expected to total 42 FTE, of which 28 are net additional. These will contribute net additional GVA of £1.3m per annum at current prices. Applying the inflation and discount rates noted over the 25 years gestation period to generate the NPV yields over £24m of net additional GVA in current prices through net additional employment locally over the forecast period (Table 5.12, Appendix 5.2) <sup>4</sup>.

### **Visitors**

Visitor footfall will be the main quantitative impact of the proposed development. The following is based on an extensive iterative process that has been undertaken by EALT and EAC to substantiate the likely forecast footfall that should emerge from the project as a result of:

- A multiplex system for staging performances in the reimagined Palace Theatre and Grand Hall
- A significant increase in active programming from 150 to over 200 per annum in the Palace Theatre and Grand Hall
- Increased staffing and marketing to support a more extensive range of performances, workshops and training

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<sup>4</sup> The 25 years includes 3 years of the facility being closed to performances/ members of the public whilst the construction works are undertaken. As such the effective GVA contribution is over 22 years.

Table 5.1 (Appendix 5.2) provides a rudimentary indication of the potential client base for the enhanced Palace Theatre and Grand Hall.

From this analysis (which pre-dates Covid) 2.23m people within the catchment area of the Palace Theatre and Grand Hall attend the types of events and performances that one would expect the new Cultural Kilmarnock project to deliver. On average about 80% of the Scottish population attend these sorts of events which would indicate a likelihood that the population will attend cultural events at least 2-3 times a year.

The current quantitative baseline for the Palace Theatre and Grand Hall is shown in Table 5.2 (Appendix 5.2):

Therefore, the total current estimated footfall for the venues is just over 140,500 across three main spaces with a maximum capacity of just under 170,000.

The revised programming area following the development should include the following (set out in Table 5.13, Appendix 5.2).

Following completion of the proposed works, the new capacity of the Palace Theatre and Grand Hall is expected to be 177,480 visitors and an overview capacity of 505,200 (Table 5.14, Appendix 5.2).

The expectation is that the capacity of the newly refurbished Palace Theatre and Grand Hall and proposed Cultural Park will increase three-fold with the visitor footfall increasing steadily over a 10-year period before levelling off over the longer term to a marginal growth that takes the proposed Palace Theatre and Grand Hall and Cultural Park towards an average capacity utilisation for this size of venue. The overall visitor growth trend over the first 10 years is provided within Figure 5.1 (Appendix 5.2).

The tables within the appendix detail the forecasted visitor numbers for each component of the facility (Palace Theatre, Grand Hall and festivals programme).

Taking account of the difference between the current provision (i.e Deadweight) and the expected forecast and aligning this with UK benchmarks comparable to the Palace Theatre and Grand Hall, the net visitor profile<sup>5</sup> over the 25 years period is as per Table I (Appendix x)

The following algorithm is then applied to calculate a NPV GVA estimate from visitor spending which is then used in calculating the BCR (Table 5.15, Appendix 5.2).

In this instance the total net GVA contribution by visitors over the 25 year period is estimated at nearly £62m in current prices, and this will also be included as benefits in the BCR calculation (Table 5.16, Appendix 5.2).

### Aesthetic Improvements

Whilst at this juncture it is not possible to establish or monetise the aesthetic impact of the proposed development, we are assured that the improvement will be material in terms of both appeal and accessibility, as well as greater flexibility that will enable the venue to showcase a mix of performances at the same time. This will contribute significantly to footfall both within and outside the vicinity.

The public realm works will also greatly offset what is thought to be a growing hazard of anti-social behaviour and latent criminality which is starting to emerge within this prized part of Kilmarnock. The underlying value of crime reduction savings is thought to be £1350 in 2022 prices. Statistics on Kilmarnock locality indicates 300+ crimes per 100,000 head of population annually ranging from robbery to break-ins. A 10% net reduction in these rates through the socio-landscaping improvements proposed through this project would covert to nominal value of c. £40k pa; over 25 years then this would have a current total value of £660k. This is not included in the BCR calculation (see below). This is notwithstanding the wider visitor benefits from having a more convivial space in which to spend time in Kilmarnock as detailed below.

Data provided has been then subject to an EIA approach which fully conforms with the HMT 5 Case Business Model and the Green Book/ DCLG/ HCA guidance that should underpin EIAs of this nature. It is acknowledged that an underlying preference is apparent for LVA outputs in the main however for this project it would seem wholly inappropriate not to include other key and appropriate outputs (ie jobs / GVA) relevant to the project (ie defined as ‘Other applicable and robustly evidenced benefits’).

<b>5.4 Value for money</b>	
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<sup>5</sup> Minus deadweight only

5.4.1 – Please provide a summary of the overall Value for Money of the proposal. This should include reporting of Benefit Cost Ratios (BCR).

(500 words)

If a BCR has been estimated, please provide the BCR of the proposal below.

If you only have one BCR, please enter this against the 'initial' BCR.

'Initial' BCR (single bid)

'Adjusted' BCR (single bid)

With both cost and benefits being subjected to additionality, OB and NPV analysis separately for each component of the project then this allows for individual and full project BCR calculation based on the following:

[Redacted content]

A breakdown of the BCR calculations are provided in Table 5.17 (Appendix 5.2). This is an initial BCR since the latest cost increases indicate that the OB rate may require adjustment although the forecast inflation rate (ie 5.3% 1st quarter 2023) suggests that prices should stabilise by the time funding is secured and capital works start. Notably the OB uplift is above the 2023 forecast inflation.

3.11 is a demonstrably strong BCR for the project based on realistic assumptions regarding the direct benefits from this proposal. According to the Value for Money assessment it demonstrates high value for money

If a BCR has been estimated, please provide the BCR of the proposal below.

If you only have one BCR, please enter this against the 'initial' BCR.

'Initial' BCR (single bid) 3.11

'Adjusted' BCR (single bid)

5.4.2 Please describe the non-monetised impacts the bid will have and provide a summary of how these have been assessed, including the expected scale of these impacts. These will be factored into the overall Value for Money assessment of the bid.

## WELL BEING IMPACTS

A key component of delivery within the context of this facility is that of performers and participation in training etc, which will be a key offering. A number of individuals will therefore experience levels of satisfaction and well-being which will be different to those visiting but equally if not more important. However, these feelings of well-being will be intrinsic to these particular individuals rather than well-being being apparent, such as a public good (eg reduction in crime). In which case whilst the impact and importance of these effects are likely to persist whether these should be accounted for in terms of a BCR calculation is a moot point. At this juncture they are not included in the calculations here simply because of the intrinsic nature of these effects – whereas the (public) investment is clearly aimed at a more general contribution to well-being. That all said it is worth at least exploring the potential impacts that may ensue for the project.

Table 5.18 (Appendix 5.2) highlights the scope and scale of performers that expect to be programmed into performing at the Palace Theatre and Grand Hall over the next 10 years or so:

Deducting the baseline ‘participant’ from the forecasts yields the figures set out in Table 5.19 (Appendix 5.2).

With reference to the recent HMT guidance on Well-Being the range of values associated with an uplift in well-being can fall; between £10k - £16k per person year. We have an annual net flow of participants outlined in the table longevity of the effects are arguably less relevant given that we can assume it is one year and that there is a continuum (whether they are the same or different participant). To secure an accurate measure of well-being, the WELLBy system requires a survey which scales the attribution of well-being or satisfaction between 1- 10. The Palace Theatre and Grand Hall already undertakes satisfaction surveys with its performers and trainers and this is currently at 79% (ie the NSP is 79%). This is a reasonable proxy and assuming that standards remain reasonably constant then we assume that this will be levels attained throughout the forecast period. Forecast net participants are set out in Table 5.19 (Appendix 5.2).

Using the lower value base scaled back by the satisfaction rate (ie  $£10k * 0.79 = £7.9k$ ) yields the following measure of well-being value for the project over the first 10 years (as per Table 5.20, Appendix 5.2).

The total well-being value discounted for the 10 year period is estimated at £57m and extrapolated for the 25 years indicates over £143m of well-being value (Table 5.21, Appendix 5.2).

Added to which there are volunteers which, are calculated from the total number of hours expected over the forecast period at 46 people (based on 100 hours a year contribution level on average). Applying the same satisfaction rates expected from performers then this attracts a well-being value of an additional £293k.

### HUMAN CAPITAL IMPACTS

Training and employment related schemes are expected to be supported through the new development will be adding considerably to local human capital within the culture industry, as per Table 5.22, Appendix 5.2. There has been no attempt to monetise these as part of the BCR calculation, but these are noted as being highly prized and important contributions from the project (although they are included in the wellbeing calculation).

### WIDER IMPACTS

The project is expected to induce longer term private and public sector investment in this part of Kilmarnock town. Development sites (Table 5.23, Appendix 5.2) have been identified as potential investable areas that are expected to benefit from this pump-priming investment in the Cultural Park. Whilst not included within the BCR, it is worthwhile noting their existence and potential contribution for substantial change within the town.

The project is also expected to introduce carbon reducing systems into the revised building development with NET Zero aspirations for the development. Noting that these are listed buildings therefore this will limit the scope of what can be done. The sustainability plan indicates that 3 options present themselves to the project – of which Option 2 is recommended (Appendix 5.3). This option involves the combined introduction of air source heat pump and VRF heat pump topped with an electric boiler. This option produces a CO<sub>2</sub> saving relative to the baseline options amounting to nearly 40,000 KgCO<sub>2</sub> per annum; this has a NPV value of near £2m over 25 years but importantly brings a listed building into the 21st century with EBC rated A energy efficiency.

5.4.3 Please provide an assessment of the risks and uncertainties that could affect the overall Value for Money of the bid. (250 words)

It is apparent that in terms of the overall quantum of outputs and value for money, the major contributor to this project is the visitor footfall. The Public Realm element of the project induces an arguably more important contribution qualitatively to the area through potentially unlocking wider catalytic impacts such as crime reduction and wider investment. But in operational terms it induces minimal if not negligible risks. In terms of sensitivity testing, it is assumed of no real relevance to the outcomes.

In terms of the forecast visitor footfall then a battery of test have been undertaken which indicates:

- a 25% reduction in the forecast visitor numbers reduces the aggregate BCR for the overall project from 3.11 to 2.6.
- a 50% reduction in additional visitors reduces the BCR to 2.08.

- a reduced visitor footfall would not necessarily reduce the programming schedule but assuming that such a reduction would require a 20% reduction in employment as well then this would have a composite impact on the BCR to 1.92

This demonstrates that the project is very robust even with fairly deep variances in throughput. A sub-component level sensitivity test shows that the BCR is not adversely affected and that the project - by its very nature - does not present operational risks where the overall BCR remains very strong.

The effects of Covid 19 are no longer a major concern and the forthcoming economic slowdown should be well past by the time the project re-opens following the programme of renewal. It would require a catastrophic collapse in the market for the BCR to be materially affected for the overall project.

5.4.4 We would expect an Appraisal Summary Table, to be completed to enable a full range of impacts to be considered. This should be consistent with the relevant appraisal guidance for the bid.

For Regeneration or Cultural bids, the Appraisal Summary table should be consistent with the DLUHC appraisal guidance.

