

Title: North East Investment Zones – Energy Central Institute
Report of: Rob Hamilton, Interim Strategic Lead for Economic Growth and Innovation
Portfolio: Finance and Investment

Report Summary

The purpose of this report is to seek approval for the enactment of the delegation provided to the Chief Executive at the November 2024 meeting of the North East Combined Authority (North East CA) Cabinet, to approve the final business case and funding of up to £5,499,951 for the Energy Central Institute project.

Energy Central Campus Ltd are requesting £5,499,951 funding from the North East Investment Zone (IZ) programme to complete the funding package for the Energy Central Institute (ECI), a new Higher Education, research and innovation facility in Blyth town centre. This will deliver the second phase of the Energy Central Campus, providing a clear progression route into higher level skills and innovation for learners attending the Energy Central Learning Hub. The report was considered by Technical Officers Group and Finance and Investment Board on 3 February 2025 and 17 February 2025 respectively; and was recommended for approval.

Recommendations

The Chief Executive in consultation with the Mayor, the relevant Cabinet Member and Finance and Investment Board, is recommended to approve the Energy Central Institute project and funding of up to £5,499,951 from the North East Investment Zone, in line with the delegation provided at the 26 November 2024 meeting of the North East CA Cabinet.

A. Summary of Investment Proposal (Context)

The North East Investment Zone (IZ) has been designed to deliver £160m of investment and 4,000 jobs over the next ten years. With a sectoral focus on Advanced Manufacturing and Green Industries it builds on the ‘Arc of Innovation’ outlined in the NE devolution deal, spanning from Blyth to NETPark, including the Tyne Economic Corridor and the International Advanced Manufacturing Strategic Site. This includes many of the region’s most productive businesses in areas of our economy where we have nationally and internationally leading expertise; in the offshore and renewable energy sector; electric vehicle and battery manufacturing; and associated low-carbon manufacturing, materials and research.

The business case and delivery plan for the North East IZ were co-developed by the Combined Authority, our constituent Local Authorities and Government. The ambition for the IZ is to leverage at least £3 billion of private sector investment. The IZ tax incentives and flexible funding will be used to unlock growth in jobs and productivity through investment in skills, infrastructure and innovation.

1. Background

The Energy Central Institute project presented in this paper is aligned with the IZ business case and delivery plan, and the North East sectoral strengths that will be reflected in our Local Growth Plan. The project was presented to Cabinet on 26 November 2024, where it received in-principle support, with authority delegated to the Chief Executive, in consultation with the Mayor and Finance & Investment Board, to approve the final business case and funding of up to £5,499,951 once the assurance process has been completed.

Project Outline	
Funding Source	North East Investment Zone
Proposal Name	Energy Central Institute

Lead Organisation	Energy Central Campus Ltd
Delivery Areas	Blyth, Northumberland, NE24
Start Date	February 2025
Financial End Date	March 2029
Practical completion date (date by which all outputs will be achieved)	March 2029
Total Project Value	£18,472,454
Grant Amount Requested	£5,499,951
Budget Implications	The total budget for the first five years of the IZ is £55,000,000. The total value of the projects approved to date (MADE NE and NETPark Phase 3a) is £20,954,592. If this project is approved, the remaining budget will be £28,545,457.

2. Energy Central Institute

The Energy Central Campus (ECC) is a transformational, business-led skills, education and innovation development supporting growth in the clean energy sector in Blyth and the wider North East in line with the ambitions in the North East Devolution Deal and North East Investment Zone.

The Energy Central Campus will be delivered in two phases, at different sites:

- ECC Phase 1: Energy Central Learning Hub - 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, the Offshore Renewable Energy Catapult (OREC), and North East universities, it will develop higher-level skills and technological innovations to keep Energy Central at the forefront of energy sector growth.

This funding request solely relates to Phase 2 of the Energy Central Campus: the Energy Central Institute (ECI). The ECI will be a new build innovation and skills facility, located at a prominent town centre site. It will be built on a brownfield site within walking distance of both the ORE Catapult, with its world class research and innovation facilities, the Energy Central Learning Hub at the Port, which is the first phase of the ECC development, and the clean energy cluster based at the Port. It will also be adjacent to other key capital developments (the culture centre and marketplace, and the new hotel) collectively designed to transform the town centre, attracting learners, businesses, visitors and residents into the town, increasing footfall and spend.

ECC Ltd will deliver the project and will be the Grant Funding recipient. It will be responsible for delivery of the building, financial management, monitoring and reporting of the project in accordance with the GFA. This will include providing evidence of outputs, outcomes and expenditure. Given the status of the company as newly established, Northumberland County Council (NCC) will act as guarantor to the GFA.

