



# Northumberland

## County Council

CABINET

13 SEPTEMBER 2022

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### ENERGY CENTRAL CAMPUS PHASE 1 - LEARNING HUB: OUTLINE BUSINESS CASE

**Report of:** Rick O'Farrell, Interim Chief Executive

**Cabinet Member:** Councillor Wojciech Ploszaj, portfolio holder for Business

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#### **Purpose of report**

In accordance with the Energising Blyth Programme - Local Assurance Framework, the report seeks the approval of the Town Deal Outline Business Case (OBC) for the Energy Central Campus Phase 1 - Learning Hub which is pending approval by the Department of Levelling Up, Housing and Community (DLUHC). The OBC has been externally appraised with a recommendation to proceed to Full Business Case (FBC). It was approved by Town Deal Programme on 29 June 2022.

#### **Recommendations**

**Cabinet is recommended to:**

- (1) Approve the Outline Business Case (OBC) for the Energy Central Campus Phase 1 - Learning Hub to enable progression to Full Business Case.**
- (2) Delegate authority, in accordance with the Local Assurance Framework, to the Council's s151 Officer following consideration by the Energising Blyth Programme Board to approve the Full Business Case and report the capital implications to Capital Strategy Group for inclusion in the Capital Programme.**

#### **Link to Corporate Plan**

This project is part of the Energising Blyth Programme supported by the Town Deal. This is a placemaking 'whole town' programme which contributes across most of the Council's Corporate Plan Priorities but particularly to the living, enjoying, thriving and connecting strategic priorities.

## **Key issues**

Blyth has a number of key energy sector assets in place including: a deep-water seaport; specialist R&D and testing facilities at the ORE Catapult; specialist workforce training facilities at the Port of Blyth; and the availability of major coastal development sites ready to accommodate energy sector investment, businesses and jobs. The main opportunities for Blyth, the North of Tyne area and the wider North East to grow the energy sector are in offshore wind and the transition to low carbon energy, driven by the developments at Dogger Bank and the drive towards a reduction in carbon intensive production and consumption as evidenced by investments such as the British Volt giga factory.

The development of Dogger Bank is one of the key potential growth drivers for Blyth and the North East, with significant levels of investment expected in offshore wind generation to ensure the UK can meet its climate change targets. As such employment in the offshore wind sector is expected to increase significantly from existing levels. In the North East, employment is forecast to increase nine-fold should the projects in the pipeline come forward.

The energy sector creates high value employment opportunities in Blyth and the wider North East, with jobs being more concentrated in management, professional, and associated professional and technical occupations than employment as a whole. Energy sector employment in Blyth is also more concentrated in skilled trades and process, plant and machine operative occupations than average.

However, Blyth has a low-skilled, low productivity workforce, with a greater proportion being employed in lower level, low wage occupations than the national average. In addition, Blyth demonstrates high levels of deprivation. The average household income in Blyth in 2019 was 32% below the England average, and parts of Blyth have some of the lowest median incomes in the County, below £15,000 per household pa.

A greater proportion of Blyth's workforce is employed in lower-level occupations (e.g. elementary occupations and process, plant and machine operatives) compared to national averages. Across the North of Tyne, 82,000 workers earn less than the 'real' Living Wage, equating to 23% of the workforce, while in-work poverty challenges are being compounded by a lack of in-work progression and training.

Blyth demonstrates below national average performance in post 16 education and low participation in higher education, both in terms of traditional HE and in higher level skills programmes. There is also a significantly higher number of residents with no qualifications (e.g. 13% of the working age population in Blyth have no qualifications compared to 8% nationally) and a significantly lower number with qualifications at L4 or above, than the national average

The 2020 Northumberland County Council Regeneration Framework identified a significant opportunity to capitalise on population growth and Blyth's relatively young population, to

retain and build a future workforce. However, the current higher-level skills gap is a key barrier preventing local people from accessing the jobs of the future. Progression pathways to education and employment within the town must be developed and strengthened to address this barrier.

