



# Northumberland

County Council

CABINET

17 NOVEMBER 2022

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## NORTHUMBERLAND ENERGY PARK (NEP1) – DOCK CAPPING BEAM: UPDATED NORTH EAST LOCAL ENTERPRISE PARTNERSHIP (NELEP) FULL 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 Summary Document which sets out details of an adjusted NEP1 Infrastructure investment which is pending approval by the Department of Levelling Up, Housing and Communities (DLUHC). Members have previously approved an application on 7<sup>th</sup> December 2021 from Port of Blyth for the original NEP1/Battleship Wharf Project Business Case proposal to build an internal heavy duty access link between NEP1, NEP 2 and Battleship Wharf but this can no longer proceed due to Subsidy Control limitations. An updated NELEP Full Business Case for an alternative scheme and applicant (Advance Northumberland (Commercial) Ltd) towards a new capping beam which will allow the Ash Barge Dock deep water berth (part of NEP1) to become fully operational has been externally appraised with a recommendation to proceed. It was approved by Town Deal Board on 28 September 2022.

### **Recommendations**

**Cabinet is recommended to:**

- (1) Approve the updated NELEP Full Business Case (FBC) for the NEP1 capping beam works in support of the Project Adjustment Request to DLUHC**
- (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 report the capital implications to Capital Strategy Group for inclusion in the Capital Programme subject to funding confirmation by DLUHC**
- (3) Approve the request to spend £500k Town Deal funding and approve an allocation of £31,621 from the Energising Blyth (EB) Programme Medium Term Financial Plan, towards the installation of a capping beam.**

## **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**

Since the Town Deal funding award, a Full Business Case (FBC) was prepared using the NELEP Business Case template. Following subsidy control advice, the Port of Blyth decided to withdraw their application for Town Deal funding and an alternative project has been identified. The FBC has been prepared with Advance Northumberland (Commercial) Ltd as the applicant and is ready for submission to the UK Government to serve two purposes. First, to provide sufficient confidence to the Government that this is an attractive and robust project; and confirm an ask of £500k. Second, to provide a solid foundation for finalising the full business case, thereby securing approval of the project.

The approvals process for the NEP1 project has commenced with the submission of the FBC to DLUHC for the proposed £1.43m scheme.

The lead applicant for the project and land owner are Advance Northumberland (Commercial) Ltd.

The project includes the creation of 370 jobs which is a key output in the Energising Blyth programme.

The £531,62 Town Deal and NCC contribution is required due to a significant increase in the cost of steel. It is anticipated that the project will complete by March 2023.

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

## **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 proportionate 'Green Book' Business Case for all projects within the programme. However, it has been accepted by DLUHC that NEP1 related projects can be 'fast tracked' by utilising the existing and updated NELEP 'Green Book' based Business Case which has previously been reviewed and accepted to secure £35m+ of public funding.
3. The business case relates to a work package forming part of a much wider funded, and shortly to be completed dock extension and site enabling works at the former Blyth Power Station. The capping beam will enable the dock to become operational. Due to the smaller and more specific nature of the works a number of outputs have also been updated. The total number of jobs created has been reduced from 500 to 370 the amount of rehabilitated land has reduced from 20,000m<sup>2</sup> to 8400m<sup>2</sup>.
4. The project will continue to contribute to the 'Growing Town' Towns Fund strategic priority as detailed in the Town Investment Plan. The operational dock will be a critical asset to the renewable energy sector. Along with the JDR cables who will create a cable manufacturing base at NEP1, the dock will also serve the wider NEP area through facilitating the import and export of raw and manufactured materials for both construction and production phases.
5. The contract and contract sum for the works have been agreed and works are due to complete by March 2023. Due to a 9 month delay in the site becoming available for the contractor, a previously agreed contract sum required renegotiating due to the significant rise in the cost of steel. The secured £900k of Getting Building Fund is now insufficient to deliver the works which has risen to over 1.4m.

## **NORTHUMBERLAND ENERGY PARK PHASE 1 – DOCK CAPPING BEAM**

### **Strategic Case**

6. The work involves the installation of a capping beam over the newly constructed Ash Barge Dock deep water berth quay wall. This is necessary to bring the dock into operation to service both NEP1 (JDR Cables) and the wider Northumberland Energy Park area, including the £2.6bn new Britishvolt EV battery Gigaplant currently under construction on the 95has site directly north of the dock (NEP – phase 3).

