

South Ayrshire Council

**Report by the Director of Strategic Change and Communities
to Cabinet
of 23 May 2023**

**Subject: Aerospace and Space Technology Application Centre
 (ASTAC) Project**

1. Purpose

1.1 The purpose of this report is to provide an update on the review of the ASTAC project and make recommendations to Cabinet on the establishment of a local delivery partnership to take forward development of the operating model.

2. Recommendation

2.1 It is recommended that the Cabinet:

2.1.1 notes that, due to changes in the operating environment, there is a requirement to revisit the strategic direction supporting the delivery of the Ayrshire Growth Deal Aerospace and Space Technology Application Centre (ASTAC);

2.1.2 agrees that the Assistant Director - Communities instigates and facilitates wider partnership engagement to establish a local delivery partnership for ASTAC including Ayrshire College and University of the West of Scotland;

2.1.3 notes the intent to make available (but retain ownership of) the Aerospace Digital Visualisation Suite (ADVS) assets to the new partnership, to be used in the future as part of the ASTAC delivery model; and

2.1.4 requests that the Assistant Director - Communities provides an update on the ASTAC project to Cabinet by January 2024

3. Background

3.1 The Heads of Terms for the Ayrshire Growth Deal include the provision of an innovation centre (ASTAC) to drive innovative technologies and skills to position Ayrshire and Scotland as a hub of aerospace and space technology. The ASTAC proposal focuses on business development, skills development and training needs of the Aerospace and Space sector in partnership with local and national higher and further education establishments. Working alongside existing research and

innovation at Prestwick and across Scotland, it will provide the focus, coordination and support required to improve advanced manufacturing techniques and productivity and sustain and grow the sector's businesses.

- 3.2 The [Leadership Panel of 18 February 2020](#) approved two Advanced Manufacturing Challenges Fund (AMCF) projects as pilot projects (The Aerospace Digital Visualisation Suite and the Aerospace and Space Supply Chain project) in the development of the innovation centre (ASTAC) funded by the European Regional Development Fund and the Ayrshire Growth Budget.
- 3.3 The ASTAC project is one of the South Ayrshire Council Space and Aerospace projects within the Ayrshire Growth Deal programme. Funding is capital and is available to support the infrastructure development. For the avoidance of doubt, Growth Deal funding for the ASTAC project is capital only and there is no availability or commitment to provide revenue or financial investment or ongoing support.
- 3.4 The operating model must reflect the nature of the funding and be sustainable and viable. Revenue funding requirements must be considered by any future partnership model and commercial activities should be considered to support core operating costs and to deliver activity which addresses the productivity, competitiveness, inclusive growth, and skills challenges facing the Aerospace and Space sectors.
- 3.5 An Outline Business Case was prepared in close collaboration with partners and industry input and submitted in October 2022. Whilst feedback from the submitted OBC shows support for the aims of ASTAC, there is a requirement to review the partnership delivery model and the scale of development considering inflation and rising costs.

4. Proposals

- 4.1 An options appraisal has been carried out and is provided in [Appendix 1](#). It is the preferred option that a local delivery partnership is established comprising Ayrshire College and UWS, and ensure strong linkages with the Spirit AeroSystems, Aerospace Innovation Centre, ensuring a strong fit with industry requirements. It is recommended that Members agree that the Assistant Director - Communities takes forward discussions with local partners to facilitate a Heads of Terms for a partnership agreement and; refine a viable operating model to be included into the next iteration of the Outline Business Case. It is also recommended that the Assistant Director - Communities, examines the options for utilising the ADVS equipment within any future partnership delivery model.
- 4.2 The Assistant Director - Communities will seek to appoint specialist external consultants to support the review process and review the submitted Outline Business Case. It is anticipated that this work can be completed by November 2023 and result in an updated Outline Business Case for approval by Governments.