Any additional evidence to support your responses to this section should be referenced within your responses (5.1.1 – 5.4.3) and attached as a single annex.

The appraisal table for the project is detailed below:

<b>Appraisal Table</b>	<b>Preferred Option</b>
A Present Value Benefits (£m)	93.5
B Present Value Costs (£m)	30.03
C Present Value of other quantified impacts (£m) <sup>6</sup>	145

<sup>6</sup> Including energy savings.

D Net Present Public Value (£m) [A-B]	63.37
E 'Initial' Benefit-Cost Ratio [A / B]	3.11
F 'Adjusted' Benefit Cost Ratio [(A + C) / B]	BCR is considered robust but in the current climate the OB applied remains interim
G Significant Non-monetised Impacts	Project could induce significant latent investment opportunities to Kilmarnock town yielding business, jobs , cultural and leisure benefits
H Value for Money (VfM) Category	High
I Switching Values & rationale for VfM category	Project scores above the critical '2' BCR score. The switching value is projected at approx 50% reduction in visitor footfall and 20% reduction in employment.
J LUF contribution	£20m
K Risks	Considered low - it would require a major failure in programming and visitor attendance. The Palace Theatre and Grand Hall has been a long-established facility in Kilmarnock and is highly prized and well supported within the catchment area
L Other issues	None to report

Additional details of the costs and benefits of the project is at Appendix X.

### Part 6 - Deliverability

6.1.1 – Please confirm the total value of your bid (LUF grant + match funding).

*Applicants should confirm the total value of the bid, this should include the LUF grant and any match funding. All expenditure should be defrayed by March 2025 (and by 2025-26 on an exceptional basis e.g. for large projects between £20 million and £50 million).*

Cultural Kilmarnock is seeking Levelling Up Funding of £20m to deliver the scheme alongside the following funding streams:

Funding Stream	Amount
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## LUF – Cultural Kilmarnock

Levelling Up Funding Round 2	£20m
Levelling Up Funding (Capacity Funding)	£125,000
Heritage Lottery Funding	£4.5m (Bid to be submitted)
Historic Environment Scotland	£500,000 (Bid Submitted)
Scottish Vacant and Derelict Land Fund	£750,000 (Bid submitted)
EAC Capital Contribution	£5m

The total value of the Cultural Kilmarnock bid is therefore £30.875m.

6.1.2 – Please confirm the value of the capital grant you are requesting from LUF.

*Applicants should confirm the total value of LUF grant they are seeking. Applicants are reminded that LUF grant will only fund direct capital costs associated with the delivery of the project.*

The total amount sought from Levelling Up Funding for the Cultural Kilmarnock project is £20m.

6.1.3 – Please confirm the value of match funding secured. Where match funding is still to be secured please set out details below. If there any funding gaps please set out your plans for addressing these.

(250 words)

*Local match funding contributions will be taken into account during assessment. A local contribution of 10% or higher (local authority and/or third party) of the bid costs is encouraged. Match funding can include a mix of public and private sector contributions. Applicants should note that a contribution is expected from private sector stakeholders, such as developers, if they stand to benefit from a specific bid. Applicants are encouraged to submit evidence of match funding e.g. match funding letters. Match funding letters should be signed by an appropriate authority, clearly reference the amount of funding committed to the project (within the scope of the LUF bid) and set out any conditions that may apply to the funding. Applicants should explain what if any funding gaps there are, and what further work needs to be done to secure third party funding contributions. Please clearly set out your approach to raising additional funds.*

The total value of match funding for the Cultural Kilmarnock project is £10,750,000. Of this, £5m is secured which comprises an existing capital commitment from East Ayrshire Council, which has been ratified at Cabinet for a total of £5m capital funding towards delivering the project, including undertaking the restoration and repairs work. A copy of the Cabinet report from 23rd February 2022, 15<sup>th</sup> June 2022 and the approval are provided in Appendix x.

East Ayrshire Council has also benefited from existing LUF capacity funding of £125,000 to support the preparation of early design and feasibility works on the project, and for professional fees to prepare the LUF bid.

The Council is also committed to providing ongoing revenue funding, through the management fee to East Ayrshire Leisure Trust, for the operation of the Palace Theatre and Grand Hall (including an annual maintenance budget).

In terms of other match funding, the project is applying to Heritage Lottery Fund, Historic Environment Scotland and the Scottish Vacant and Derelict Land Fund to secure the remaining £5.75m.

An application has been made to secure Historic Environment Scotland grant funding (HES) for a request of £500,000 capital allocation for the project. A meeting with the grants officer took place in December 2021. Whilst initial feedback was positive, it was recommended that the project waits for the new scheme to be launched which more closely aligns with the Cultural Kilmarnock project.

A bid is also to be submitted to the Heritage Lottery Fund (HLF), which is expected to be submitted at the end of July 2022, seeking approval of initial development costs and the stage 2 funding. Once submitted, a decision is likely in Autumn 2022.

A further bid has been made to the Scottish Vacant and Derelict Land Fund for £750,000

6.1.4 – If you are intending to make a land contribution (via the use of existing owned land), please provide further details below and confirm who currently owns the land, details of any restrictions and the estimated monetary value. (250 words)

EAC is not proposing to make a land contribution as part of this project.

6.1.5 – Please confirm if your budget includes unrecoverable VAT costs and describe what these are, providing further details below. (250 words)

EAC would expect that any contracts let by the Council will result in payments to contractors that will be standard rated and as such the VAT element will be subject to recovery, this includes a contractor/ contractors appointed to deliver the Cultural Kilmarnock project.

In terms of VAT recovery however the issue is really not so much about the contracts for the refurbishment works but the services that are supplied from these facilities.

They are leased to EALT for a peppercorn rent and as such we (the Council) are making exempt supplies. Therefore whilst we can recover any input tax we incur this needs to be considered in the wider context of the Council's partial exemption position.

In simple terms the Council is entitled to recover “exempt input tax” in any one financial year up to the value of 5% of all the VAT it incurs. The 5% limit is known as the “5% de minimis limit”:

- Where exempt input tax remains below the 5% limit it is recoverable
- Where exempt input tax exceeds the 5% limit the whole amount is irrecoverable and will represent an additional cost to the Council. (there are tax planning mitigations that can be used to partly manage this risk)

Therefore the concern is not only the impact of individual projects but the aggregation of all projects within the capital programme in each financial year, and the combined VAT implications of these.

Once there is further information on the value and phasing of the contract I would suggest that it will need to be reviewed along with any revised iteration of the wider capital programme.

Equally it will be important for VAT implications to be included in any future Cabinet Reports.

6.1.6 Please describe what benchmarking or research activity you have undertaken to help you determine the costs you have proposed in your budget. Please advise on any assumptions. (750 words)

*For each cost item, applicants should provide a clear explanation of the benchmarking/market research undertaken to support the proposed cost, including details of any assumptions.*

Our appointed quantity surveyor Faithful+Gould prepared the cost estimate on behalf of EAC. Faithful+Gould is a global organisation with significant involvement and influence within the Scottish construction industry. They offer the project significant expertise and strong networks to suppliers, sub-contractors, and Tier I contractors.

Faithful+Gould’s cost estimate to establish the budget is based on a full design suite of information aligned with the Royal Institute of British Architects (RIBA) Plan of Work Stage 2. The design suite includes drawings and specifications from the Architect, Civil and Structural Engineer, Mechanical and Electrical Engineer and Landscape Architect. The cost estimate follows the prescriptive measurement methodology contained within the Royal Institution of Chartered Surveyors (RICS) New Rules of Measurement I (NRM1). This ensures that our estimate is based on the standard set of measurement rules that are understandable by all those involved in a construction project. This ensures the structure and content of our cost estimate is expressed in a way that makes it very clear and unambiguous.

Using the design suite of information, Faithful+Gould are able to establish the specification and intent of the design proposals, take off measured quantities and apply market rates to those quantities, thus maximising the accuracy of the cost estimate relative to the design maturity developed for the project.

The output is a RIBA Stage 2 Formal Cost Plan I, inclusive of the works estimate, main contractor preliminaries, overheads and profit, project contingency/risk and inflation. The total estimated cost equates to £28,502,758. To demonstrate the level of detail involved in arriving at the proposed budget for the works we would offer the following commentary.

#### The Works Estimate

The works estimate allows for internal interventions and alterations to the Palace theatre including a new glazed entrance foyer. We also have considered sustainability interventions such as solar PV and Air Source Heat Pump technology to enhance the energy efficiency of the building in operation. The estimate for these aspects of the design proposals is based on measured quantities and rates. Total value £9.5M

We have allowed for external enhancements to the roof, walls, windows and doors. The estimate for this aspect of our cost is based on a visual inspection by a qualified building surveyor to establish an order of scope which informed our costing. Total value £8.0M

There are a series of design proposals to enhance external public realm space surrounding the Palace Theatre, the Dick institute, and Embank Drive. The estimate for this aspect of the design proposals is based on measured quantities and rates. Total value £3.8M

#### Eligibility and Confidence of rates and allowances applied

Specifically on the rates and allowances used, Faithful+Gould undertook extensive market testing to ensure robustness and reliability of the rates being applied to specific aspects of the design. Various quotations for materials, labour and plant were obtained from suppliers, contractors and subcontractors that were used to inform the rates within the cost estimate. The rates were also benchmarked against projects of a similar nature with the features of the existing asset being taken into account.

#### Main Contractor Preliminaries

Refurbishment projects inherently introduce more challenges and considerations, and this is further exacerbated with the listing status of the Palace Theatre. Listed buildings introduce a unique set of circumstances when compared to working on conventional new build developments. Planning the works and maximising productivity on site, enhanced health and safety measures, maintaining a safe and secure working environment, enhanced temporary works, uncovering uncharted components within the existing building composition etc., all introduce complexities to the building contractor. As such Faithful+Gould has included an enhanced preliminaries allowance of 20% which is applied to the Works Estimate. This has been benchmarked against Faithful+Gould's database of completed refurbishment projects. Finally, Faithful+Gould have engaged in soft market testing with a number of Tier I contractors who have offered advice on previous preliminaries costs associated with refurbishment projects of a similar nature. Combining all three sources of intelligence, we can confirm the allowance made is representative of the expected cost range for preliminaries and therefore is very robust. Total value £2.7M

Other considerations such as overheads and profit (margin), project contingency/risk and inflation are detailed under our response to 6.1.7, however we can confirm a total value of £4.5M.

In arriving at our total estimate of project costs we have also included professional fees, client costs, survey costs and statutory costs, equating to £2,372,242. Adding this to the construction estimate of £28,502,758 our total project investment and estimate of cost is £30,875,000.

6.1.7 – Please provide information on margins and contingencies that have been allowed for and the rationale behind them. (500 words)

*Applicants should provide a clear explanation of the margins and contingencies that have been allowed for and justification for these being realistic.*

#### Margin (Overheads and Profit)

We have made an allowance of 8% which is a fair representation of the profit margins expected by Tier 1 contractors in Scotland. Faithful+Gould are heavily involved in live projects with all major Tier 1 contractors, and therefore have visibility as to the tender return value for overhead and profit (margin) expectations of those organisations. Our allowance is therefore very robust based on this intelligence. Total value £1.1M

#### Project Contingency/Risk

Following NRM1 methodology Faithful+Gould has allocated a total contingency/risk allowance of 14.25% into the following categories:

- Design development contingency – 5%
- Contractor construction risk/contingency – 1.75%
- Employer's Change risk – 5%
- Employer's other risk – 2.5%

The contingency allowances are based on current market trends and conditions and recent tender returns on similar projects. Given the project is at a relatively early stage in terms of design, the allocated contingency percentages reflect the volume of unknown risks at this stage. As the project evolves and the design and information available progresses the level of contingency and risk allocations will be reviewed and revised on an ongoing basis.