The capital investment will provide gap funding to enable the construction of the new facility, resulting in the remediation of 3,500 sqm of underdeveloped land, and the creation of 2,625 sqm of new learning floorspace.

The North East CA revenue funding will support the development and delivery of new and/or improved HE programmes over the first three years of the new centre's operation. ECC Ltd intend to replicate the partnership delivery model in place for the Energy Central Learning Hub, with delivery of the skills activity commissioned through the delivery partners (Durham University and Newcastle University). After three years,

the operational model forecasts that the programme will be sustainable and self-financing through income from skills and innovation activity, sponsorship, events, and delivery of external contracts.

Over the initial five years of the project, the facility will deliver specialist workforce training and research and innovation support to 90 businesses. By year three of operation, the facility will support 260 learners p.a., providing a route to higher-level qualifications for local residents, and ensuring the offshore renewables sector has the skilled workforce it needs for the future.

2.1 Outputs and Outcomes

Outputs and Outcomes	24/25	25/26	26/27	27/28	28/29	Total
Area of site reclaimed, (re)developed or assembled (m2)			3,500			3,500
Number of new/improved education facilities			1			1
Number of enterprises receiving non-financial support			30	30	30	90
Number of learners in education / training upon completion of the intervention			155	202	260	617
Number of learners attaining apprenticeship qualifications			30	50	75	155

By year 3 of operation, the Energy Central Institute will support 260 learners pa. This includes: 10 PhD students pa achieving qualifications at NVQ level 5 (RQF Level 8); 75 learners per annum undertaking Degree Apprenticeships at NVQ level 4 (RQF Level 6) in digital, technology and engineering-related disciplines; and 175 existing workforce employees pa, undertaking specialist skills training modules at NVQ level 4 (RQF Level 6) and above, in digital, technology and engineering-related disciplines.

14 FTE jobs will be ultimately supported at the ECI, in its operation, management, and service delivery (teaching, research, and innovation support).

2.2 Timetable for Implementation

Milestone	Forecast Date
Planning consent	February 2025
Construction works start on site	July 2025
Construction works completed	October 2026
Practical completion / staff mobilisation	November 2026 – January 2027
New facility opens and first learners supported	January 2027

2.3 Evaluation

The ECI project manager will establish a formal evaluation cycle across the project delivery timescale. This will include, for example, regular quarterly monitoring reports, supplemented with annual evaluation reports, and a formal summative evaluation report on completion of the project.

2.4 Appraisal

Following the Cabinet meeting in November 2024, the applicant has undertaken significant further work on the commissioning approach and operational model for the revenue funding. The North East CA funding will de-risk delivery for the delivery partners in the first three years of operation, before the centre is able to generate sufficient revenue to be self-sustaining. The design of the ECI operational model incorporates lessons learned from the Energy Central Learning Hub. North East CA officers will continue to engage with the applicant as the operational model is refined and updated prior to the start of delivery in 2026/27.

The applicant has commissioned independent legal advice on the Subsidy Control position for the project, based on the proposed delivery model and costs set out in the business case. This will be supported by an independent development appraisal. An initial review of the project has indicated that the total amount of

grant funding classified as subsidy is likely to be over £10 million, which will require a referral to the Competition and Markets Authority (CMA) for review. The CMA review process is expected to be completed by April/May 2025. A compliant Subsidy Control position will need to be identified in advance of contracting.

A full appraisal of the project business case has been completed by Sanderson Weatherall. The project has been rated 'Green' overall. A short summary of appraisal comments for each of the business case sections is included below.

Strategic fit

There is robust strategic case which clearly demonstrates how the project contributes to the Energising Blyth Strategy and Town Investment Plan as well as national, regional and local policies and strategies. The case for change and need for the project is well made and evidenced drawing on the existing expertise of the area and the skills requirement to make the most of opportunities for growth in the clean energy sector, which cannot be met without this project.

Economic Case

There has been a well-considered and properly structured options analysis carried out for the site, adopting suitable critical success factors to objectively test options.

The strength of the economic case relies upon the realism of new learner numbers and training courses as well as enterprises supported. The numbers are strongly supported by evidence of need and demand in the strategic case.

The applicant has assessed BCR at 2.1 and we have adjusted this to 2.0 under appraisal as we consider the multiplier of 1.4 applied to new jobs created through indirect supply chain effects and induced employment effects is difficult to demonstrate and estimate. A BCR of 2 which still shows the scheme is capable of demonstrating good value for money.

