

South Ayrshire Council

**Report by Director - Place
to Cabinet
of 30 August 2022**

**Subject: Ayrshire Growth Deal Aerospace and Space
Programme - Update**

1. Purpose

1.1 The purpose of this report is to provide an update on the South Ayrshire Council portfolio of projects (Aerospace and Space) within the Ayrshire Growth Deal (AGD).

2. Recommendation

2.1 It is recommended that the Cabinet:

2.1.1 notes progress of the Aerospace and Space projects within the Ayrshire Growth Deal;

2.1.2 notes the next steps in the development of the programme;

2.1.3 agrees that officers seek to agree Heads of Terms to acquire development land as is required for the spaceport infrastructure and bring forward reports on this to Cabinet as required;

2.1.4 notes the financial plan, risks and the impact on the Council until remaining full business cases are approved; and

2.1.5 requests that an update be provided to the Cabinet in 6 months

3. Background

3.1 The AGD Aerospace and Space portfolio of projects will seek to deliver the transformational change required to enable the Prestwick Aerospace and Space Cluster and its business base to continue to lead for the UK and Scotland on the world stage as aerospace and space enter a new industrial life cycle. The Ayrshire Councils signed deal documents with UK and Scottish Governments on 19 November 2020 for the delivery of the Ayrshire Growth Deal with total funding for the Aerospace and Space Programme of £80million. £32 million will be invested by the UK Government, £30 million by the Scottish Government and £18 million from South Ayrshire Council. The aerospace and space programme is a portfolio of four interconnected investment interventions that will enable Prestwick and Ayrshire to exploit the identified growth opportunity, resulting in a step change in the economy at a local and national level.

3.2 These projects are:

- Spaceport Infrastructure which will establish technically feasible and financially viable space launch services from Glasgow Prestwick Airport (GPA).
- The Aerospace and Space Technology Applications Centre (ASTAC), incorporating Skypath services - The design, development, build and fit-out of an in-situ 'innovation' centre to enable the delivery and manufacture of new flight products in Scotland. These will provide a focus on the supply chain for the aerospace sector; vertical and horizontal launch platforms; satellite and other payloads; and both academic and industrial research and development.
- Prestwick Commercial Build - Creation of additional high quality, secure landside and airside commercial factory, hangarage and office space. This will meet projected future growth in the aerospace; maintenance, repair and overhaul (MRO); aircraft decommissioning and new space markets. Accommodation will be built to 'Factory of the Future' and low carbon standards. A separate paper is presented to Cabinet regarding this project.
- Prestwick Transport Infrastructure to create an effective network of internal roads to enable the creation of high specification industrial and office spaces, while supporting our sustainable transport aims.

3.3 These four projects demonstrate several interdependencies across the Prestwick Aerospace and Space Programme and the regional projects of Digital and Community Wealth Building which will be carefully monitored and managed throughout the lifespan of the Ayrshire Growth Deal. The projects are designed to be mutually reinforcing with the aim of pursuing opportunities in high value manufacturing, innovation, inclusive growth, employability and skills development for the people of Ayrshire.

3.4 These interventions are designed to complement and amplify one another with the benefits for Ayrshire increased by cluster building and the opportunities the combined projects create as a cohesive programme.

3.5 Outline Business Cases (OBC) were submitted for three of these projects at the end of 2021. The OBCs for ASTAC and the Spaceport are currently still awaiting approval following recent revisions at the UK and Scottish Governments request.

3.6 The OBC for the roads project is under development and requires further confirmation from Transport Scotland on appraisal methodology and traffic numbers prior to submission. This work is progressing albeit slowly. It is anticipated that the OBC will be submitted for approval during the last quarter of 2022.

3.7 The OBC for the Prestwick Commercial build has been approved with variations as reported to Council in June 2022. The Full Business Case (FBC) has been drafted, ready for submission to the Ayrshire Economic Joint Committee for approval, subject to approval at this meeting of Cabinet.

4. Proposals

4.1 Members are asked to note the progress made in each project since the last report to members on 15 February 2022. Appendix 1 provides an overview of each of the projects including the financial commitments of all parties and the project expenditure to date. Notable highlights include:

4.1.1 **Commercial build** – Following approval of the Outline Business Case for the Prestwick Commercial Build project the Full Business Case is being presented for approval by Cabinet in a separate confidential report and will then be presented to Ayrshire Economic Joint Committee for approval. This milestone represents significant progress and strengthens the case for the other projects within the Prestwick AGD programme. Approval of this project will not only allow near-term opportunities for inward and secondary investors to be realised but may also generate revenue that may be reinvested in developing more commercial space, and to fund other economic development activities.