We consider the contingency/risk allowances to be very appropriate and representative of the inherent challenges and uncertainty that a refurbishment project introduces to cost estimating. Total value £2.4M

Inflation

Faithful+Gould has used the industry standard Building Cost Indexation Service (BCIS) to establish the inflationary trends to the mid-point of construction, estimated to be 4Q 2023. Faithful+Gould has further benchmarked this using their in-house economists/data analysts to produce a resilient set of data to inform our inflationary allowance. Total value £1.0M

Recognition of Current Market Volatility

We are confident that the cost estimate detailed in our response to 6.1.6 acknowledges and considers the current market trends and conditions being experienced by industry. Faithful+Gould has considered the impact of significant market influencers such as Covid-19 pandemic, soaring energy prices, Ukraine conflict, material supplies and labour shortages. We are confident the extensive market intelligence Faithful+Gould handle has been appropriated and recognised in the costing approach to inform the Works Estimate (described in our response to 6.1.6).

6.1.8 – Please set out below, what the main financial risks are and how they will be mitigated, including how cost overruns will be dealt with and shared between non-UK Government funding partners. (You should cross refer to the Risk Register). (750 words)

*Bids should highlight the key financial risks from the Risk Register and detail how cost overruns will be dealt with and shared between non-UK Government funding partners. Any risk mitigations proposed should be relevant, costed and timely. In addition, applicants should detail the contingencies they intend to put in place in the event that mitigations are unsuccessful. Any impacts on communities, cultural groups and local transport groups such as disruption or displacement should also be considered, with impacts costed and mitigations or compensations identified.*

A Risk Register has been prepared for the Cultural Kilmarnock project, which includes a full list of current risks and the proposed mitigation measures (Appendix 6.4). The specific financial risks are considered to be as follows:

- **Inflation increases**, leading to an increase in project costs and impacting on overall project budget. There is also uncertainty on the cost of proposed materials to deliver the project, and the impacts of Covid-19 and Brexit are affecting the availability of key materials and their associated costs. In order to mitigate this, inflation increase has been considered in the Cost Plan and will be carefully monitored as the project progresses. An overall 5% inflation allowance has been applied to the costs, based on recent BCIS TPI indices and assuming that the mid-point of construction is 4Q 2023. If required, the project team will consider value engineering and/or seeking additional match funding to address any cost overruns.

- **Project Cost Overruns** – there is a risk that the total development costs will exceed the project budget available. To mitigate this, regular project team meetings are in place to review the management of decisions, which affect costs. We will also adopt a value management approach to control the evolving design ensuring detailed cost appraisals of design decisions made and affordability checks to ensure we maintain a design solution that remains within budget. In the event of costs exceeding the budget envelope available for the project, the project team will consider value engineering and/or seeking additional match funding to address any cost overruns.
- **Inability to incur Levelling Up Funding in timescales available** – A risk is that the programme overruns and the Levelling Up Funding cannot be spent in line with funding programme conditions. As mitigation, regular project progress meetings will be held to ensure the design, tender and construction critical path stays to programme. Suitable contingency has been built into the programme in any event, and the spending profile is considered to be realistic.
- **Failure to secure match funding for the project** – Given bids have yet to be prepared and submitted for Heritage Lottery Funding and for the Historic Environment Scotland bid, there is a risk that the match funding bids will not be successful. Early engagement has already taken place with these funders and initial indications are that these funding bodies are supportive of the Cultural Kilmarnock project. Professional support will be provided to ensure the match funding bids are sufficiently robust, and that all match funding criteria can be achieved. In the event that match funding is not successful the project team will consider other match funding opportunities over the project’s timeframe, and EAC/EAL will consider putting additional capital funding into the project as gap funding, if necessary.
- **Levelling up Funding bid is not successful** – There is a financial risk that EAC will not secure successful LUF funding in round 2. As mitigation, the project team would respond to any feedback and re-submit for the Round 3 funding opportunity. EAC would also explore the opportunity to bid for alternative match funding sources. It is unlikely that all capital funding could be secured without the benefit of LUF. As a result, the project would not be able to proceed.
- **Revenue support is not forthcoming to ensure the ongoing long-term operation of the Palace Theatre and Grand Hall -**

East Ayrshire Leisure was established in 2013 to deliver all leisure and cultural facilities, programmes and projects on behalf of East Ayrshire Council. This is done through a Service Level Agreement that was approved in 2013 and revised in 2022. The revised SLA was approved by EALT Board of Trustees and EAC Council in June 2022. The SLA sets out what services that EALT will deliver and what support EAC will give to the Trust. This includes revenue support through an annual management fee (for 2022/23 the management fee is £4.742m). The management fee is based on EALT's Strategic Vision document and rolling 2 year corporate delivery plan. EALT has also developed and is delivering on a 5 year financial strategy 2022-2027 which outlines the financial governance that is in place, the management fee that is in place for operation of priority services, programmes and facilities, as well as the financial commitment from EAC. EAC leases all of the core leisure venues to EALT for a period of 25 years.

What contingencies are being put in place if the bid is unsuccessful?

If the Cultural Kilmarnock bid is unsuccessful for Levelling Up Funding the project team will look to alternative gap funding sources to enable the project to come forward for delivery. This will include increasing the amount of funding through HLF and HES, seeking other sources of match funding (as previously outlined) and for EAC/ EAL to consider increasing their capital contribution into the project.

EAC may look to descope the project removing the external interventions, therefore reducing the amount of investment required. Initial consideration to this scenario has already taken place and it is very feasible to generate the strong Benefit Cost Ratio (BCR) and case for investment by completing the internal interventions only. The BCR calculation relies heavily on the internal refurbishment and therefore by descopeing and removing the external interventions the case for investment maintains a very strong business case.

A final option for the project team would also re-work the bid to the Round 3 opportunity when this opens.

What are the Financial impacts on the local community

Given the focus of the proposed project, it is considered that there will be minimal disruption to the local community when the works are being undertaken. Compensation payments are not considered to be relevant in this instance.

6.1.9 If you are intending to award a share of your LUF grant to a partner via a contract or sub-grant, please advise below.

NB: You must ensure any further disbursement of the grant is done so in accordance with subsidy controls and public procurement rules.

The Levelling Up funding will be managed and administered by East Ayrshire Council as the accountable body for the funding, and the grant will be managed by the Council's finance team. The East Ayrshire Leisure Trust is a partner in the Cultural Kilmarnock project but will not be responsible for managing the funding, they will support on the project through providing specialist venue and operational inputs and a steer to the project as part of the partnership group. All financial responsibilities sit with EAC.

6.1.10 What legal / governance structure do you intend to put in place with any bid partners who have a financial interest in the project?

*Applicants should clearly set out the legal / governance structure that will be put in place with any project partners who have a financial interest in the bid. If appropriate, applicants should explain what financial assessment and due diligence has or will be undertaken on bid partners*

There are no other bid partners who have a financial interest in the project. EAC will be the accountable body for the funding and will retain the monies until relevant expenditure has been incurred.

## 6.2 Commercial

6.2.1 – Summarise commercial structure, risk allocation and procurement strategy setting out rationale for strategy and other options considered and discounted. Procurement must be made in accordance with all relevant legal requirements/duties (1500 words).

*Applicants should set out their procurement approach to managing the project. The procurement route should also include an explanation as to why it is appropriate for a bid of the scale and nature proposed. Please note - all procurements must be made in accordance with all relevant legal requirements. Applicants must describe their approach to ensuring full compliance in order to discharge their legal duties.*

*The procurement strategy should be proportionate with value of the project and should cover the full procurement cycle. All applicants should clearly set out: - Which key contracts will be procured - What pre-market engagement/research activity has been undertaken to date or is planned - Whether or not a health check of the market has been undertaken to identify any potential capability or limitations that may impact on project/procurement timescales and how these will be mitigated. - What procurement approaches have been explored or discounted - What route to market is proposed, including an explanation as to why it is appropriate for scale / nature of the contract/s? - Set how you will effectively manage your contracts with key suppliers/contractors to ensure quality and manage/mitigate supply chain risks.*

*The procurement strategy should also demonstrate alignment with Net Zero ambitions, and where appropriate, include details of a sustainable approach such as: - use of innovative clean technology - support the growth of green skills - use of sustainable supply chains*

All applicants should set out how contracts will be procured and managed effectively; in accordance with procurement best practice and all relevant legal requirements including public contract regulations 2015 and 2020 amendments (post EU exit) and other appropriate legislation including the Modern Slavery Act, as applicable.

Additionally, local authority applicants should:

- demonstrate that they have considered government policies and guidance including the Sourcing and Consultancy Playbooks and Construction Playbook.
- demonstrate innovative procurement, including for example how they have factored social value into their procurements.
- set out in their procurement strategy and risk register how government guidance on Resolution Planning I has been considered. For package bids, please note that we need to understand the procurement activities for each component project. More detailed information on procurement activities, timescales, and the resources required should be included in the project delivery plan.

### **Proposed Commercial Structure**

The Cultural Kilmarnock project will be led by East Ayrshire Council (EAC) with support from East Ayrshire Leisure Trust (EAL) and a wider professional and design team. The Project Manager for the Cultural Kilmarnock project will be Colin Watson, Project Manager at East Ayrshire Council, with the Senior Responsible Officer being Simon Bell, Strategic Lead: Asset Investment.

Project Management and Multi-Disciplinary Design services will be delivered by Faithful+Gould (F+G), a world-leading integrated project and programme management consultancy – [www.fgould.com](http://www.fgould.com). The appointment of F+G is formalised and secured for the term of the project.

The existing governance structure is therefore in place and is further demonstrated by the organogram (Figure 2, Appendix 3.2).

It is envisaged a Main Contractor will be appointed using a competitively tendered procurement exercise upon conclusion of the Royal Institute of British Architects (RIBA) Plan of Work 2020 Stage 4 design. It is envisaged that this will be done on a Traditional basis using Bills of Quantities.

### **Current Status**

The design team have already been appointed by East Ayrshire Council. The appointment is to deliver full Project Management and Multi-Disciplinary Design services across RIBA Plan of Work 2020 Stages 0 – 7 inclusive. The team concluded the RIBA Stage 2 design on 25th February 2022. This was used to inform the various aspects of business case and complete the LUF application.

RIBA Stage 3 design will commence post LUF award with a target recommencement date of 29th September 2022. The design team are on a temporary standstill until LUF is granted and are able to remobilise once instructed to do so with no delay or impact to programme due to the appointment extending through design and into construction.