Since the funding award, a considerable amount of work has been undertaken to develop the Outline Business Case (OBC). This OBC is now fully prepared and ready for submission to the UK Government to serve two purposes. Firstly to provide sufficient confidence to the Government that this is an attractive and robust project; and the ask of £4.7m million will commence at the end of the calendar year. Secondly to provide a solid foundation for finalising the full business case, thereby securing approval of the project.

This report summarises the five cases (Strategic; Economic; Commercial; Financial; Management) contained within the OBC whilst highlighting the implications within each for the County Council.

The governance and assurance framework for the performance management of the Energising Blyth Programme was approved by Cabinet in July 2021.

A dedicated Programme Board of internal senior officers chaired by the interim Director of Regeneration has been established to provide strategic direction and exercise control and oversight to ensure successful delivery of the Programme, ensuring that the Council's accountable body responsibilities are met in full.

The Council's Cabinet is the final decision-making authority in relation to NCC's role as accountable body with responsibility for the final decision to accept all twelve projects into the Energising Blyth Programme, and to approve the business cases for individual projects requiring such capital funding from the Programme.

## **BACKGROUND**

1. Northumberland County Council and its partners have been successful in attracting both Future High Streets and Town Deal funding to transform Blyth town centre. This substantial funding will stimulate confidence and further investment, create new jobs, bolster economic growth and transform the town ensuring it realises its full potential. This significant programme of renewal is underpinned by creative engagement with the community of Blyth demonstrating demand and support for positive change.
2. The Local Assurance Framework requires the completion of a 'Green Book' Business Case for all projects within the programme through 3 key stages, Strategic Outline Business Case, Outline Business Case and Full Business Case. The OBC has been externally appraised and approved by the Town Deal on 29<sup>th</sup> June 2022. This means that the project details through all '5 cases' within the OBC are largely finalised. There is little difference between the OBC and FBC in terms of the depth and substance of the project information included.
3. The main purpose of the FBC stage is to confirm any outstanding project details that were not finalised at the time of the OBC submission. This will include, confirmation of post-tender costs, draft construction contract, confirmation of funding, planning permission and programme.
4. By Full Business Case, the Summary Document should be approved by DLUHC and the first-year funding received by NCC, allowing timely project delivery once the FBC and grant funding agreement are in place. Each subsequent year's funding will be released to NCC by DLUHC based on project progress and will enable payments to the applicant in accordance with the Grant Funding Agreement and subject to monitoring, reporting and evidence.

## **ENERGY CENTRAL CAMPUS PHASE 1 - LEARNING HUB**

5. The Energy Central Campus (ECC) is a transformational, business led skills, education and innovation development supporting growth in the low carbon energy sector in Blyth and the wider North East.
6. The project will equip young people and adults with the skills needed to take up careers in the sector and enable local companies to grow through access to a skilled workforce and support to adopt the latest innovations in clean growth technology. It will demonstrate to businesses and potential investors that Blyth is ready to meet their growth needs and will be delivered in two phases, at different sites:
  - ECC Phase 1 - Energy Central Learning Hub (ECLH) - A new STEM education and vocational training facility, developing energy sector skills and aspirations among young people at school and college, and adults re-training for new roles.

Based at the Port of Blyth, learners will develop skills in a real-world energy port setting.

- ECC Phase 2 - Energy Central Institute - A new higher-level skills and innovation facility, developing energy sector expertise at degree and PhD levels. Creating a focal point for collaboration between energy businesses, OREC, and North East universities, it will develop higher-level skills and technological innovations to keep Blyth at the forefront of energy sector growth. Located at a prominent town centre gateway site, it will attract footfall and enliven the town centre.