4.1.2 **Spaceport** - South Ayrshire Council attended the recent Farnborough International Airshow in July 2022 where commercial partner Astraius announced their rocket manufacturing partners. Astraius confirmed that they are on-track for first launch in Spring 2024. The UK based launch service provider announced two key suppliers for the firm's launch solution — Northrop Grumman has been selected as the first and second stage motor supplier and Exquadrum will provide the upper-stage motor. Both of these companies are established launch vehicle manufacturers. The announcement received the support of the UK Space Agency

4.1.3 The announcement of the partnership between Exquadrum and Astraius has necessitated a change in fuel type and, by extension, some variations to the design requirements for the site. These changes have been fully examined by QinetiQ, safety expert consultants. QinetiQ have advised that it is their opinion that there is no change to the risk status of the site, we currently await official confirmation of this from the HSE. There is a risk the HSE will require additional measures and changes to the concept of operations prior to issuing a license. If this were to be the case, the implications will be assessed and, if necessary, the proposal developed to satisfy the HSE.

4.1.4 The siting and sizing of the spaceport infrastructure has been carefully designed and is informed by the feasibility work undertaken during Riba stage 2. The optimum site is located to the south-east of the second runway. Negotiations continue with current landowners to acquire the development land for the confirmed spaceport site. In the event that an agreement cannot be reached, then the Council will require to proceed with a Compulsory Purchase Order (CPO) to obtain the land for the Spaceport Infrastructure and this will be the subject of further reports to Council as required. The CPO will take a period of approximately 12 to 18 months from the case being submitted to the Scottish Government for approval.

4.1.5/

- 4.1.5 Good progress has been made to prepare for the Riba stage 3 Gate review. A comprehensive list of criteria has been prepared and it is anticipated that the formal gate review can be conducted by the Steering Group at the end of September prior to a report being brought thereafter for approval by Cabinet. This would be a major milestone for the project and enables the team to confirm detailed project cost and commercial operations of the spaceport.
- 4.1.6 Public consultations continue for the Spaceport Infrastructure and Roads Infrastructure projects.
- 4.1.7 A detailed master-planning process is ongoing for plots within the Prestwick cluster in conjunction with Glasgow Prestwick Airport and other relevant partners. Specific details are being finalised for the individual plots as we discuss potential build and lease arrangements with various aerospace, space and renewable energy businesses.
- 4.1.8 The project team remain concerned with the lack of progress and outstanding requirements to conclude the Roads OBC. Feedback from Transport Scotland suggests they do not consider the necessity of the phase 1 road project (aligning station road and removing traffic from Monkton village). The Ayrshire Growth Deal programme is designed to deliver economic objectives. The economic objectives for straightening Station Road were identified through the consultation process. Transport Scotland's focus is on the requirement for Transport Planning Objectives. The Prestwick Space and Aerospace operations require transport connectivity comparable with its global competitors. Routing traffic through a conservation village is not considered an acceptable connectivity solution. The project team, supported by transport policy experts and ARA continue to seek a resolution.
- 4.1.9 Growth continues within both the aerospace and space sectors. This is reflected by advanced near term commercial build projects, which require urgent public sector intervention and adequate resource allocation if they are to be delivered for Ayrshire. The approval of the Commercial Build project FBC will be a significant step towards meeting these needs and realising benefits for South Ayrshire.
- 4.2 Members are asked to note the next steps in the AGD process which will include:
- 4.2.1 A continued transition from development to delivery stage as the remaining OBC's are approved and Full Business Cases are completed.
- 4.2.2 Prestwick Spaceport Gateway 3 – The Prestwick Spaceport Project Team will arrive at RIBA 3 (Design Freeze) by the end of September. The team, in conjunction with the Steering Group will undertake a gate review. Pertinent deliverables for South Ayrshire Council to proceed into RIBA stage 4 comprise:
- Land acquisition – a commitment in place to secure the proposed development site for the use of the Spaceport Project will allow the team to progress planning and procurement activities.
 - Commercial Arrangements – the external property consultants are advising the project team on appropriate Heads of Terms for

a lease between the Council and the airport and the other Prestwick stakeholders are to agree Future Operating Model agreements to demonstrate the commercial viability of the project. These documents are required to be in place prior to approval of the final business case.

- Continued Funding Arrangements – continuation of the current funding agreements pending approval of the Final Business Case (FBC) by the UK and Scottish Government to allow design and planning work to continue.