7. A capping beam is a standard feature on the majority of docksides and consists of a concrete 'capping' structure installed over the top of the steel tubular piles which form the quay walls. They have a number of critical functions to allow successful operation of a dock. These include dock wall stability and fixings for ladders, mooring bollards and craneage.
8. The overall aim of the project is to provide access for energy sector businesses to an additional deep water operational berth at Ash Barge Dock to unlock the full investment and employment potential of the NEP sites. Any large-scale port-related inward investor locating at the sites will require a commitment to berth accessibility to ensure timely movement of raw materials or finished products.
9. In terms of the Town Investment Plan, the dock will directly support the vision of Blyth becoming a thriving UK and international centre of excellence in renewable energy, advanced manufacturing, growth and innovation by 2030. It supports Strategic Objective One: Growing Town by enabling further investment in the offshore wind and renewables sector by providing the necessary infrastructure to support the flow of materials and manufactured goods in and out of the Port via a deep water berth capable of mooring some of the largest and technically capable vessels.
10. It supports Strategic Objective three: Connected Town by improving Port Operation and Maintenance capability and range of berths to service the growing North Sea wind sector taking full advantage of the UK Government's drive for post Brexit UK content and to support the expansion of the geographically proximate Dogger Bank.

## **Economic Case**

11. The business case quantifies the benefits to be delivered by the project, which are based on the local employment and GVA benefits generated as a result of business investment attracted to Northumberland Energy Park which includes future phases beyond NEP1. The applicant (Advance Northumberland (Commercial) Ltd) has followed the methodology required by the North East Local Enterprise Partnership, using their economic toolkit to calculate the benefits. The overall aim of the project is to provide access for energy sector businesses to a deep water operational berth at NEP1 in order to unlock the full investment and employment potential of the all the NEP site.
12. A total of 374 new FTE jobs (gross) will be created by the project. These new jobs will be with energy and manufacturing companies locating at Northumberland Energy Park including Britishvolt. The 374 is based on sq.m occupancy of manufacturing uses and assumes around 15,000 sq.m of development not within the NEP1 Enterprise Zone, but across all NEP sites. It is also expected that 10 Full Time construction jobs linked to the capping beam installation during project implementation will be supported.

13. The proposed BCR for the Capping Beam Works and Town Deal Intervention is 12.2 which represents very good value for money, on the basis that this represents a place-based intervention in line with Towns Fund and Green Book guidance.
14. The GVA impact of the new jobs has been calculated using the North East LEP's economic toolkit. The local GVA per job benchmark for the manufacturing sector used in the toolkit to calculate the GVA benefits is £66,811 gross pa. The total GVA (gross) generated by the 374 jobs is £25m.
15. The project will deliver net additional GVA of £4.5m in return for the total public investment of £1.43m.
16. In addition to the quantified employment and GVA benefits identified, the investment will contribute to creating a compelling offer for investors, helping to maximise opportunities to continue to attract inward investment to Northumberland Energy Park in Blyth.

### Commercial case

17. The Capping Beam contract was procured via NEPO (North East Procurement Organisation) under PPN 01/20 due to the impacts of Covid 19 delaying the main contract. There are a limited number of civil engineering contractors who have the capability to undertake this type of specialist marine related civil works. The contract has been agreed with Southbay Civils, a reputable and experienced local company and works have commenced on site.

### Financial case

18. The original proposals were for the installation of the Capping Beam to commence in late 2021. The costs at that time were estimated to be £928,059 and funding was to be provided by the Getting Building Fund. However, the investment was dependent on the completion of the dock quay walls and delays to this element prevented works on the capping beam commencing as planned. It is now possible to proceed with the installation of the capping beam, however cost increases – largely as a result of the rising cost of steel – have increased the total cost to £1,431,621.