#### Professional Services and Design Team Appointment

The appointment of the Project Management led Multi-Disciplinary Design Team was formalised on 6th August 2021 following a mini-competition under the Crown Commercial Services (CCS) Project Management & Full Design Team Services (PMFDTS) Framework Agreement (RM3741 – Lot 1). The opportunity was competitively tendered using Public Contract Scotland (PCS) tendering platform where the award criteria was based on 35% Price and 65% quality. Following evaluation by EAC, it was determined that F+G offered the best Price/Quality ratio and therefore best Value for Money (VFM).

The fee associated with the Project Management led Multi-Disciplinary Design Team is fixed for the full term of the commission. The contract used to formalise the appointment with F+G is the NEC3 professional Services Contract Option A (fixed price activity schedule). This appointment offers EAC financial security for the design services input to deliver the service.

F+G effectively act as lead consultant. They have back-to-back agreements with the design supply chain and therefore are wholly responsible for the management of the design team in their collective obligations to EAC. Faithful+Gould ensure quality and manage/mitigate supply chain risks through their quality management systems fully compliant with ISO 9001.

As Project Manager, F+G are responsible for ensuring the necessary activities are completed in line with the programme and that the overall timescales are achieved.

As Quantity Surveyor, F+G are responsible for ensuring project budgets are suitable, accurate and managed through the design and construction periods.

The full extended professional team comprises F+G (Project Management, Principal Designer, Cost Consultants), Keppie (Architect, BIM Information Manager, BIM Co-ordinator), Wardell Armstrong (Landscape Architect), Struer (Structural Engineer) and RSP (Mechanical & Electrical Engineer).

The management of sub-appointments, payment and quality assurance is all controlled using F+G supply chain management portal, “IAND”. “IAND” offers a truly digital interface, streamlining workflows, driving efficiency into communications, and removing paper exchanges using interfaces such as DocuSign. A clear demonstration of innovative clean technology and use of sustainable supply chains.

EAC can confirm that procurement and subsequent appointment of our professional service team has been done so in accordance with procurement best practice and all relevant legal requirements including public contract regulations 2015 and 2020 amendments (post EU exit) and other appropriate legislation including the Modern Slavery Act.

#### Main Contractor Appointment

Following formal sign-off of the RIBA Stage 2 design and full costings, the professional and client team held a procurement workshop which explored the procurement and tendering strategies and subsequent contract options to be considered for the main contractor appointment. Specific key project objectives and factors were also explored and how these aligned with the various procurement and tendering strategies available. Using F+G's procurement decision matrix toolkit, whereby procurement criteria were ranked and scored in order of priority, it was determined a single-stage procurement methodology using JCT (SBCC) Traditional with Quantities contract be adopted.

To summarise, it was recognised due to the heritage aspect of the building and refurbishment nature of the works, it would not represent best value to procure using a Design and Build (D&B) approach. It was concluded best value wouldn't be achieved by transferring the risk to the contractor post contract and therefore asking the contractor entity to 'buy the risk'. EAC also wanted to maintain full control of the design interventions through the statutory approval and design process to ensure the ambitions of the project were preserved and not diluted through a D&B mode. Traditional procurement offered the most appropriate assurances relative to the EAC brief and key objectives.

EAC procurement department will manage the contractor procurement process. EAC will adopt a post BREXIT, OJEU style notice with "restricted" procedure, using the Single Procurement Document (SPD) standard questionnaire as the prequalification to shortlist suitable contractors for the formal Invitation to Tender (ITT). Whilst the project has several component parts it is envisaged that the project will be tendered as a single work-package.

This procurement route ensures that the design consultants will retain responsibility and control over the design and its quality, and that EAC will have clear visibility of the investment from design stages through tendering and procurement. This will ensure that EAC seek best value for the proposed public works and the "restricted" procedure will enable EAC to appoint a contractor who has demonstrated financial stability, has a track record and experience in delivering public sector works, and who maintain a strong eco-system of sub-contractors to ensure delivery of the project through construction. There is clear delineation of risk under a Traditional route as the design risk sits with EAC whilst build quality and supply chain risks rests with the Contractor.

EAC can confirm that the future procurement and appointment of the Main Contractor will be fully compliant with procurement best practice and all relevant legal requirements including public contract regulations 2015 and 2020 amendments (post Brexit) and other appropriate legislation including the Modern Slavery Act.

As part of our standard procurement documents, we include a link to the Council’s Construction Charter (Appendix 6.6). Along with the Corporate Procurement Strategy Document (Appendix 6.7).

Pre-market engagement/ research

A consequence of the envisaged “restricted” process detailed above, is the opportunity to implement pre-market engagement/research. As part of the quality response of the initial pre-qualification questionnaire contractors will offer EAC a health check of their business and appropriateness for potential selection.

Sourcing and Consultancy Playbooks and Construction Playbook.

The above prescribed process for both professional services and contractor appointments clearly demonstrate compliance with the recommendations in the Sourcing and Consultancy and Construction Playbooks – pre-qualification (due diligence, market health and capability assessments), appropriate governance, effective contracting and procurement, evaluation mechanisms, value for money, KPIs).

Whilst EAC have a standard KPI list, for the procurement of goods / services, the procurement of Construction projects use project bespoke KPI’s adapted to better reflect the individual needs of the specific projects. These KPI’s are based upon the Scottish Government’s standard list and are adapted and selected to suit the specific project needs (Appendix 6.8).

Social Value/Community Benefits

As standard with EAC public procurement opportunities is the requirement to deliver social value and sustainability into the process. These will be a key critical success factors in appointing the preferred contractor, seeking to promote the use local supply chains as much as possible.

In accordance with Procurement Reform (Scotland) Act the Council is required to prepare a project specific Commodity Strategy in conjunction with colleagues from Legal and Procurement Services. The Commodity Strategy provides a transparent assessment of the various procurement options for the necessary services required to deliver the Cultural Kilmarnock project, whilst also demonstrating best value in terms of price, quality and service.

Based on the findings of the Commodity Strategy it was recommended for the procurement strategy for the Cultural Kilmarnock Project follow a Two Stage Design and Build approach based on the NEC4 Professional Services Contract (2017). However, the Council propose to issue a further competition using an existing Crown Commercial Services framework namely RM3741 Project Management and full Design Team Services (Lot 1), which is construed under the NEC3 Professional Services Contract (2013), with the multi-disciplinary team developing the design and specification (inclusive of Planning submission and approval), including full employer's requirements to allow the preferred contractor to undertake a market testing exercise of all packages for a final contract value to be determined before novating across to the contractor for the remainder of the project. This approach allows the Project Board to have a meaningful and genuinely collaborative relationship with the design team during the development of the proposals.

Through the appointment of both the Multi-Disciplinary Design Team and the intended appointment of a Main Contractor, East Ayrshire Council are committed to maximising Community Benefits from these procurement activities, with the aim of building in a range of economic, social and environmental conditions into the delivery of Council contracts.

The appointed multi-disciplinary team are therefore required to work in partnership with the Council's Project Team and key stakeholders, partners and agencies to deliver Community Benefits; maximising opportunities to create new jobs for local people, increasing the flow of investment into the area and effectively utilising the experience of professional partners to provide relevant learning and knowledge exchange opportunities for young people and the wider community.

#### Net Zero

The procurement strategy aligns with Net Zero ambitions and a key theme as part of the proposed procurement approach – EAC Climate Change Strategy is to become a net zero Council by 2030 with our wider communities to be net zero by 2045 - Climate Change Strategy ([east-ayrshire.gov.uk](http://east-ayrshire.gov.uk)). Aspects of this initiative include sustainable procurement and appropriate planning policies to tackle climate change (p.25 & p.26 of the strategy). Project specifically we have design interventions to introduce PV and ASHP technology to reduce energy consumption and a significant sum to explore fabric first approach by upgrading insulation to the walls, roof and window refurbishment/restoration.

#### Risk Allocation

The proposed procurement strategy is considered a low-risk method of contracting for EAC. F+G as appointed Quantity Surveyor will produce a Bill of Quantities (BoQ) which will be used to procure a price. Best value is ensured as there is very little risk built into the offer using this procurement methodology. The risk allocation is therefore very clear - the appointed contractor would adopt the financial risk of the project based on the priced BoQ and EAC will retain quality and design risk. Price certainty is achieved at contract award with subsequent change easily accommodated and valued based on the BoQ. For this reason, it is important that the design information and specifications are robust at the time of tender to avoid variations after the contractor has been appointed - accordingly, appropriate contingencies have been allocated to the project budget for post contract client changes.

In terms of project risk register there is one developed for the project with the ownership and management by EAC with contributions by the appointment Design Team. The Risks are categorised under the following headings: Budget, Programme, Community Engagement, Consents and Construction. Detailed analysis, probability, mitigations, and outcomes are managed periodically using Risk Review Workshops. Since inception of the project a total of 3 workshops have been facilitated identifying 40 risks that the team are currently mitigating.

6.2.2. – Who will lead on the procurement and contractor management on this bid and explain what expertise and skills do they have in managing procurements and contracts of this nature? If the procurement is being led by a third party and not the lead applicant, please provide details below (500 words)

*The applicant should clarify who will lead the procurement/s and demonstrate that the core project team have the relevant skills and expertise for managing procurements and contracts.*

The tendering and procurement process will be in partnership between Faithful+Gould as Quantity Surveyor, Colin Watson as EAC Project Manager and East Ayrshire Council's Corporate Procurement Team (led by David Shields). Colin Watson, Project Manager within EAC (Quantity Surveyor, BSc (Hons), MSC International Project Management & Prince 2 Practitioner, former MRICS) will be supported by the Faithful+Gould-led Multi-Disciplinary Team, who will also be providing QS support.

Barry Young (Director of Faithful+Gould) will lead the Quantity Surveying team in pulling together information informing the Tender Documentation, comprising Form of Tender, Preliminaries, Bills of Quantities, and associated Drawings and Specifications. Barry Young has 20 years' experience in procurement and contracts evidenced by his role and accountability to Faithful+Gould in managing their public sector frameworks such as Crown Commercial Services (CCS), SCAPE, PAGABO, Scotland Excel etc. (we are partnering suppliers on all such frameworks). Barry Young is a qualified Chartered Surveyor (MRICS), Commercial Director of Faithful+Gould Scotland and has direct accountability to his business for all procurement and tendering opportunities. A vastly experienced individual.

Faithful+Gould Quantity Surveying team will produce the Bills of Quantities, with all team members MRICS qualified, thus ensuring competence and accuracy of all documentation produced. Barry Young will be responsible for checking the quality of the documentation in full compliance with their business ISO 9001 compliant quality and assurance processes

East Ayrshire Council's Corporate Procurement Team will ensure compliance with public sector procurement regulations and governance. We will produce the Single Procurement Document (SPD) standard questionnaire and manage this through Public Contracts Scotland tendering portal. The assessment and scoring of the submissions will be done in strict compliance with the instructions and scoring methodology.

The subsequent "Restricted" Invitation to Tender will again be administered by East Ayrshire Council's Corporate Procurement Team through same Public Contracts Scotland tendering portal. At this stage Faithful+Gould will appraise the "Commercial" envelope to determine best value price, free of qualifications. East Ayrshire Council and the design team will assess the "Quality" envelope to determine Best Value quality. A consensus scoring will then be determined by combining the "Commercial" and "Quality" scores to evidence Best Value and Most Economically Advantageous Tender (MEAT). Preferred bidder stage will be announced, commencing the 10-day standstill period, followed by formalisation of the contract between East Ayrshire Council and the preferred contractor.