4.2.3 Failure to progress to stage 4 will halt activity in the following project areas:

- Moving from Outline Business Case to Final Business Case;
- Continued design activity;
- Submission of a planning pack; and
- Procurement activities required to support the fulfilment of the project;

4.3 This will significantly compromise our ability to deliver a viable Spaceport by Q1 2024.

4.4 The Ayrshire Growth Deal remains an outstanding opportunity to transform the South Ayrshire local economy but the Cabinet are reminded that delivery will have a financial impact on the Council. Scottish Government previously confirmed that project development costs are eligible for growth deal funding, however these costs can only be reclaimed from the programme once approval of the FBCs has been secured. The total development cost since signing the Heads of Terms in March 2019 amount to £3.42m. It is forecast that a further £1.1m is required to complete the Full Business Cases for approval which is within the approved budget position for 2022/23. Members should be aware that in line with the Ayrshire Growth Deal governance, proceeding is at risk until approval of the Full Business Cases has been achieved.

5. Legal and Procurement Implications

5.1 Negotiations to enable land acquisition for the Spaceport are currently in progress with the assistance of external property consultants. Lawyers have been engaged through the Edinburgh City Council Legal Framework ref CT2692 to proceed with legal work once Heads of Terms are concluded with landowners for the purchase of the land referred to in paragraph 4.2.2 above.

5.1.1 Title reports have been completed and ownership of subject land has been confirmed. [The landowners may not be agreeable to selling at market value and The project team are collating the information to consider the next step of proceeding with a Compulsory Purchase order (CPO) and the conditions that require to be met. Timescales to complete the CPO, where required, will need to be incorporated in the project plan.]

5.1.2 The Council appointed property land agents are preparing reports for submission regarding their valuation of the market value of the land identified for Spaceport development.

5.1.3 The risk of failure to reach agreement with identified landowners may be mitigated by the compulsory purchase order process where a court can order the sale of the property. However, there are risks associated with the making of a CPO which is a complex and lengthy legal process that can take months, or depending on complexity, years, to complete.

5.2 The procurement route-map will encompass acquisition and management of:

- Land;
- Buildings;
- Occupiers; and
- Professional and Technical support.

5.3 Contract strategies will be prepared for each of these pillars. The procurement and contract strategies will be interlinked through the project programme. All procurement will comply with South Ayrshire Council's Governance: Financial Regulations October 2020, Standing Orders Relating to Contracts July 2021 and Procurement Journey.

6. Financial Implications

6.1 Spend to date and projected spend in this financial year by project is shown in Appendix 1. Recovery of these costs remain a risk to the Council as they can only be reclaimed from the AGD programme once approval of FBCs has been secured.

7. Human Resources Implications

7.1 There are significant demands on Council resources to meet the requirements in delivering the Ayrshire Growth Deal. There are currently two vacancies in the Economy & Regeneration team which is impacting on progressing matters timeously. The AGD PMO (Ayrshire-wide) also faces resourcing issues due to staff absence. . Discussions are ongoing to seek a solution and will form part of a wider resource review.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

8.1.1 The cost of developing these projects remains a risk to the Council until Full Business Case approval has been secured for all projects. There are inherent operational risks in each of the projects within the Ayrshire Growth Deal. These risks are managed and mitigated by the programme delivery team. These operational risks are also escalated to the South Ayrshire Council AGD steering group for review and mitigation action.

8.2 *Risk Implications of Rejecting the Recommendations*

8.2.1 The risks associated with rejecting the recommendations are that the Ayrshire Growth Deal projects cannot be progressed to Full Business Case. Sunk costs will be lost and the strategic objectives of the Aerospace and Space programme will not be delivered. Failure to meet these objectives would inhibit future growth of the cluster.

9. Equalities

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

10. Sustainable Development Implications

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

11. Options Appraisal

- 11.1 An options appraisal has not been carried out in relation to the subject matter of this report. It should be noted though that options appraisals were carried out for each project using HM Treasury's Green Book, Five Case Model. The recommended approach for each project was demonstrated to deliver the best value for public money and the highest cost / benefit ratio.

12. Link to Council Plan

- 12.1 The matters referred to in this report contribute to Commitment 4 of the Council Plan: South Ayrshire Works/ Make the most of the local economy.

13. Results of Consultation

- 13.1 There has been no public consultation on the contents of this report.
- 13.2 Consultation has taken place with Councillor Bob Pollock, Portfolio Holder for Economic Development, and the contents of this report reflect any feedback provided.

14. Next Steps for Decision Tracking Purposes

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

Implementation	Due date	Managed by
Provide a further update to the Cabinet in 6 months	28 February 2023	Service Lead – Economy and Regeneration

Implementation	Due date	Managed by
Ensure development of Full Business Cases once the remaining project OBCs have final Scottish and UK Government approval	30 November 2022	Director - Place

Background Papers **Report to Leadership Panel of 15 February 2022 – [Ayrshire Growth Deal Aerospace and Space Programme Update](#)**

Report to South Ayrshire Council of 29 June 2022 - Ayrshire Growth Deal – Commercial Build (Members only)

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Date: 23 August 2022