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## NORTH AYRSHIRE COUNCIL

27 August 2019

### Cabinet

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**Title:** i3 Digital Manufacturing and Demonstrator Hub

**Purpose:** To advise Cabinet of a partnership funding bid to the Advancing Manufacturing Challenge Fund to create a Digital Manufacturing and Demonstrator Hub and be the catalyst for the i3 Ayrshire Growth Deal project.

**Recommendation:** It is recommended that Cabinet:

- Agrees the allocation of £1m towards the funding proposal from the Council's Ayrshire Growth Deal (AGD) budget for i3;
- Agrees to the Council being project lead for the proposal and
- Agrees that if the project is successful in securing external funding, the detailed proposals are submitted to Cabinet for final approval.

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### 1. Executive Summary

- 1.1 This report advises Cabinet of a proposal that is currently seeking £2m of funding from the recently announced Advancing Manufacturing Challenge Fund (AMCF) towards a £4m project which is an early opportunity for the Council and partners to work together to deliver a unique facility in Scotland and be the catalyst for i3 AGD proposals.
- 1.2 The proposal to develop a Digital Manufacturing and Demonstrator Hub is the first step in helping transform North Ayrshire's business and skills base to take advantage of emerging technologies. It will house digital automation testing and training facilities not currently available in North Ayrshire. In addition, it will help build the profile of North Ayrshire as a significant digital location in Scotland (with the added benefit of the new sub sea cable) and help stimulate interest and investment particularly at i3.
- 1.3 The opportunities presented by the AMCF allows NAC to lever in £3m of additional funding from partners and accelerates activity on i3 AGD proposals. The project will develop phase 1 of the proposed i3 centre of excellence in digital automation which is an AGD project identified in the Heads of Terms. If phase 1 proves successful, it is envisaged that a purpose built and scaled up facility would be constructed for 2023. The business case for this still requires to be developed.

- 1.4 Partnering with University of Strathclyde on this proposal will enable for the first time a physical presence of the University in North Ayrshire and allow access to National Agendas on manufacturing and technology advancements.

## **2. Background**

### i3 Ayrshire Growth Deal Proposals

- 2.1 The Ayrshire Growth Deal Heads of Terms were agreed in March 2019 and included a £21m proposal (£16m from a combination of UK and Scottish Government and £5m from NAC) for i3 with two main components:
- The creation of a regionally significant and nationally recognised centre of excellence in Digital Automation (Digital Laboratory), building on the current life science clustering at i3, containing testing and R&D equipment and specialist staff and developed in partnership with the University of Strathclyde and industry; and
  - The delivery of up to 150,700 square feet of flexible business space that can meet the requirements of chemical and life sciences manufacturing, digital automation and other advanced manufacturing opportunities.
- 2.2 The development of the overall i3 AGD proposal has included dialogue with partners and industry experts following the MMIC decision to locate at Inchinnan rather than i3. Dialogue has identified emerging opportunities for i3 within Digital Automation and possible relationships with other AGD projects, national projects such as MMIC, the National Manufacturing Institute Scotland (NMIS) and alignment with the UK Industrial Strategy.
- 2.3 These opportunities have been tested by recent research work commissioned by the Council and Scottish Enterprise which endorsed the i3 AGD proposal and set out a series of recommendations. In particular, the creation of a cluster related to digital development for life sciences and processing industries was supported. The research also recognised that discussions should continue with partners to progress the nature of a digital automation centre and how that would be funded and managed and to undertake a detailed assessment of the demand for flexible business space. This work is currently ongoing.
- 2.4 The i3 AGD proposal with a focus on digital automation, will assist with changing the current demographics of the Ayrshire workforce to a more productivity led economy that is equipped to adapt to the implications of automation on sectors such as manufacturing where its predicted there could be a significant decrease in jobs.

### Advanced Manufacturing Challenge Fund

- 2.5 The Advancing Manufacturing Challenge Fund was announced in May 2019 and is one of the competitive Challenge Funds being delivered through the Scottish Programme for Research, Innovation and Technology Eco-System (SPRITE) as part of the European Regional Development Fund (ERDF) programme 2014-2020. SPRITE seeks to improve the innovation performance of Scotland's small and medium sized enterprises (SMEs) and stimulate greater co-ordination between stakeholders and partner organisations, to help businesses capitalise on new economic and public sector innovation opportunities. The Fund is being administered by Scottish Enterprise with up to £18m available. It is open to the public sector, academic institutions and third sector organisations only.

- 2.6 The Council and its partners the University of Strathclyde and Ayrshire College have been successful in getting through to Stage 2 of the application process. Applications now require to be submitted by 13 September 2019, with the outcome known by January 2020. If successful, projects can start as early as April 2020 and the service would run until December 2022. It is envisaged that if this is successful, a purpose built and enhanced facility would be constructed with the balance of AGD funding earmarked for the digital automation centre of excellence couple with additional external funding which will be sought as part of developing the business case.
- 2.7 Work is currently ongoing to develop the stage 2 application and should this be successful full proposals will be brought back to cabinet for approval.