East Ayrshire Council activities will be managed by a highly experienced procurement officer who has extensive experience in public sector compliant procurement activities.

All procurement activity will be checked and approved by our Chief Governance Office, Solicitor to East Ayrshire Council and Council Monitoring Officer: David Mitchell. This will ensure strict compliance with not only our internal governance but offers assurance that there will be no legal challenge to any awards we make.

The East Ayrshire Council Team have been involved in the procurement of The Barony Campus, The William McIlvanney Campus projects and many other Education/General Services projects, along with the New Build Housing programme. David Shields as lead Procurement Officer has supported F & PM through the procurement of these projects.

6.2.3 Are you intending to outsource or sub-contract any other work on this bid to third parties? For example, where you have identified a capability or capacity gaps. (750 words)

*Applicants should set out plans for engaging with key suppliers/contractors so it is clear how suppliers/contractors have been selected and how contracts will be effectively managed to ensure the desired outcomes are delivered. This should include the use of key performance indicators (KPI's) and other measures that will be used to drive quality. Applicants should also clearly set out in their response how they will manage any capability or capacity gaps*

EAC has an experienced team within the Facilities and Property Management department, with support from Planning, Regeneration and Economic Development teams and is supported by East Ayrshire Leisure Trust (EAL) in terms of the day to day, operational management of the Palace Theatre and Grand Hall. Notwithstanding this, the project team acknowledged the need to appoint a professional team to lead on the project development and appointed Faithful+Gould as Project Managers and Quantity Surveyors with Design Team supported by Keppie as Architect, Wardell Armstrong as Landscape Architect, Struer as Structural Engineer and RSP as Mechanical and Electrical Engineer and Sustainability Consultant. Early involvement from the project team has scoped and shaped the project in readiness for the LUF bid submission and has helped to respond to resource capacity gaps within East Ayrshire Council and East Ayrshire Leisure Trust.

The Faithful+Gould led Multi-Disciplinary team, under their NEC Professional Services Contract (PSC) appointment has committed to achieving the key milestones for the project. Quality assurance is embedded into the back-to-back appointments Faithful+Gould has with their designer supply chain. The roles and responsibilities are defined in a Designers Responsibility Matrix which is effectively a RACI Matrix. This ensures no service gaps are evident offering East Ayrshire Council assurance that the full requirements of the project are clearly captured in those professional services appointments. Faithful+Gould manage their supply chain using their supply chain management portal, “IAND”. “IAND” is a digital interface, streamlining workflows, driving efficiency into communications, and ensures prompt payment in full compliance with UK Government Prompt Payment Code - PPC – Small Business Commissioner an initiative Faithful+Gould has signed up to.

As outlined above, the professional team will be retained for RIBA Stage 3 if the LUF bid is successful, and will continue their services through tender, contract award/appointment and into construction. This will ensure consistency and continuity on the proposals and scheme design as they progress.

As previously stated, a Contractor has yet to be appointed on the project, but the intention is for the selected Contractor to be focussed on the construction only, with the quality and design risk retained by East Ayrshire Council. This approach offers very clear lines of accountability offering secure investment for LUF2 funding. KPIs will also be defined and agreed within the tender pack to be formally issued. The quality of the Contractor, their track record and experience on successfully delivering similar projects to Cultural Kilmarnock will be carefully considered as part of the tender evaluation process.

6.2.4 How will you engage with key suppliers to effectively manage their contracts so that they deliver your desired outcomes. What measures will you put in place to mitigate supplier/contractor risks and what controls will you implement to ensure they deliver on quality (1000 words)

*Applicants should set out what measures will be put in place to manage contractor / supplier risks. This should include due diligence, the checking of the financial and economic standing of suppliers, and effective contract / payment structures*

As outlined under our response to Parts 6.2.1 to 6.2.3 inclusive, East Ayrshire Council has formally tendered – using mini-competition - and appointed a professional team for the project using the fully OJEU compliant Crown Commercial Services (CCS) framework. A clear project brief was prepared which outlined the aims and objectives of the project, project scope, programme milestones and key considerations of the project. As part of the tendering process, due diligence was undertaken to ensure that suppliers could meet KPIs including delivering good Value for Money alongside a quality bid submission (reflecting on project track record and experience, etc). A comprehensive assessment of bids was undertaken to evaluate price and quality. Faithful+Gould were appointed as preferred supplier as they were able to provide the Most Economically Advantageous Tender (MEAT).

East Ayrshire Council has a formal engrossed appointment with Faithful+Gould using NEC3 Professional Services Contract Option A. The appointment defines the contract deliverables/scope/fee arrangements etc. Drawdown of the fee will be in full compliance with the mechanisms of the payment protocol embedded into the Professional Services Contract. As such, a clear invoicing schedule has been agreed with the professional team to ensure an effective payment structure which is triggered on completion of key milestones. Early Warning Notices and subsequent Compensation Events, if they occur, are administered in compliance with the payment mechanisms of the appointment. This ensures the financial commitment to our professional team is managed and known at all times.

Faithful+Gould has subsequent back-to-back contracts with their supply chain – the design team. Faithful+Gould manage their interactions with their supply chain using their bespoke supply chain management portal, “IAND”. “IAND” is a digital interface, streamlining workflows, driving efficiency into communications, and ensures prompt payment in full compliance with UK Government Prompt Payment Code - PPC – Small Business Commissioner an initiative Faithful+Gould has signed up to. The roles and responsibilities are defined in a Designers Responsibility Matrix which is effectively a RACI Matrix, and this is embedded into appointments to ensure there are no service quality issues. Faithful+Gould regular check the quality and financial standing of the supply chain using the “IAND” system, where non-compliance comes with a series of escalation and interventions to address issues with immediate effect.

In terms of the contractor procurement, the proposal is to implement an OJEU style notice with “Restricted” procedure, using Single Procurement Document (SPD) standard questionnaire as the prequalification to shortlist suitable contractors for the formal Invitation to Tender (ITT). The ITT will be thereafter initiated in full compliance with public sector procurement protocols. All will be administered using Public Contract Scotland procurement interface. Matters to be addressed throughout the procurement sequence includes:

- Pre-qualification based on prescriptive quality assurance requests (financial standing, appropriateness, experience etc).

- Prescriptive assessment process notified within SPD and ITT documentation, Assessment based on Quality and Price criteria.
- Competitively tendered to ensure Most Economically Advantageous Tender (MEAT) is achieved.
- Assessment undertaken by both EAC (“quality” envelope) and Faithful+Gould (“Commercial” envelope).
- Prescriptive consensus scoring and award process.
- Implementation of 10-day standstill prior to formalisation of appointment.
- Appointment of contractor using JCT (SBCC) formal contract and associated T&Cs.
- Contract selection will ensure management of sub-contracts incumbent on Main Contractor.

Matters to be address in Construction include:

- Progress of the Works managed in accordance with contract conditions with payment monthly in arrears, maximising cashflow and financial stability of the whole eco-chain.
- Regular project monitoring meeting, administration of the building contract by Faithful+Gould including programme review, key milestones, ongoing risk assessment, payment notices, information exchanges, contract certifications and notices etc. Astute management will reduce the potential for contractual disputes and adopt a collaborative culture.
- During the construction phase regular (monthly) progress meetings will take place between Faithful+Gould, East Ayrshire Council, the design team and Contractor and relevant sub-contractors. The Contractor will be expected to provide monthly progress reports and pictures, which will be reviewed and discussed at meetings, along with regularly updating and issuing their construction programme to reflect progress on site.
- Throughout the construction phase monthly valuations will be undertaken, led by Faithful+Gould’s Quantity Surveyors, whereby progress and materials on site will be assessed and valued, with interim payments being certified reflecting this. All payment procedures will be undertaken in accordance with the terms and conditions of the Contract. The Contractor will be expected to provide an updated cashflow on receipt of interim payment notices.
- A change control and Contract Instruction protocol will be introduced to monitor and assess proposed changes to the approved design/Employer’s Requirements. These can be raised by the Employer or the Contractor and will be reviewed by Faithful+Gould and East Ayrshire Council. It will be made clear that no change should proceed without a formal Contract Instruction.

### 6.3 - Management

6.3.1 - Applicants should set out clearly how they plan to deliver the bid (1000 words). The response should consider the following:

- Key milestones: The project plan needs to clearly identify the key capital build and construction phases and include the ‘stage gates’ that might be used to verify build and infrastructural works completed by any contractor/s. Timescales should be realistic and meet scheme requirements.

- Key dependencies and interfaces, resource requirements, task durations and contingencies.
- A description of roles and responsibilities of those involved in the project. Plans should identify the roles, responsibilities and resource for each activity – including a delineation of key responsibilities such as project management, finance etc.
- An understanding of the skills, capability, or capacity needed - some bids may require specialist skills. If specialist skills are required, they should be set out here.
- Arrangements for managing any delivery partners and the plan for benefits realisation.
- Engagement of developers/ occupiers (where needed).

The strategy and communication approach for managing stakeholders and considering their interests and influences.

Confirmation of any powers or consents needed, and statutory approvals e.g. planning permission and details of information of ownership or agreements of land/ assets needed to deliver the bid with evidence.

Please also list any powers / consents etc needed/ obtained, details of date acquired, challenge period (if applicable) and date of expiry of powers and conditions attached to them.

The approach to monitoring progress of the project including budget management. Stated benefits should be well defined and measurable as part of the monitoring and evaluation process. - Any other information to support the delivery approach.

Applicants are encouraged to submit a detailed delivery plan to support their response to this question. The delivery plan should be proportionate and realistic to the bid submitted and the timelines presented should be feasible, allowing sufficient time for each phase of the programme. Applicants are also encouraged to submit evidence of statutory consents/land acquisitions.