7. A feasibility study was undertaken in 2019 establishing the need for the project. A demand study has also been undertaken, involving detailed consultation with clean energy employers.
8. A business plan for the operation of the ECLH is also being developed, supported by a 10-year operating budget and cash flow forecasts. Designs for the ECLH are currently at RIBA stage 2, with the design team working with the partners to progress the designs and develop more detailed project costs for RIBA stage 3.
9. The Strategic objectives for the project are:
  - Establish a state-of-the-art learning environment, located in the heart of a thriving green energy industrial cluster to engage and support employers and learners.
  - Deliver a range of vocational skills provision to prepare residents of Blyth and the wider region for employment in the clean energy sector.
  - Raise awareness of and engagement in STEM-based careers among young people in Blyth and the wider region.
  - Provide a co-ordinated approach to addressing industry growth skills needs, bringing together employers, providers and people.
  - Showcase the clean energy industries, jobs and careers available in Blyth and the wider region to people across the North East.
  - Support local residents and unemployed people into clean energy jobs.
10. A considerable amount of work has been undertaken to develop the Outline Business Case (OBC) and Summary Document, which is now fully prepared and ready for submission to the UK Government.

## **Strategic Case**

11. Blyth is an established UK hub for energy sector businesses and offers significant potential for further growth. The energy sector creates high value employment opportunities in Blyth and the wider North East, with jobs being more concentrated

in management, professional, and associated professional and technical occupations than employment as a whole.

12. Overall, Blyth has a low-skilled, low productivity workforce, with a greater proportion being employed in lower level, low wage occupations than the national average. In addition, Blyth demonstrates high levels of deprivation.
13. Skills demand in the energy sector is growing at all levels, from Apprenticeships and skilled trades in engineering businesses, to technician roles in offshore wind, through to high level engineers and scientists. To meet the skills needs of the energy sector, there is a need for additional industrial teaching space
14. The Energy Central Campus, and the Energy Central Learning Hub, directly contribute to and align with the Energising Blyth Strategy and the Town Investment Plan, delivering against three of the core strategic priorities – Growing Town, Inclusive Town and Clean Growth Town.
15. The project is consistent with and will contribute towards the achievement of national, regional, and local strategic objectives and will address the following two market failures:
  - **Public Good** - Education is a public good. There is no incentive for the private market to create the optimum level of education provision. This project will create facilities to support the delivery of education, and in particular STEM activities and education. This would not be created without public sector support. It will, however, lead to benefits for industry by raising interest in STEM related subjects and helping to generate a longer-term pipeline of STEM entrants to industry.
  - **Information asymmetries** - Lack of business investment in skills due to uncertain returns resulting in low wages/productivity. The low carbon/clean energy sector is an emerging sector with significant growth potential. However, the scale and pace of growth is uncertain and depends upon several external factors such as the Government's energy policy. The skills needed required to support sector growth are also diverse. This presents a risk to training providers to develop high quality and bespoke facilities to meet industry needs. It is not viable to invest in large scale facilities which will meet the needs of these emerging markets without public sector assistance. At the same time, the rate of technological change also makes it difficult to invest in large scale equipment to keep pace with industry demands.
16. There is a clear need to invest in and develop the skills of the current and future workforce to support growth of the clean energy sector in Blyth and across the wider region. Public sector investment is essential to ensure the scale and scope of high-quality training facilities to support economic growth can be delivered.

## Economic Case

17. The economic case assesses the benefits and costs of the potential delivery options for the project based upon its agreed critical success factors and strategic objectives. This assessment is undertaken in a standardised way in accordance with Treasury guidance to both define the preferred delivery option and to illustrate the extent to which the project provides value for money.
18. The critical success factors for the CPP are:
- Strategic fit
  - Responding to market demand/business needs
  - Contribution to net zero targets
  - Value for money
  - Supplier capacity and capability
  - Achievability
  - Affordability
19. The five delivery options for this project explored in the OBC were as follows:
1. Do nothing/Business as Usual (reference case)
  2. Do minimum (re model existing space in Port Training Services existing facility)
  3. Establish a new facility at Port of Blyth (preferred option)
  4. Establish a new facility in Blyth Town Centre
  5. Do more/larger scale option (Develop a larger scale facility at Port of Blyth)
- This long list of options was assessed against the Critical Success Factors and the Strategic Objectives set.
20. Two options were then analysed in greater detail, focussing on the costs and benefits of each proposal. Options 2 and 3 were shortlisted on the basis that they best address the strategic objectives and the critical success factors and presented in terms of Benefits/Costs Ratio (BCR) as follows:
- Option 2 Local Level - delivers a BCR of 2.7
  - **Option 3 Local Level - delivers a BCR of 3.2**
21. On this basis, Option 3 to establish a new industry led training, skills and education facility at the Port of Blyth was defined as the the preferred option. This option addresses all of the strategic objectives and critical factors of success and will deliver the best value for money.