5. Legal and Procurement Implications

- 5.1 There are no legal implications arising from this report.
- 5.2 The recommendations in this report require the support from procurement to appoint expert external consultants.

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6. Financial Implications

- 6.1 The ASTAC project is part of the Space and Aerospace portfolio of projects within the Ayrshire Growth Deal. This funding is capital funding and can therefore only be used for capital investment and development activities that support the capital investment. The budget for the ASTAC project is agreed at £11m, comprising £5m from Scottish and UK Governments and £6m from South Ayrshire Council.
- 6.2 It is the intention that the capital assets acquired by the AMCF project (as per 3.1) will be utilised by the ASTAC partnership. South Ayrshire Council will retain ownership of the equipment, enabling the partnership to deliver its activities. This will be explored further in discussions around the partnership model.
- 6.3 The remaining budget for the ASTAC project is £10.2M. It is the intention to redesign the financial tables of the project to reflect a partnership delivery model and include partner contributions.

7. Human Resources Implications

- 7.1 Not applicable.

8. Risk

8.1 *Risk Implications of Adopting the Recommendations*

- 8.1.1 There is a risk that local partners are unable to agree a viable operating model for the ASTAC facility. These risks are managed as part of the partnership arrangements and overseen by the Assistant Director - Communities.

8.2 *Risk Implications of Rejecting the Recommendations*

- 8.2.1 The risks associated with rejecting the recommendations are that the Outline Business Case for the ASTAC project will not be approved by Government which could result in a loss of £5m contribution to the Ayrshire Growth Deal Programme.
- 8.2.2 Rejecting the recommendations may impact on the ability to deliver the ASTAC facility.

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, 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 been carried out in relation to the subject matter of this report. Details are contained in [Appendix 1](#).

12. Link to Council Plan

12.1 The matters referred to in this report contribute to Priority 2 of the Council Plan: Live, Work, Learn / Work, and the 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 of Strategic Change and Communities will ensure that all necessary steps are taken to ensure full implementation of the decision within the following timescales, with the completion status reported to the Cabinet in the 'Council and Cabinet Decision Log' at each of its meetings until such time as the decision is fully implemented:

<i>Implementation</i>	<i>Due date</i>	<i>Managed by</i>
Develop Heads of Terms for local delivery partnership of the AGD ASTAC project.	December 2023	Assistant Director - Communities
Appoint external consultants to revise the ASTAC OBC	July 2023	Assistant Director - Communities
ASTAC update report to Cabinet	January 2024	Assistant Director - Communities

Background Papers [Ayrshire Growth Deal - Deal Document](#)

Report to Leadership Panel of 18 February 2020 – [Advancing Manufacturing Challenge Fund](#)

Person to Contact **George Hunter, Assistant Director - Communities**
County Buildings, Wellington Square, Ayr, KA7 1DR
Phone 01292 612994
Email George.Hunter@south-ayrshire.gov.uk

Date: 10 May 2023

Appendix 1: Options Appraisal – Operating Model for ASTAC

CONTEXT

Project Description:

The ASTAC project will be delivered using Ayrshire Growth Deal funding. This funding is capital funding and can therefore only be used for capital investment and development activities that support the infrastructure development. ASTAC aims to provide technologies and processes that will drive expansion and growth via inward / secondary investments and by supporting SME skill requirements into these high growth, high productivity sectors.

Case for Change:

The ASTAC project supports the Council Plan Priority 2 [Live, Work, Learn] and particularly outcome Work and Economy – Everyone benefits from a local economy that provides opportunities for people and helps our business to flourish. The project also supports the delivery of the Regional Economic Strategy and the vision set out in the Council's Strategic Economic Plan: Vision 2030. The project addresses the strategic aim of supporting productivity led growth and create a global presence in Aerospace. In addition, the project aims to support:

- South Ayrshire's reputation and reach in strategically important markets;
- Future economic opportunities that will drive international advantage;
- Attracting, creating, and protecting quality jobs and talent that will support wellbeing across South Ayrshire; and
- Driving research and innovation investment in businesses and sectors.