Item	Capital	Revenue	Total
<b>Capital</b>			
Construction	1,164,551		1,164,551
Prelims and mobilisation	267,070		267,070

<b>Sub-total</b>	<b>1,431,621</b>		<b>1,431,621</b>
<b>Revenue</b>			
Centre Management/Learning delivery	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>1,431,621</b>	<b>0</b>	<b>1,431,621</b>

19. The most significant increase over the 8 month delay period was due to the cost of steel and concrete and prelims which equates to 67% of the total cost increase

<b>Item</b>	<b>increase</b>
Site prelims	109,429
Rebar steel work	193,000
Formwork and Concrete	81,000
Ladders and bollards	27,300
Pile works	83,834
Excavation and reinstatement works	9,000
<b>Total</b>	<b>503,563</b>

#### *Project funding*

20. The breakdown of the proposed funding sources and amounts to cover the cost of £1,431,621 is set out below. The Council's Capital commitment will be £31,621 with the remainder funded by Towns Fund (£500,000) and NTCA (£900,000).

<b>Funding source</b>	<b>Capital</b>	<b>Revenue</b>	<b>Total</b>	<b>Status</b>
Town Deal	500,000	0	500,000	Subject to Outline Business Case approval
NTCA	900,000	0	900,000	Full Business Case approved
NCC (Capital)	31,621	0	31,621	Identified on MTFP and Capital Programme, subject to Cabinet approval via Capital Strategy Group
<b>Total</b>	<b>1,431,621</b>	<b>0</b>	<b>1,431,621</b>	

#### *Financial profile*

21. 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>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>Total</b>
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Construction and Prelims	1,431,621	0	0	0	1,431,621
<b>Total</b>	<b>1,431,621</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,431,621</b>

<b>Income</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>Total</b>
Town Deal	500,000	0	0	0	<b>500,000</b>
NTCA	900,000	0	0	0	<b>900,000</b>
NCC (EB)	31,621	0	0	0	<b>31,621</b>
<b>Total</b>	<b>1,431,621</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,431,621</b>

## Management case

22. A detailed programme plan has been agreed with works taking place between September 2022 and March 2023

<b>Activity</b>	<b>Date</b>
Capping Beam: Detailed Design completed	13 July 2022
Procurement of works contract complete	13 July 2022
Works contract agreed by Advance Northumberland (Commercial) Ltd Board	July 2022
Town Deal Business Case submitted	12 August 2022
Works commence	31 August 2022
Summary Document and Project Adjustment submitted to DLUHC	30 September 2022
NCC Cabinet Approval	8 November 2022
Towns Fund approval	30 November 2022
Practical completion	31 March 2023

23. NCC has established robust programme management and governance arrangements to ensure effective delivery of Energising Blyth projects, including the NEP1 project. The Programme Board will provide regular updates and reports into the wider partnership governance in Blyth including Blyth Town Deal Board and Blyth Town Forum. The programme plan and works will continue to be monitored, reviewed and updated on a monthly basis. Any issues or changes will be reported to Programme and Town Deal Board.

24. Advance Northumberland (Commercial) Ltd are Lead Partner and will be required to submit a Quarterly Monitoring Return to the NCC (Energising Blyth Team) as programme lead with overall responsibility for delivery of the project including. The QMR will provide detail around project expenditure and outputs from the project team. The QMR will then be submitted to the Town Deal by NCC

## **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 £500,000 from Town Deal and £900,000 from NTCA, the Council is securing an external investment of £1.431m. The NCC capital contribution is £31,621 and approval is requested to be funded from the Energising Blyth (EB) Programme within the existing Medium Term Financial Plan.
<b>Legal</b>	Advance Northumberland (Commercial) Ltd 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>	The Contract has been procured in accordance with Government and NCC Procurement Regulations
<b>Human Resources</b>	The project is being developed by NCC's EB Programme Team in conjunction with Advance Northumberland (Commercial) Ltd. There are no NCC revenue running costs as a result of the project.
<b>Property</b>	The land and asset are owned by Advance Northumberland (Commercial) Ltd.
<b>Equalities</b>	(Impact Assessment attached) N/A There are no Public Sector Equality Duties impacted by the project
<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 stakeholder 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 operational asset to support clean growth investment.
<b>Health and Wellbeing</b>	There are no Health and Wellbeing implications
<b>Wards</b>	All wards in the town of Blyth

**Background papers:**



**Report sign off**

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

	Full Name of Officer
Monitoring Officer/Legal	Helen Lancaster
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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