The following is a summary of the Delivery Plan (Appendix 6.2). It confirms the management approach to the Cultural Kilmarnock bid:

### **Key Milestones**

A detailed, realistic and achievable Master Programme has been prepared which sets out the key activities in the design, planning, procurement and delivery of the project. The programme shows the interdependencies between various activities, the critical path and the key milestones, which have been extracted in the following table for ease of reference:

Project Milestone	Date/s
Levelling Up Funding determination	September/October 2022 (TBC)
<b>Match Funding Bids - Determination</b>	
Historic Environment Scotland (HES)	May 2022 – Application submitted with final decision Autumn 2022

Heritage Lottery Funding (HLF)	July 2022 – August 2022 (Eol Stage), Stage 1 submitted October 2022, Stage 2 bid submitted April 2023, with final decision Summer 2023.
Vacant and Derelict Land Fund	June 2022 – Application submitted with final decision Autumn 2022
<b>RIBA stage 3 development (including Cost Plan)</b>	
29/09/22 – 22/03/23	
<b>Planning and Listed Building Consent Period</b>	
Planning and Listed Building Consent submitted	22/03/23
Planning/LBC determination period	23/03/23 – 14/06/23
Planning/LBC determination	14/06/23
Discharge pre-commencement conditions	planning 15/06/23 – 26/07/23
<b>Building Warrant Period</b>	
Building Warrant process commences	23/03/23
Building Warrant submission (Stage 1)	23/03/23 – 03/05/23
Building Warrant Determination	04/05/23 – 26/07/23
Building Warrant – next stages	08/02/24 – 01/05/24
<b>Technical Approvals</b>	
Scottish Water approval	18/05/23 – 09/08/23
Stopping Up Order	15/06/23 – 29/11/23
Traffic Regulation Order (TRO) - consultation	23/03/23 – 03/05/23
TRO process	15/06/23 – 29/11/23
<b>RIBA Stage 4 – Technical Design</b>	23/03/23 – 20/09/23
<b>Procurement of Contractor</b>	
Preparation of tender documents	27/07/23 – 20/09/23
Market Testing	21/09/23 – 13/12/23
Contract Award	14/12/23 – 07/02/24
<b>RIBA Stage 5 – Construction</b>	
Mobilisation	08/02/24 – 06/03/24
Construction start on site	07/03/24
Construction Completion	01/10/25
<b>LUF Round 2 – Funding Drawdown</b>	
All LUF monies to be incurred	31/03/25
<b>RIBA Stage 6 - Handover</b>	
Occupation	01/10/25
<b><u>Key dependencies and interfaces, resource requirements, task durations and contingencies</u></b>	

The key dependencies and critical path are highlighted within the appended Delivery Plan/ Programme. A key milestone is the determination of Levelling up Funding, which is expected around September/October 2022. If funding from Levelling Up Funding is not forthcoming the project will not proceed to RIBA Stage 3. The outcome of the LUF is a key gateway event.

Other key milestone dates are the outcome of the proposed match funding bids (HLF, HES and SVDLF) which are anticipated around Autumn 2022 (for HES and SVDLF) and by Summer 2023 (for HLF).

If funding is forthcoming, the detailed design will be worked up and planning application/ Listed Building Consent will be submitted in March 2023, with a duration of 12 weeks. Pre-commencement conditions will be sought to be minimised through providing the necessary detail as part of the original submission pack.

Following completion of RIBA Stage 4, a building warrant submission will be made.

#### Contractor Procurement process

The programme has been prepared with realistic timescales for all the activities and logic linked in order to show the critical path through the project. Where activities don't sit on the critical path, then these will have an element of contingency within the activity. The management of the programme and the delivery of the critical path activities will be a key role for the Project Manager on the project.

Sufficient contingency has been built into the programme to allow for some slippage. In any event, the programme will continue to be reviewed and assessed as the project moves through the detailed design process and through to construction.

#### **Roles and responsibilities**

East Ayrshire Council have a full team engaged on the project and internal resource has been allocated (as per governance structure/ organogram previously shown). EAC has appointed Colin Watson as Project Manager with EAC dedicated support from key Council officers - Simon Bell and Alastair Kidd. EALT will be led by Anneke Freel as Project Lead, with support from key members of the Palace Theatre and Grand Hall staff (as per Appendix 3.2).

EAC has adequate financial assurance systems in place, which includes monitoring as per the Council's existing Capital Programme arrangements. Regular progress meetings will be held which will include updates on costing to review delivery against pre-agreed KPIs.

Key roles and responsibilities for each activity are noted as follows:

- **RIBA Stage 3** – Professional project team (Keppie, F & G, Wardell Armstrong, Struer) reporting into EAC Project Manager and EAL Project Lead.
- **Technical approvals** – EAC/ EAL Project Manager with support from F+G
- **Contractor procurement** – EAC Project Manager with support from F+G
- **Construction** – Appointed contractor and novated design team, reporting into EAC's Employer's Agent (F & G), EAC Project Manager and EAL Project Lead

### **Skills and Capacity Required**

To deliver a successful project and realise the vision of the Cultural Kilmarnock project, it has been necessary to appoint a specialist professional team of experts. As previously noted, a request for tender was made and various multi-disciplinary teams responded who had the capacity, skills and expertise to progress the design development to RIBA Stage 2. It is considered that there are no specific gaps in the project team to successfully take the project forward to delivery as the current professional team will be retained, save for the exception of an experienced contractor, the procurement of which will be led by F + G and EAC.

Bids were invited through the Crown Commercial Services Framework,

Qualitative and Quantitative Assessment was :

Approach to supply chain – 10%

Approach to Service Delivery - 30%

Mobilisation & Management of personnel in timescales required – 25%

Price - 35%

Tender and Plan (if bid successful) would be to retain the Multidisciplinary Team through to the completion of the projects.

### **Arrangements for managing any delivery partners and the plan for benefits realisation**

The Council will retain the overall governance of the project and ultimately be responsible for managing the professional team and contractor, once appointed. EAC will however be supported by a dedicated professional team which will continue to include Faithful & Gould as client-side Project Manager/ Employer's Agent for the duration of the works.

A key part of the management arrangements will be to ensure regular project progress meetings take place to monitor the delivery of the project, reviewing key milestones, outputs, outcomes and wider benefits of the project against the contractual commitments of the LUF project.

### **Strategy and communication approach for managing stakeholders**

Through the development of the initial design work and the preparation of the funding submission, the key stakeholders in the project have been identified and fully engaged. These stakeholders will be continued to be engaged with through the design development, planning and construction phases, to ensure the final products meet with their expectations and requirements.

This continued engagement with the stakeholders will include formal meetings, design presentations during and at the end of design stages, sign off to design reports and budgets and the regular inspection of the works as they progress.

A structured Stakeholder Engagement plan will be developed, mapping out the above engagement in more detail.

**Confirmation of any powers or consents needed, and statutory approvals**

The following statutory approvals are required to take the Cultural Kilmarnock project through to a successful completion:

- Full Planning Permission
- Listed Building Consent
- Building Warrant
- Scottish Water Technical Approvals
- Stopping up Orders

**Project Monitoring/ Budget Control**

Details of project monitoring are set out in the response to Question 6.4.1 and there is an overarching Project Monitoring Plan in place for the project. There are regular project progress meetings in place to manage the budget, contractor performance, programme milestones, consideration of risks and change control orders and this will all be managed by the overarching Project Manager – Colin Watson with support from Faithful+Gould.

6.3b – Confirmation of Delivery Plan

6.3.2 – Confirmation of ability to demonstrate beginning of delivery on the ground in 2022-23	Yes
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6.3.3 – Risk Assessment (500 words excl. Risk Register)

- Barriers/level of risk to delivery;
- Risk management and mitigation;
- Roles/responsibilities relating to risk.

Separate risk register to be prepared (see Appendix)

The key risks for the project have been articulated within the appended Risk Register (Appendix 6.4). The primary risks to the project can be summarised as follows:

- Design risks – reflecting on topographical and constraint information (e.g. utilities) once known
- Costs – including increasing inflationary pressures.

- Funding Strategy and match funding – ensuring that match funding for the project has been secured.
- Planning and statutory consents (including stopping up order), and listed building consent.

Clear roles have been articulated to confirm who will be responsible for managing and mitigating the risks as set out within the Risk Register.

#### Budget/cost risks

This risk category addresses all potential finance-related risks that have been considered relevant to the project. This includes, but is not limited to, considerations for increasing inflationary pressures, cost over-runs, spend profiles, unforeseen structural conditions, statutory consent costs, applicable VAT rates and the impact of COVID-19. The Risk Register allocates ownership of cost risks, for the most part, to East Ayrshire Council, with a handful of risks allocated to all parties and one to the design team. The Risk Register also outlines a treatment plan for each identified risk, with regular/ongoing reviews, Quantity Surveyor engagement, accurate survey information and regular lines of communication being at the forefront.

#### Consent risk

This category outlines the potential risks associated with not meeting local planning requirements and gaining Listed Building Consent, as the design proposals currently include a new foyer and back of house extension to the Palace Theatre and Grand Hall. The responsibility of these risks lies with East Ayrshire Council and treatment/mitigation measures prescribe early engagement with planning and Historic Environment Scotland (HES) during the design process, and consultations with Ayrshire Roads Alliance (ARA).

#### Construction risk

The construction risk category considers all potential matters that could occur throughout the construction phase, including, but not limited to, environmental impacts (dust, noise, vibration), access, egress and boundaries for the site, existing service connections (known and unknown), ground conditions, demolition and down-takings, fire strategies and invasive plant species. The majority of these risks lie with the design team, with input from East Ayrshire Council and the appointed Contractor. Treatment options for this category include ensuring that best practice standards are met and worked to, ongoing Health & Safety reviews and inspections, and the appointed Contractor having measures in place to mitigate this type of risk.

#### Community engagement risk

This risk category considered the possibility that the design proposals do not meet with community expectations, despite community engagement sessions and surveys being undertaken throughout the design process. East Ayrshire Council take ownership of this risk and mitigation strategies include continuing engagement with the local community in various forms (online and in-person) to help establish and meet the needs and desires of the community and also feed into meeting the community benefit aspect of the project.

#### Programme risk

This category addresses programme risks that have been considered relevant at this time. The impacts of the war in Ukraine are being felt throughout the construction industry, with sanctions against Russia and a lack of Russian and Ukrainian-made materials causing longer lead-in times for the likes of steel, glass and concrete materials, which could ultimately have an impact on the programme for the Cultural Kilmarnock project. Covid-19 is still impacting materials and resourcing, with staff absences and labour shortages potentially impacting aspects of the project. East Ayrshire Council are the owners of these risks, with mitigation/treatment measures being prescribed through ongoing monitoring of the impacts of the points outlined above on the industry, design specification alterations being made if necessary and adequate contingency being in place to mitigate resourcing and material shortages.

Please refer to the Risk Register in Appendix 6.4 for further information.

6.3.4 – Please provide details of your core project team and provide evidence of their track record and experience of delivering schemes of this nature.

Please explain if you are intending to sub-contract any of this work or if a third party is managing the project and not the organisation applying. (750 words)

EAC has an ambitious Capital Investment Programme giving a long-term investment of over £1.220 billion. The Council has a strong track record of delivering a wide range of project types, with values up to £68m, across a variety of sectors including:

- Learning Estate,
- Business Growth,
- Corporate Estate,
- Culture and Community,
- Roads Infrastructure,
- Housing and
- Wellbeing

A relevant example includes the redevelopment of Dean Castle Country Park and the modernisation of Dean Castle. The vision for the project was to create a 5 star visitor attraction, helping to maximise opportunities for visitors to participate in, appreciate and value their local heritage.

The project included renovation and extension of visitor facilities, enhance green network and the restoration of the 14<sup>th</sup> Century Dean Castle with associated learning and apprentice opportunities. Costs are anticipated to be in the region of £12.000m

The Council employs a multi-disciplinary in-house team of professionals who manage the core of the Council's projects. These services are augmented, as required, by external consultants procured from a range of frameworks or by competitive tender to provide appropriate skills and experience for specific projects. Robust project management arrangements are employed using Prince 2 methodology.

Projects are developed through the lens of Recovery and Renewal to ensure they deliver investment to the construction industry and local economies whilst providing new and improved community facilities. The Programme continues to adapt to the changing priorities of Recovery and Renewal to ensure that communities remain at the heart of everything that we do.