In addition, the project directly contributes to the Scottish Government National Strategy for Economic Transformation (NSET) and will build on the success of the aerospace industry in Scotland over the last 5 years and look to capitalise on new commercial opportunities across the whole supply-chain.

Intervention and Investment Objectives as set out in the logic model:

Investment objective 1: provide supply chain entry points to new and existing SME Aerospace and Space sector suppliers.

This investment objective will address the underperformance of the supply chain and the 'missing middle' identified in the Aerospace Technology Institute (ATI) report and referenced in other business strategies. The objective will also support introduction of new businesses into the developing Space sector. Discussions with resident companies reinforces that there is little input from the local supply chain to their operations.

Investment objective 2: build and equip space for manufacturing innovation, technology demonstration, applied R&T development and training facility.

This will create and/or identify facilities to accommodate ASTAC. This facility will provide the environment to enable creative working relationships between the resident Aerospace and engineering companies and complete the innovative business environment to support internationalisation, reshoring and inward investment to Scotland's Aerospace and future Space cluster base.

Investment objective 3: develop a programme to support the integration of Industry 4.0 processes, technologies and expertise in the Aerospace, Space, and engineering sectors.

As an industry-led, partner supported initiative, the project will seek to maximise the productivity and competitiveness of businesses. The long-term aim is to kick-start the relationships and research initiatives to support ASTAC's effective entry into Scotland's manufacturing innovation environment and deliver early advantage to the Aerospace-space-engineering sector.

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Investment objective 4: Develop facilities which stimulate the upstream Space sector for launch and in-space capability.

An integrated solution to develop new businesses to the sector, this long-term objective will ensure that support to businesses is available using innovative technologies and processes to promote productivity improvements.

Investment objective 5: develop on-site and off-site training provision, in conjunction with Ayrshire College, and other training providers to support the introduction of new methods, processes and technologies into the local business community.

To maximise the positive impact of production methodologies, techniques and capabilities developed through the intended innovation component of ASTAC.

Investment objective 6: Provide a STEM facility that demonstrates the breadth of career opportunities available in the Aerospace Cluster and Space sector and utilises ASTAC's Space and Aerospace innovation and training projects to inspire future generations, thereby enabling the wider community to benefit in full from these growth sectors.

The aim of this objective is to ensure the wider community can engage with the Aerospace and Space sectors, through the development of the partnership with UWS and Ayrshire College.

Operating model:

The sustainable delivery of services which address the productivity, competitiveness, inclusive growth, and skills challenges facing the Aerospace and Space sectors, will require sustainable revenue streams. Three main types of revenue funding available that could provide funding for any future ASTAC delivery partnership have been identified as:

1. Programme Funding:

This is where funding is given to ASTAC through Government Policy Initiatives or from Public Bodies to deliver aspects of those agenda. This will require further exploration through the partnership delivery model once established.

2. Collaborative Project Funding: (Future)

This is where ASTAC is a partner in a collaborative project – the ASTAC partnership will need to explore further any opportunities funds through large programmes such as UK and Scottish Government Initiatives. Alternatively, ASTAC may be a partner in a programme led by other organisations where ASTAC is the development location of choice due to access to its facilities and provision of services.

3. Commercial Revenue: (Commercial Training & Sale of services)

There will be aspects of the ASTAC facility that may be used for “commercial activity” for example where a business/organisation is carrying out commercial training. In this case the partnership delivering ASTAC will need to consider any commercial opportunities.