### i3 Digital Manufacturing and Demonstrator Hub

- 2.8 A clear feature of the Ayrshire economy is that it has struggled to adapt in the period following de-industrialisation and still relies on manufacturing. There are currently 4,000 manufacturing jobs in North Ayrshire accounting for 9.8% of all jobs in North Ayrshire, compared to 7.2% in Scotland. Forecasts suggest that the manufacturing sector is at risk of losing upto 25% of jobs as a consequence of digital automation and that for the most part, our business base is vulnerable to technological change.
- 2.9 In order to improve industry resilience and take advantage of the opportunities that will arise from emerging technologies, it is critical that North Ayrshire develops a strategy that helps provide our business base with the tools needed, enhances their current capabilities and upskills our young people and existing workforce. i3, as a strategic location for the life/chemical sciences and pharmaceutical industries coupled with world class process engineering expertise, is well placed to set North Ayrshire at the forefront of emerging technologies as Scotland's Digital Hub and establish a thriving economy through the fostering of skills and business expertise.
- 2.10 The Digital Hub proposal is the first building block in this strategy and will be the first phase of development in i3. The £4m project will help introduce a transformational change in productivity and culture by enabling more enhanced connectivity, performance visualisation of production systems and application of digital solutions. It will provide testing facilities and attract interest from business and academia throughout Scotland.
- 2.11 The facility will offer practical demonstrations, testing facilities and hands on experience of digital solutions and crucially, it will provide digital leadership training, strategy development and a stepwise process to create a digital innovation culture. It will help reinvent SMEs from a traditional manufacturing base to be at the forefront of digital automation and train and upskill our future workforce. This facility and the commitment from Strathclyde University will enable North Ayrshire to gain access to National Programmes such as National Manufacturing Institute for Scotland (NMIS) and MMIC. It will also raise our profile on a National scale and ultimately drive investment to North Ayrshire.
- 2.12 The benefits of the AMCF are significant in that £1m from NAC will lever in £3m from partners allow an acceleration of i3 AGD activity and provide a unique facility in Scotland. Strategically, the AMCF fund is important as it also commits a footprint for the University of Strathclyde which would be a first for North Ayrshire. In order to take advantage of the AMCF and proposed partner funding, the hub would need to be functional by April 2020. Having reviewed options in and around i3, it is proposed to

house the facility in a repurposed existing building at i3 which is located as part of the Booth Welsh HQ. The building is well located at i3, is available for immediate occupation, and would provide enhanced synergies with access to co-located expertise of Booth Welsh. A market assessed sub lease will need to be agreed to ensure compliance with European regulations.

2.13 It is envisaged that the Digital Hub will be the first phase and that if successful, using the AGD investment, a permanent purpose built facility will be developed with the capital equipment acquired for the first phase, transferred into form part of a scaled up and enhanced centre of excellence. The business case for this facility is still to be developed.

2.14 The funding proposal for the project is as follows:

- NAC: £1m to be taken from agreed resources earmarked for i3 Growth Deal
- Strathclyde University: £810k through committing specialist resources including Knowledge Exchange Fellows to be based at the facility.
- Ayrshire College: £190k staff resources to deliver training at the facility.
- AMCF: £2m from ERDF based on match from NAC, University of Strathclyde and Ayrshire College.

#### Partnership Arrangements

2.15 Should the AMCF funding bid be successful, a partnership agreement will be required between the Council, University of Strathclyde and Ayrshire College to formalise arrangements for the delivery and management of the service. It is proposed that NAC take the lead in the project as it sits within the aspirations of the wider i3 AGD ambitions. In addition, procurement will be necessary for specialist skills and there will be a requirement for a lease arrangement for the building where the service would be delivered.

### **3. Proposals**

3.1 It is recommended that Cabinet:

- a. Agrees the allocation of £1m towards the funding proposal from the Council's Ayrshire Growth Deal budget for i3;
- b. Agrees to the Council being project lead for the proposal and
- c. Agrees that if the project is successful in securing external funding, the detailed proposals are submitted to Cabinet for final approval.

### **4. Implications/Socio-economic Duty**

#### Financial

4.1 The total budget requirement to support the funding proposal is £1m. This is proposed to be funded from the Council's AGD budget £5m for i3 Enterprise Area. This will be matched by £1m from a combination of contributions through the University of Strathclyde and Ayrshire College, to secure the remaining 50% (£2m) from the AMCF fund. Operational costs for the service will be covered as part of the contribution from partners.

## **Human Resources**

- 4.2 Staffing requirements for the proposed facility will be developed as part of the stage 2 submission.

## **Legal**

- 4.3 A partnership agreement will be advanced and agreed with NAC Legal Services, University of Strathclyde and Ayrshire College, including appropriate provisions/ownership of the capital equipment commensurate with the NAC investment. A lease will also need to be agreed for the proposed location of the Digital Hub at i3.

## **Equality/Socio-economic**

- 4.4 The proposal will provide an important training and development service for SMEs in North Ayrshire and beyond looking to take advantage of emerging technologies. This is an important first phase of the i3 AGD project within a key regeneration area for the Council. In particular, the proposal will seek to make the life science and processing industry sectors more attractive and accessible to young people and women – groups that are currently identified as being excluded from growth

## **Environmental and Sustainability**

- 4.5 The proposal will enable businesses to improve the efficiency of their productivity and adapt their processes to modern technologies.

## **Key Priorities**

- 4.6 The project, as part of the wider i3 AGD project, will strongly support the priority outcomes contained in the new Council Plan 2019-2024, for North Ayrshire to have an inclusive, growing and enterprising economy and to be well connected with effective infrastructure.

## **Community Wealth Building**

- 4.7 I3 project proposals are supported by wider Ayrshire programme of skills and inclusive growth. This proposal will provide an important service for local SMEs and will specifically look to train our youth and existing workers on digital technologies to take advantage of emerging opportunities.

## **5. Consultation**

- 5.1 Significant recent stakeholder consultation has been undertaken on the AGD i3 proposal and is set out within a report produced by consultants commissioned by the Council and Scottish Enterprise. This has endorsed the approach that the Council is taking to deliver Growth Deal proposals at i3.

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**Background Papers**

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