The Council has experience in acquiring and operating assets and operating services. It has invested heavily across the borough and has subsequently invested in important asset and property management initiatives. The Council delivers a wide range of services to its residents and has a net revenue budget of £370.656m. The Council has had a very strong record of being well managed and has delivered significant savings in order to address the well-publicised funding challenges for local government. Over the period 2018/19 to 2022/23 the Council has made gross savings of £36.624m.

The Council has financial and investment strength. It is in a strong financial position and has a proven track record of using its financial standing to invest in the delivery of key regeneration projects. It has net assets totalling £233.584 million, and £97.245 million of usable reserves. The Council actively uses its financial strength to invest in the Borough in order to deliver or facilitate major regenerative change. In total, the Council has invested £582.691 million in the past 10 years on capital projects and has budgeted a further £519.084m million over the next 10 years.

6.3.5 – Please set out what governance procedures will be put in place to manage the grant and project.

We will require Chief Financial Officer confirmation that adequate assurance systems will be in place.

Joseph McLachlan, Chief Finance Officer and Head of Finance and ICT has confirmed “*that adequate assurance systems are in place, with the operational expertise on the delivery element resting within Facilities & property Management colleagues and that monitoring arrangements are contained within the Council's Capital Programme Arrangements and that these would be applied to the project.*”  
(27<sup>th</sup> June 2022)

To illustrate the Governance Structure in place for projects the attached is included.

Project / Day-to Day:

The requirements of the project delivery team will be that regular progress meetings at no longer than monthly intervals, will be held to record and monitor the progress of projects, as part of this reporting the QS team will prepare Cost Reports. Risk Registers will be reviewed and Contractors will be expected to prepare and present progress reports high-lighting Health and Safety and Performance against agreed programmes. Clerk of Works will be appointed to ensure (along with the Project CA and PM) that the quality and design intent are delivered by the appointed contractors.

These progress reports will be distributed to the Programme Board for their regular update, and if projects appear to be exceeding for example, budget provisions (as allowed within the Financial Regulations and Accounting Policy Bulletins), then they will be escalated through the East Ayrshire Performs reporting cycle. If the scale of any increase is of such a magnitude, that it requires a separate notification, the option is there for the Project Team to prepare and report to other Council Committee's with the agreement of the Chief Governance Officer and Chief Financial Officers.

To ensure that this investment continues to make a significant contribution aligning with the above objectives, clear and robust arrangements for governance have been established.

- The ten year capital programme is updated annually and reported to Cabinet as part of the annual budget process.
- Progress and project management focusing on budget, performance along with key highlight reports of issues and successes are reported to Cabinet as part of the East Ayrshire Performs reporting cycle, 4 times per year. This is also presented to the Governance and Scrutiny Committee.
- The Council has adopted the principles of PRINCE2 project management and operates a project based approach with responsibility, coordination and decision making through the establishment of project boards and wider programme board structures.
- Each project board will record actions, decisions and key milestone progress through highlight reports and/or minutes, which will form the basis of higher level reporting.

There are several Committee's / Programme Boards for referral of issues, that could affect projects, and depending on the timings and severity of any issues that may arise, the reporting could be taken to the following:

Strategic Oversight Group: Chaired by the Chief Executive, the Group meets six weekly with membership including the Depute Chief Executive and Chief Financial Officer. The Group provides strategic oversight and direction for the Council's Capital Investment Programme.

Asset Investment Group: Chaired by the Head of Facilities and Property Management, with membership comprising Chairs of programme boards and Heads of Service, the Group meets bi-annually in line with Capital Programme and Property Management Plan reporting cycles. The Group's remit is to consider, assess, prioritise and co-ordinate future investment requirements prior to submission to Cabinet, ensuring a consistent and coherent link to the Asset Management Framework, with a focus on further integration, new funding opportunities, service proposals and revenue/resource implications.

Economic Development Programme Board: Chaired by the Head of Economic Growth, the Board co-ordinates a number of economically strategic projects being developed including projects aligned with the Ayrshire Growth Deal and town centre regeneration.

EA Leisure Trust Programme Board: Chaired jointly by the Head of Facilities and Property Management and the Chief Officer EA Leisure Trust, the Board monitors a range of projects linked to the Leisure Trust including Dean Park, Galston Office/Library and Palace Theatre.

East Ayrshire Council also have a Governance and Scrutiny Committee, which is held on a monthly cycle and is attended by Elected Members, Chief Governance Officer, Chief Auditor, Chief Finance Officer and Heads of Services. This committee monitors the award of tenders, and the compliance of projects and officers within the Councils Standing orders and Financial Regulations, appointing as necessary either internal or external auditors to review projects.

6.3.6 If applicable, please explain how you will cover the operational costs for the day-to-day management of the new asset / facility once it is complete to ensure project benefits are realised. You should also consider any ongoing maintenance and servicing costs. Please note that these costs are not covered by the LUF grant.

*Assets/facilities should provide value and be (financially) sustainable. Applicants should set out how they will cover the operational costs for the day-to-day management of the new asset/facility once it is complete to ensure project benefits are realised. Applicants should also consider any ongoing maintenance and servicing costs. Examples of operational costs: utilities, systems, maintenance and repairs, staff & labour, administrative expenses etc. Please note that these costs are not covered by the LUF grant. For cultural bids that will require an organisation, local authority or other body to operate the resultant asset/ facility, please explain how that organisation will manage the asset/ facility in a long-term sustainable way to deliver value in line with those aims set out in the Case for Investment. Where this applies, applicants will need to set out details of: - A high-level description of the cultural and broader value being delivered (sometimes called "a Cultural Mission Statement" or similar)*

- A description of how people/audience groups will be encouraged to engage with the new asset over time (sometimes called an Audience Engagement Plan, or similar) with a particular focus on people with typically lower engagement levels.

- High-level activity plans

- Financial modelling (including Income and Expenditure budgets with explanation of income sources, any need for revenue funding/ fund-raising/development and strategies for achieving these)

For significant cultural bids including those with a complex operational model you may wish to upload more information via a short additional attachment if you cannot supply everything within this word limit.

#### How operational costs for the day-to-day management and running of the Palace Theatre and Grand Hall will be covered

The Palace Theatre, Grand Hall and the Dick Institute will continue to be managed by East Ayrshire Leisure on behalf of East Ayrshire Council. The preferred option is to continue to manage the facility in-house. In terms of the enhanced Cultural Park and public realm, East Ayrshire Council's Greener Communities will be responsible for the management and maintenance of this element.

The projections made within the appended Business Plan (Appendix x) suggest that the Palace Theatre, Grand Hall and the Dick Institute will be able to operate with its current level of subsidy, whilst expanding its reach. This assumes that the full capital costs are met with grant support and income is slowly increased for each year of operation. East Ayrshire Leisure will operate the full facilities with elements being leased to third party organisations or businesses when and if appropriate.

A full breakdown of revenue projections over 2025/2035 is set out within the Business Plan (Appendix 6.5).

#### A high-level description of the cultural and broader value being delivered (sometimes called "a Cultural Mission Statement" or similar)

The overarching vision for the Cultural Park is "to be a destination venue with a focus on continuous improvement, delivering inclusive, sustainable, accessible and ambitious programmes to enable our communities and visitors to live their best life".

The project has 5 main aims which collectively form part of the overall Cultural Kilmarnock project and the contribution towards achieving the vision:

**Aim 1: To reimagine the Palace Theatre and Grand Hall and create a regional venue for indoor performance across the arts, which is accessible, inclusive and respectful of the past whilst contemporary in design, encouraging greater appreciation of our local heritage**

This aim will comprise extensive refurbishment including new back and front of house provision, modernising and improving accessibility in customer and performer areas (DDA compliant), improved amenity offer (new café bar) and creation of a new shared foyer/entrance to create a more positive visitor experience. The new entrance will also provide greater prominence for the building, given it provides an important gateway to Kilmarnock Town Centre. The proposals will maximise the efficiencies of the building, creating flexibility to host a wider range of events and attract key touring companies including local and national theatre, music and performance companies, as well as provide the opportunity to deliver added social value and benefits, including the establishment of a new youth theatre company.

**Aim 2: To create a new Cultural Park which will connect the key heritage assets to the east of Kilmarnock Town Centre with a high-quality greenspace and green corridors that will provide opportunities for community events, performance and spaces to ‘dwell’ whilst being sympathetic to the designed landscape and maximising opportunities for biodiversity.**

This aim will include extensive public realm improvements to create an enhanced parkland setting which will maximise the links between the Palace Theatre and Kilmarnock Water with the addition of a new pedestrian bridge. It will create a reimagined parkland area, which celebrates the Kilmarnock Water, a key asset within the town. New amenity space will be provided including the opportunity for outdoor performance space, creation of natural amphitheatre (having a seating capacity of up to 150 people) and a new pop-up café.

Together with the proposals for the rear of the Palace Theatre, the Cultural Park will include 10,500 sqm of new or enhanced public realm, which will include an improved setting for the Dick Institute. A new canopy will be installed within the Cultural Park, which will provide the opportunity for event and external performance space, allowing Kilmarnock to broaden its offer of events and festivals. The public realm will include new lighting features, interpretation, public art and way-finding to add to its sense of place.

**Aim 3: To provide connectivity to the Kilmarnock Town Centre that will ensure that Cultural Kilmarnock will be fully embedded in the strategy and regeneration of the town.**

Cultural Kilmarnock is just 300m away from the heart of the town centre but is segregated by dominating highway infrastructure (Sturrock Street – A735) and a poorly lit, with a unpleasant underpass providing the only link from the Theatre into the town centre. The project includes for the removal of the underpass and replacement with a future ‘at grade’ crossing. This creates an improved gateway to Kilmarnock town centre.

**Aim 4: To Implement a new green and active travel corridor that will provide opportunities for biodiversity and will also contribute to the reduction of vehicular access and community wellbeing as outlined in the East Ayrshire Climate Change Strategy and aspirations for net zero 2030.**

The creation and implementation of a wayfinding strategy within the heart of the Cultural Park will provide connections into the proposed Infinity Loop. The Infinity Loop is a 26 mile loop allowing cultural venues to be connected together along with community facilities, sports and leisure assets, creating better active travel links to the north and east of the site, including Kilmarnock town centre.

**Aim 5: To align Cultural Kilmarnock with a Cultural Asset trail for the town centre that will highlight and celebrate the key heritage assets throughout the town that will encourage greater appreciation and involvement in our local history.**

This aim will work with local stakeholders and young people to link the benefits of the enhanced Cultural Park to the wider cultural and heritage offering within the town centre including the White Tiled building, the Civic Centres, the Railway Heritage Village, and the former Grange Church which now provides a leisure offer - Above Adventure., Ayrshire Arts Academy and ultimately to the Dean Castle.

How people/audience groups will be encouraged to engage with the new asset over time (sometimes called an Audience Engagement Plan, or similar) with a particular focus on people with typically lower engagement levels.