There is a requirement for ASTAC's services to offer maximum value to the Aerospace Cluster and the emerging Space sector. This will require on-going and sustained input from industry, partner technology organisations and the education sector. The following option have been considered:

Appendix 1: Options Appraisal – Operating Model for ASTAC

Options for future Operating Model				
Option	Description	Pros	Cons	Financial / Other consideration
1. ASTAC established as an incorporated organisation	SAC takes lead on establishing a new incorporated organisation (limited by guarantee, CIC, or Cooperative Society). Once established, control transfers to the board and members.	<p>Would provide a vehicle for all stakeholders to be involved, both public and private.</p> <p>Could be setup as a group with different profit centres to enable public funding, private investment, and commercial income.</p>	<p>Would involve start up period, which is always difficult. Delay in delivery of services may have negative impact on reputation.</p> <p>Difficult to prove capability and experience during first years could jeopardise customer confidence and the ability to win projects.</p> <p>Could be subject to tax liabilities.</p>	<p>Requires start up revenue funding for several years to become financially sustainable (Public or Members).</p> <p>Provides strong opportunity to ensure wider benefits for communities and companies in South Ayrshire.</p>
2. Transfer ADVS equipment to third party responsible for operations	South Ayrshire Council would deliver the facility and seek to transfer operations to suitably qualified third parties, whilst retaining ownership of the ADVS equipment.	<p>Existing client base.</p> <p>Potential extension of known product portfolio.</p>	<p>May prove difficult to find third party with required capabilities and capacity.</p> <p>Inability to ensure that economic objectives are delivered.</p>	No future revenue requirement for public funding.
3. Incorporate ASTAC into NMIS or similar organisation (Catapult or Knowledge Institution)	Transfer project leadership and development to knowledge institution.	SAC would have no further responsibility for operations once agreements have been established and approvals obtained.	<p>Due to diverse nature of ASTAC, there is a considerable risk that objectives are not met.</p> <p>ASTAC risks not getting the input and priority it needs to be successful.</p>	<p>Limited influence and contribution to SAC council plan.</p> <p>There may be no appetite (or capacity) to absorb ASTAC into existing initiatives.</p>

Appendix 1: Options Appraisal – Operating Model for ASTAC

Options for future Operating Model				
Option	Description	Pros	Cons	Financial / Other consideration
4. Support extension of AIC and incorporate ASTAC services. Operation responsibility of Private Sector	Explore options with Spirit to extend the AIC and fully incorporate ASTAC services.	<p>Building on existing facility enables scaling and phasing.</p> <p>Avoids overlap and duplication.</p> <p>Assumed good levels of covenant.</p>	<p>Limited guarantee that the facility will provide unrestricted access to other businesses</p> <p>Spirit may not be able or willing to deliver the spectrum of services required by ASTAC, particularly those outside the core</p> <p>Risk in restricting an arrangement to one private sector provider</p>	Subsidy control issues must be addressed and could jeopardise this pathway.
5. Merge ASTAC with DPMC project	Establish inter-authority agreement to jointly develop and deliver ASTAC/DPMC as a regional centre of excellence.	<p>Creates single Ayrshire facility.</p> <p>Easier to manage overlap and duplication.</p>	<p>Limited opportunity to target delivery of Council plan.</p> <p>Uncertainty over the future DPMC operating model exists.</p>	
6. Facility operated and funded by partnership of local FE /HE providers and private sector sponsorship	Support local FE/HE providers to enter into partnership agreement for the delivery of ASTAC.	<p>Existing physical facilities may be used thus reducing building risk and cost.</p> <p>Enable flexible and agile approach to business support and economic development</p>	<p>FE/HE require to build capability and expertise, including commitment to support revenue cost during the first few years.</p> <p>Commercial growth might be constrained</p>	<p>Access to airside facility must be negotiated as part of the agreement</p> <p>TUPE could apply</p> <p>Consider whether there are Teckal implications</p>

Appendix 1: Options Appraisal – Operating Model for ASTAC

Options for future Operating Model				
Option	Description	Pros	Cons	Financial / Other consideration
7. Do nothing and seek approval to redistribute Government AGD funding to other projects	Do not progress with the ASTAC project	Other projects could be considered	Essential facility not delivered for the Aerospace and Space sector	Government may not agree to re-allocate funding envelop and the perceived benefits would be lost