## Commercial case

### *Project Build/construction options*

22. The main element of the project that will need to be procured is the construction contract. A procurement report, to identify an appropriate procurement strategy was

prepared, which assessed the following three options:

- Option 1 – In house build
- Option 2 – Procure third party contractor on a Design and Build Contract, single stage procurement
- Option 3 – Procure a third party contractor on Design and Build Contract, two stage procurement

23. The report noted there is currently no in house capacity and recommended a two stage Design and Build process to procure a contractor for the project as this provides greater flexibility and ongoing engagement with the contractor to ensure the project delivers on the vision and outcomes required by the client
24. NCC has now agreed that a compliant 2 stage tender with Procure Partnerships Framework (PPF) is possible and the process of identifying a contractor has begun.

*Project Delivery/Operation options*

25. The operational model is currently being developed and the following two options have been explored:
- Option 1 – In house service delivery
  - Option 2 – Procure third party service provider/operator
26. There is currently to deliver an in house service, however staff could be recruited to manage and operate the facility. The operation of the facility could be provided by a third part with the relevant experience and capacity. This route would involved using an appropriate procurement process.
27. Both options are being further explored as part of the Operational Business Plan which is currently in development.

**Financial case**

28. The total cost of the project is £11,375,000, the breakdown of the costs is as follows:

Item	Capital	Revenue	Total
<b>Capital</b>			
Construction	8,098,000		8,098,000
External Works	1,309,000		1,309,000
Furniture, equipment and specialist services	764,000		764,000
Professional fees	754,000		754,000
Acquisition of Commissioners Quay car park	250,000		250,000
<b>Sub-total</b>	<b>11,175,000</b>		<b>11,175,000</b>
<b>Revenue</b>			
Centre Management/Learning delivery		200,000	200,000



<b>Sub-total</b>		<b>200,000</b>	
<b>Total</b>	<b>11,175,000</b>	<b>200,000</b>	<b>11,375,000</b>

29. Construction costs were estimated by a cost consultant based on the preferred RIBA stage 2 design. The preferred scheme consists of a four-storey building which envelops the existing Training Centre on two elevations, connecting internally to the Training Centre on the first-floor level. The costs for the new build have been calculated utilising energy efficient materials and mechanical and electrical services where possible in order to reduce the carbon footprint of the building.
30. As the project has developed the capital costs have increased from £9m to £11.1m. The cost increases are summarised in the table below:

<b>Item</b>	<b>Cost</b>
RIBA Stage 2 Designs, including £300,000 inflationary uplift in costs	450,000
RIBA Stage 3 Designs Pre Tender Cost Report, additional costs with:	
Enabling works – service diversions and new connections	620,000
Additional work to the ground floor area of Port Training Services	220,000
Further inflationary uplift to main building costs	320,000
External works – addition of street furniture and EV charging points	65,000
Acquisition of Commissioners Quay Car Park (See point 31)	250,000
Installation of overspill car park	250,000
<b>Total</b>	<b>2,175,000</b>

31. Consultation on the plans/designs highlighted concerns about car parking. To address these concerns, the Commissioner's Quay car park has been acquired, which is adjacent to the proposed development, to provide additional car parking capacity.

#### *Project funding*

32. The breakdown of the proposed funding sources and amounts to cover the cost of £11.375 million is set out below. The Council's Capital commitment will be £4,617,500 with the remainder funded by Towns Fund and NTCA.