It is anticipated that Cultural Kilmarnock will attract a greater diversity of market segments than it currently does. Families are and will continue to be a core audience. The Palace Theatre, Grand Hall, Dick Institute and the new public realm spaces will have enough critical mass of activities to attract families with older children and will also provide a safe, clean and welcoming environment that will appeal to younger families. In addition, it will also have considerable appeal to an older audience, especially the 'baby boomer' generation that constitutes the increasingly large and important 'empty nester' demographic segment; providing a heady mix of performing arts, festivals, culture, heritage and good food and drink. Bringing these visitor groups together presents the Cultural Kilmarnock project with a significant audience development opportunity for the future. Only about a third of households nationally have children in them and this is declining. The older market by contrast is both growing and has a higher level of discretionary spend.

It is also likely that the project will continue to attract a large proportion of local people who use the theatre, concert hall, museum and library. Local people also use the open spaces for walking or just getting some fresh air. The area from which these local people are attracted will be widened by the diverse and innovative programme of activities on offer. This range of visitors will make Cultural Kilmarnock a natural, social, cultural and recreational hub and will have an important impact in terms of secondary spend in the area.

Cultural Kilmarnock is well situated to attract a relatively large potential audience. Situated in the heart of Kilmarnock, there are over 60,000 people within 3 miles of the area. It is also within 24 miles from Glasgow and 70 miles from Edinburgh with excellent transport links to the entire Central Belt and the Ayrshire Coast.

The primary audience reach is East Ayrshire, with a population of 121,840. The secondary audience reach is from the neighbouring authorities of North and South Ayrshire. There is already a significant proportion within the existing audience profile from these areas and so it would be appropriate to exploit this audience base further. The population of North and South Ayrshire combined is 246,390.

The tertiary audience reach extends to the north of Glasgow, Paisley and the main towns of East Renfrewshire, South Lanarkshire and Dumfries and Galloway, with an estimated population of over 2.2 million. Cultural is within easy commuting distance from these areas, although signage from the west and east is relatively poor. The audience reach could be extended to include people who live within a 60 – 90 minute drive. This would include Edinburgh, Dumfries and everything in between. This makes Cultural Kilmarnock within commuting distance for two thirds of the Scottish Population. Beyond a 90 minute drive, allows us to attract visitors from England and the North of Scotland. There are likely to be additional markets that can be attracted from these areas, particularly if we can focus some marketing around the M74 and M6 which provides the main transport links between Scotland and England. The improvement in the road network in recent years provides excellent opportunities to attract audiences who will make the connections from further afield than 90 minutes for a high quality experience.

#### High-level Activity Plan/Programme

As set out in the Business Plan, a key element of the Cultural Kilmarnock project is the associated and complementary programme of activities that has been prepared and considered to ensure the local community fully engage with and benefit from the project. The associated community outreach programme will continue to be shaped and developed as the project progresses, but some key highlights are as follows:

- An access audit has been carried out and the proposals include access for all abilities, ensuring equalities for all. This will extend to events and programming.
- There is a sufficient budget for marketing built into this project with high profile events and publicity throughout the development and delivery stages. There are key links between using this project to positively change the perceptions of Kilmarnock from both a visitor, investor and community perspective.
- East Ayrshire Leisure will review the existing education programme for the site and extend it to incorporate all aspects of the heritage linked directly to the Curriculum for Excellence. As well as supporting the formal education programme, the project will link with Ayrshire College to support skills development and work experience associated with further education curriculums associated with hospitality, performing arts, event management and tourism. This will provide students with placements that will enhance their job opportunities
- Through volunteering, apprenticeships and placements, East Ayrshire will contribute to the growth of creative industries within the local area by providing local people with opportunities for skills development
- East Ayrshire Leisure plan to make the on-line presence of its facilities much stronger and to make this the main conduit for information about Cultural Kilmarnock.

- The style of the visitor attraction, its ambience and the quality of the facilities on offer will all be intended to give the project appeal to a broad audience. The diverse heritage on the site is likely to be attractive to a variety of socio economic groups. Shows, festivals, exhibitions and activities will either be free or based on an affordable model of charging.

#### Financial modelling

Revenue projections have been prepared as set out in the appended Business Plan for the Cultural Kilmarnock project (Appendix 6.5).

### **Monitoring and evaluation**

6.4.1 Monitoring and Evaluation Plan: Proportionate plans including:

- Bid level M&E objectives and research questions;
- Key metrics covering inputs, outputs, outcomes and impacts, informed by bid objectives and Theory of Change (Tables E – Delivery milestones and F – Bid monitoring and evaluation (metrics, data sources, data collection regarding inputs, outputs, outcomes and impacts and beneficiaries)
- Resourcing and governance arrangements for M&E.

(1000 words)

DLUHC will lead on programme level evaluation in terms of the wider Levelling-Up Programme. East Ayrshire Council (EAC) and East Ayrshire Leisure Trust (EALT) will take a lead on project-specific monitoring and evaluation. It is important to establish the success of the project through ensuring that a thorough baseline is in place, and then, an assessment of the progression against key outputs, outcomes and longer-term impacts is monitored against.,

Some data sets are already in place and have been used to inform the strategic and economic case sections of this bid. Further analysis and baseline studies will however be required to ensure a robust framework from which to successfully monitor project outputs and outcomes. The collection of baseline data is time sensitive and EAC will ensure that data is collected prior to the project starting to enable the impact of the project to be estimated upon its completion.

Further baseline work will be used to collate the following:

- More detailed assessment of existing Carbon outputs of the Palace Theatre and Grand Hall (beyond the current feasibility stage).
- Footfall counters to establish wider footfall within Kilmarnock Town Centre and where possible, within the Cultural Kilmarnock area specifically.
- Updated vacancy/GOAD mapping to show vibrancy/ vitality within Kilmarnock Town Centre
- Data on transportation modes – travel to Palace Theatre and Grand Hall
- Visitor numbers for Palace Theatre and Grand Hall
- Ticket sales/ wider revenue for Palace Theatre and Grand Hall
- Anti-social behaviour/ local crime statistics for the area in and around Cultural Kilmarnock
- Existing perceptions from visitors/community/businesses through undertaking perception surveys.
- Health and wellbeing data in terms of engaging with culture and heritage.
- Qualitative and impact assessments of programmes and activities

- Impact assessments for volunteering, apprenticeships and placements

Places will need to collect data on inputs, activities, outcomes and outputs. We will require preliminary information to be provided ahead of inception meetings taking place. Subsequent quarterly reporting will primarily focus on project expenditure, project progress, project changes and stakeholder engagement. Every 6 months, places will also have to report on outputs and outcomes. This includes several mandatory indicators and a selection of indicators which the applicant will decide based on the project mix. All of this should be built into the applicant's project management activities.

The project will be underpinned by key performance targets that will be monitored and reported at identified timescales to East Ayrshire Council and East Ayrshire Leisure Trust Board. EAC and EAL will ensure the timely collection and reporting of key data sets through our existing project and programme-level monitoring processes as well as qualitative evaluation to monitor the impact of the project. Qualitative evaluation is implemented through a recognised organisational learning process. An organisational Learning Action Plan will be developed on a quarterly basis. Evaluation techniques will be dependent on the measurement and information that is being gathered and may include:

- Staff satisfaction surveys
- Customer satisfaction surveys
- Impact Monitoring Surveys
- Business Case Development
- Business Development Action Plans
- Feedback Systems
- Business Development Surveys
- Website and social media engagement
- VisitScotland Assessment and Accreditation
- Mystery Shopping
- Unannounced visits

- What you want to achieve through your project-level M&E, e.g., what are the key learning questions that you want to answer?

The success of the Cultural Kilmarnock project will be measured against the following key questions:

- An increase in visitors year on year (including Key events/ programmes) across the Cultural Kilmarnock area.
- The extent to which the refurbishment and improvements to the Palace Theatre and Grand Hall have a positive impact on the external perceptions of the place- specifically how this project will help to leverage in external and additional investment, above and beyond LUF monies, both into the cultural venues but also investment into the wider town centre.
- The impact on community wellbeing – both in terms of greater outreach and engagement with culture but also in terms of helping to support and upskill the local community through addressing local unemployment levels.
- Ensuring the long-term sustainability of a key cultural venue within Kilmarnock and East Ayrshire.

- The proportion of visitors/ audience members who travel by more sustainable/ active travel modes
- The growth of creative industries and the cultural sector in the area
- An increase in employment opportunities
- A reduction in crime and anti-social behaviour
  
- Your overall approach to M&E, e.g., do you intend to undertake process, impact and/or value for money evaluations covering all projects?

The Cultural Kilmarnock project is a single project but covers different components/ elements, including the refurbishment and extension of the Palace Theatre and Grand Hall, but also the enhanced and new public realm and better active travel links through the new parkland setting. The approach therefore to M & E will be a project-wide approach. EAC/EAL will have monthly meetings to discuss progress against key outputs. The immediate focus will be on ensuring LUF investment is incurred within the programme timescales, by longer-term, post re-opening of the venue, it will be key to continue monitoring the success of the project. This will be done through impact and qualitative assessments and will be led by East Ayrshire Leisure. This will be reported to East Ayrshire Council and to East Ayrshire Leisure Board on a quarterly basis through the existing Pentana system of outcome monitoring . East Ayrshire Leisure will provide a full progress, monitoring and evaluation report to East Ayrshire Council on an annual basis.

- What will be the key deliverables (e.g., interim and final reports) and how will these be used and disseminated?

Quarterly progress reports will be produced throughout the project implementation and delivery and will continue for 10 years post construction. These will provide updates on key outcomes, outputs and targets. These reports will be used to provide updates to external funders and to EAC/EALT.

- The data that you will need, or want, to collect for both the programme- and project-level M&E, referring to your theory of change to identify key inputs, activities, outputs, outcomes, and impacts. It would be particularly useful if you're able to identify any local data sources that could complement national data sources relating to outcomes and impacts. It would also be useful to understand how you plan to collect baseline data in a timely manner.

Baseline data required is identified above. As the project progresses, and particularly when the new and updated Palace Theatre and Grand Hall re-opens it will be important to review, monitor and establish the following:

- Visitor numbers
- Socio-demographic reach/ diversity of audience
- Travel to venue data/ postcode information to fully explore audience 'reach'
- Modal data (travel to venues)
- Footfall
- Dwell-time
- Spend per visitor (within venues, town centre spend, during key events)
- Impact on local unemployment rates

<ul style="list-style-type: none"> <li>○ Impact on anti-social behaviour/ localised crime rates</li> <li>○ Level of community aspirations (e.g. success of Youth Theatre/ Young Company)</li> </ul> <p>How you plan to collect baseline data in a timely manner</p> <ul style="list-style-type: none"> <li>- How you will resource both the monitoring and evaluation elements, e.g., who will collect the data? Who will undertake the evaluation activities?</li> <li>- What processes will you put in place to ensure data collection is both timely and accurate, e.g., what evidence will you collect to support the data reported?</li> </ul>
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<b>Appendices</b>	
Table A1 Methodology Note	
Table A2 Economic Benefits	to fill out based on 2022 values.
Table A3 Benefits Calc	to fill out based on 2022 values.
Table A4 Economic Costs	to fill out based on 2022 values.
Table A5 Costs Calculation	F & G
Table A6 Value for Money	to fill out based on 2022 values.
Table B PI Funding Profile	to fill out based on 2022 values.
Table C PI Costing estimates	F & G

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Table D PI Delivery milestones	CBRE to complete and for client/ team review
Table E Bid Monitoring and Evaluation	Populated as per workbook