Conclusion and Recommendation

The options 1 to 7 have been reviewed and considered against each of the investment objectives, reflecting the ability of each option to deliver on objectives. In addition, each option has been considered using the following criteria, to ascertain risks and dependencies:

- Ability to deliver within timescales
- Ensure future growth opportunities
- Financial risk to the Council
- Complexity of the proposal / option
- Levers of control

The preferred option is to develop a local partnership model with Further Education (FE) and Higher Education (HE) partners. It is imperative that the local delivery partnership develops strong links with industry and particularly with the existing Aerospace Innovation Centre (AIC) to ensure complementarity and facilitate industry projects.

It is recommended that the Council supports the development of a local partnership.

Appendix 2: Equality Impact Assessment Scoping

South Ayrshire Council Equality Impact Assessment Scoping Template



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

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

The Fairer Scotland Duty ('the Duty'), Part 1 of the Equality Act 2010, came into force in Scotland from 1 April 2018. It places a legal responsibility on Councils to actively consider ('pay due regard to') how we can reduce inequalities of outcome caused by socio-economic disadvantage, when making strategic decisions. [FSD Guidance for Public Bodies](#) in respect of the Duty, was published by the Scottish Government in March 2018 and revised in October 2021. See information here: <https://www.gov.scot/publications/fairer-scotland-duty-guidance-public-bodies/>

1. Policy details

Policy Title	Aerospace and Space Application Centre (ASTAC)
Lead Officer (Name/Position/Email)	Theo Leijser

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

Community or Groups of People	Negative Impacts	Positive impacts
Age – men and women, girls & boys	n/a	n/a
Disability	n/a	n/a
Gender Reassignment (Trans/Transgender Identity)	n/a	n/a
Marriage or Civil Partnership	n/a	n/a
Pregnancy and Maternity	n/a	n/a
Race – people from different racial groups, (BME) ethnic minorities and Gypsy/Travellers	n/a	n/a
Religion or Belief (including lack of belief)	n/a	n/a
Sex – (issues specific to women & men or girls & boys)	n/a	n/a

Appendix 2: Equality Impact Assessment Scoping

Sexual Orientation – person’s sexual orientation i.e., LGBT+, lesbian, gay, bi-sexual, heterosexual/straight	n/a	n/a
Thematic Groups: Health, Human Rights & Children’s Rights	n/a	n/a

3. What likely impact will this policy have on people experiencing different kinds of social disadvantage i.e. The Fairer Scotland Duty (This section to be completed for any Strategic Decisions). Consideration must be given particularly to children and families.

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

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

General Duty and other Equality Themes Consider the ‘Three Key Needs’ of the Equality Duty	Level of Negative and/or Positive Impact (High, Medium, or Low)
Eliminate unlawful discrimination, harassment and victimisation	Low
Advance equality of opportunity between people who share a protected characteristic and those who do not	Low
Foster good relations between people who share a protected characteristic and those who do not. (Does it tackle prejudice and promote a better understanding of equality issues?)	Low

Appendix 2: Equality Impact Assessment Scoping

Increase participation of particular communities or groups in public life	Low
Improve the health and wellbeing of particular communities or groups	Low
Promote the human rights of particular communities or groups	Low
Tackle deprivation faced by particular communities or groups	Low

5. Summary Assessment

Is a full Equality Impact Assessment required? (A full Equality Impact Assessment must be carried out if impacts identified as Medium and/or High)	YES <input type="checkbox"/> NO <input checked="" type="checkbox"/>
Rationale for decision: The report refers to a review of strategic review of the ASTAC project and the development of local delivery partnerships. At this stage, a full Equality Impact Assessment is not required, however a full EIA should be completed following the strategic review.	
Signed: Service Lead Date:	