<b>Funding source</b>	<b>Capital</b>	<b>Revenue</b>	<b>Total</b>	<b>Status</b>
Town Deal	4,500,000	200,000	4,700,000	Subject to Outline Business Case approval
NCC (capital)	2,500,000		2,500,000	Capital identified on MTFP and Capital Programme, subject to Council approval of OBC.

NCC (EB contingency)	2,175,000		2,175,000	Programme wide Contingency identified on MTFP and Capital Programme, subject to Cabinet approval via Capital Strategy Group
NTCA	2,000,000		2 000,000	Full Business Case approved
<b>Total</b>	<b>11,175,000</b>	<b>200,000</b>	<b>11,375,000</b>	

### *Financial profile*

33. The financial profile of anticipated spend and subsequent drawdown from the various funding sources is detailed below, obviously subject to approval confirmation of those financial contributions.

<b>Expenditure</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>Total</b>
<b>Capital</b>						
Building and construction		4,080,000	6,194,375	146,625		<b>10,421,000</b>
Fees	243,612	392,279	68,807	49,302		<b>754,000</b>
<b>Sub-total</b>	<b>243,612</b>	<b>4,472,279</b>	<b>6,263,182</b>	<b>195,927</b>		<b>11,175,000</b>
<b>Revenue</b>						
Centre management/ learning delivery			111,084	67,284	21,632	<b>200,000</b>
<b>Sub-total</b>			<b>111,084</b>	<b>67,284</b>	<b>21,632</b>	<b>200,000</b>
<b>Total</b>	<b>243,612</b>	<b>4,472,279</b>	<b>6,374,226</b>	<b>263,211</b>	<b>21,632</b>	<b>11,375,000</b>

<b>Income</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>Total</b>
<b>Capital</b>						
Town Deal	243,612	3,472,279	784,109			<b>4,500,000</b>
NCC (Capital)			2,500,000			<b>2,500,000</b>
NCC (EB)			1,979,073	195,927		<b>2,175,000</b>
NTCA		1,000,000	1,000,000			<b>2000,000</b>
<b>Sub-total</b>	<b>243,612</b>	<b>4,472,279</b>	<b>6,263,182</b>	<b>195,927</b>		<b>11,175,000</b>
<b>Revenue</b>						
Town Deal			111,084	67,284	21,632	<b>200,000</b>
<b>Sub-total</b>			<b>111,084</b>	<b>67,284</b>	<b>21,632</b>	<b>200,000</b>
<b>Total</b>	<b>243,612</b>	<b>4,472,279</b>	<b>6,374,266</b>	<b>263,211</b>	<b>21,632</b>	<b>11,375,000</b>

34. An initial 10-year operating budget for the Centre has been developed, which includes estimated operating costs and sources of income for the centre, including commercial income e.g. from room hire, and public funding for learning delivery.
35. Revenue funding from Town Deal of £200,000 was identified in the Town Investment Plan and Heads of Terms for this project, to contribute towards running costs in the first three years. This will help to meet the estimated income gap, while delivery increases, and the Centre moves towards a steady state of operation.

## **Management case**

36. **Project Manager** - A dedicated project manager has been appointed and has overall responsibility for delivery of the capital project. This includes developing business cases and funding applications to secure the capital funding; working with the design team to progress project designs to RIBA stage 4, and to prepare the application for planning permission.
37. **Board of Directors** - Energy Central Campus (ECC) Ltd has been established as a new company, limited by guarantee, and will take on the ownership and management of the Energy Central Learning Hub. The Board of Directors consist of Executive Leaders in the Port of Blyth, the Offshore Renewable Energy Catapult and Northumberland County Council. The Board is currently overseeing the Project Development and providing governance oversight of business case submissions.
38. **Steering Group** - The Energy Central Campus Steering Group consists of Directors of ECC Ltd, the Deputy Chair of NCC, Senior Leaders from NCC Education and Skills Directorate, Senior Leaders from Advance Northumberland and project and business case consultants. The Steering Group provides strategic advice, guidance and support to the Board of ECC Ltd.
39. **Project Team** - led by the Project Manager is responsible for the operational project development and delivery. Each key partner on the Steering Group is represented by an appropriate manager on the Project Team and they collectively manage the detail of project development. Individual Team members take a particular focus in project development activity. Their work is reported to the Steering Group and Board by the Project Manager
40. **Strategic Employer Advisory Board** - will work with the Board of Directors to shape and guide the work of the facility. They will ensure the delivery is focused on meeting the needs of industry and identifying the training and skills requirements that local people will need to embrace to progress into employment in the sector.
41. **Strategic Provider Advisory Board** – These organisations will be school, FE, HE and WBL providers of significant capacity and track record in the clean energy sector. As well as influencing and co-creating training and skills solutions to meet