Commercial Case

The business case includes evidence of supply and demand for the proposal and outlines compliant and acceptable procurement process for all appointed consultants/contracts and future work in compliance with Public Contract regulations. The facility will be on land owned by NCC and leased to ECC Ltd on terms to be confirmed.

Financial Case

Capital Costs are based upon RIBA stage 3 report, except site acquisition costs which have been proportionally attributed to ECI development separately by NCC.

A suitable revenue model has been provided based upon the agreed commissioning model. There is one outstanding matter to be resolved on the revenue model around whether the project will receive 80% or 100% relief against business rates. Rated 'Green' as long as some assurances can be obtained around the 100% relief rate assumed within the modelling.

Management Case

There is an established and clear governance and management structure for this project with suitable project management and professional advisers in place. There is a comprehensive delivery plan supported by a detailed programme and a robust risk assessment process /risk register in place, although we do consider that this needs to specifically include the revenue modelling of the facility. Suitable monitoring and evaluation processes have also been put in place. Subsidy control advice has been commissioned but due to the scale of the funding the position needs to be reviewed by the Competition and Markets Authority (CMA) to confirm compliance. Funding approval will be conditional on a satisfactory outcome.

2.5 RAG Assessment

The assessment follows the HM Treasury Five Case model.

Overall RAG assessment		
	Strategic case	Green

Risk Rating	Economic case	Green
	Commercial case	Green
	Financial case	Green
	Management case	Green
	Overall rating	Green

2.6 Recommended Conditions of Funding

The award of funding would be subject to the following proposed funding conditions:

No.	Condition
1	Recipient to provide confirmation that all match funding is in place prior to entering into a Grant Funding Agreement.
2	Recipient to provide evidence of detailed planning consent and all other statutory consents prior to entering into a Grant Funding Agreement
3	Recipient to provide North East CA with a copy of the final lease agreement between Northumberland County Council and ECC.
4	Funding is subject to satisfactory outcome of subsidy control position following assessment by the Competition and Markets Authority (CMA).
5	Following completion of the Capital build, Recipient to provide an updated operational plan to North East CA on an annual basis until the Financial Completion Date.

B. Potential Impact on North East Combined Authority Objectives

All funded activity will contribute to progressing the Mayor and Cabinet's priorities.

C. Key risks

A full risk analysis will be completed as part of the Assurance Process, with risks reported to the Chief Executive ahead of any decision. A project risk register has been provided as part of the business case, which will be subject to a robust assessment including the Subsidy Control position prior to any formal award of funding in line with the Single Assurance Framework.

D. Financial and other resources implications

The financial profile for the project/programme is included below:

Funding source	2025/26	2026/27	2027/28	2028/29	Total
North East Investment Zone - CDEL	£2,280,750	£1,663,996	£55,205	£0	£3,999,951
North East Investment Zone - RDEL	£0	£486,272	£499,802	£513,926	£1,500,000
North East Investment Zone - Total	£2,280,750	£2,150,268	£555,007	£513,926	£5,499,951
Capital Match (Northumberland County Council)	£3,032,786	£5,396,635	£179,041	£0	£8,608,462

Capital Match (Town Deal)	£4,364,041	£0	£0	£0	£4,364,041
Total Match	£7,396,827	£5,396,635	£179,041	£0	£12,972,503
Total (£)	£9,677,577	£7,546,903	£734,048	£513,926	£18,472,454

E. Legal implications

The applicant has commissioned independent legal advice on the Subsidy Control position for the project, based on the proposed delivery model and costs set out in the business case. This will be supported by an independent development appraisal.

F. Equalities implications

The North East CA follows the Public Sector Equality duty and this report has due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. An Equalities Impact Assessment for the Energy Central Institute project has been completed by the applicant.

G. Consultation and engagement

Ongoing engagement and consultation has taken place with Local Authorities and members of the Investment Zone Advisory Board throughout the development of the Investment Zone programme.

H. Appendices

None

I. Background papers

[North East CA Cabinet report November 26 2024](#): Item 6. North East Investment Zone – Wave 1 Projects

J. Contact officers

Name: Paul Carbert
 Title: Policy and Economy Adviser
 Email address: paul.carbert@northeast-ca.gov.uk

K. Glossary

ECC – Energy Central Campus
 ECI – Energy Central Institute
 IZ – Investment Zone
 North East CA – North East Combined Authority

L. Consultee

Cabinet Member:	Director/Head of Service:	Director of Finance and Investment:	Monitoring Officer:
Yes	Yes	Yes	Yes