expressed employer demand, they will also be part of the scope of commissioning to deliver those solutions. The Advisory Board will work with the Board of Directors to interpret and respond to the expressed employer need.

42. A detailed programme plan has been developed, below are the key dates:

<b>Activity</b>	<b>Dates</b>
Planning permission decision	August 2022
Construction contract awarded	September 2022
Construction work onsite begins	October 2022
Construction work complete	October 2023
New facility opens	January 2024

43. The programme plan will continue to be reviewed and updated on a monthly basis.

## **IMPLICATIONS**

<b>Policy</b>	The project fully supports the NCC Corporate Plan, the Northumberland Economic Strategy and the Town Investment Plan
<b>Finance and value for money</b>	For an allocation of £4,675,000, the Council is securing an external investment of £6,700,000. NCC resources for the project are identified in the Energising Blyth (EB) Programme identified in the Medium Term Financial Plan.  Town Deal Revenue expenditure is forecast to accelerate above the allocated budgets for 2023/2024 (based on the Town Deal Heads of Terms) to meet project objectives. Should DLUHC not approve this acceleration, there are sufficient funds within existing approved Council revenue budgets to 'cash flow' this expenditure. There is no increase in the overall revenue costs of the project
<b>Legal</b>	NCC has received legal advice from DWF LLP regarding subsidy control compliance as part of the development of the project and the project is to be delivered in accordance with this advice to ensure compliance. The external advice will be updated to reflect any legislative and / or funding changes.  The Local Authorities (Functions and Responsibilities)(England) Regulations 2000 confirm that the matters within this report are not functions reserved to Full Council
<b>Procurement</b>	Project spend will be subject to the Council's recognised procurement procedures.
<b>Human Resources</b>	The project is being developed by NCC's EB Programme Team in conjunction with partner leads and an appointed external Project Manager. The revenue running costs of the establishment are summarised in the report.

<b>Property</b>	Implications for council property will be considered in detail at Outline Business Case stage – if applicable.
<b>Equalities</b>	(Impact Assessment attached) Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A Available on request
<b>Risk Assessment</b>	A risk register is in place for the project which will manage and monitor risk.
<b>Crime &amp; Disorder</b>	This project is part of the proposals in the Energising Blyth Programme which in totality include various measures intended to reduce crime and disorder in Blyth through positive regeneration measures.
<b>Customer Consideration</b>	There has been partner and community consultation throughout the development of the project
<b>Carbon reduction</b>	The Energy Central Campus will support the county's contribution to carbon reduction and clean growth objectives. This will provide new research, development and education facilities supporting industry needs in the offshore wind and energy industry.
<b>Health and Wellbeing</b>	The Town Deal proposals include an underpinning objective to support the development of an 'Inclusive Town' supporting positive health and wellbeing outcomes through successful town centre regeneration.
<b>Wards</b>	All wards in the town of Blyth

### **Background papers:**

Energy Central Campus Phase 1 – Learning Hub - Outline Business Case – August 2022

### **Report sign off**

***Authors must ensure that officers and members have agreed the content of the report:***

	Full Name of Officer
Monitoring Officer/Legal	Suki Binjal
Executive Director of Finance & S151 Officer	Jan Willis
Relevant Executive Director	Rick O'Farrell
Chief Executive	Rick O'Farrell
Portfolio Holder(s)	Cllr Wojciech Ploszaj

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