

Report Summary

The offshore wind sector provides a game-changing economic opportunity for the area. Given the scale of the opportunity but also the scale of investment needed to realise it, North of Tyne Combined Authority (NTCA) has agreed a headline investment fund allocation of £25 million up to 2028 for the entire programme (including the innovation and infrastructure components), approving the initial £12m till 2022/23, with the remaining of the allocation to be confirmed following a review in 2022/23. In September, given the success of the programme and strength of the emerging pipeline, Cabinet approved an additional allocation of £4m. This will enable NTCA to capitalise on the momentum generated so far and continue successful delivery of the programme.

The purpose of this report is to request the approval of funding for the Battleship Wharf link to Northumberland Energy Park Zones (Battleship Wharf NEP1 Link).

Following the approval of the Delegated Decision Report – Investment Fund Update, Part B- Energy, Green Growth and Climate Change – a North of Tyne Blueprint on the 1st of April 2020 under delegated HPS11 in Part 2.9 of the Constitution, the Head of Paid Service, in consultation with Investment Panel and Portfolio Holder, can approve the relevant call documentation and business case applications for the Offshore Wind Infrastructure and Innovation Programme.

Recommendations

The Head of Paid Service (Managing Director) is recommended to:

- i) Approve £1,250,000 for the Battleship Wharf link to Northumberland Energy Park Zones, subject to the funding conditions set out in paragraph 1.11.

1. Background Information, Proposals and Timetable for Implementation

Proposal Name	Battleship Wharf link to Northumberland Energy Park Zones
Lead Organisation	Blyth Harbour Commission
Delivery Areas	South Harbour, Blyth, Northumberland, NE24 3PB
Timescales	September 2021 – March 2023
Project Value	£2,500,000
Grant / Loan amount requested	£1,250,000 (Capital)

- 1.1** The offshore wind sector provides a game-changing economic opportunity for the area. Given the scale of the opportunity but also the scale of investment needed to realise it, NTCA has agreed a headline investment fund allocation of £25 million up to 2028 for the entire programme (including the innovation and infrastructure components), approving the initial £12m till 2022/23, with the remaining of the allocation to be confirmed following a review in 2022/23. In September, given the success of the Offshore and Subsea infrastructure component of the programme and strength of the emerging pipeline, Cabinet approved an additional allocation of £4m. This will enable NTCA to capitalise on the momentum generated so far and continue successful delivery of the programme.
- 1.2** The Offshore and Subsea infrastructure component of the overall programme - £12.1m till 2023 is focused on improvements that will strengthen existing capabilities and capacity as well as attracting new opportunities and complements the Technology innovation component. NTCA's approach supports the development of a robust pipeline of investable propositions with a focus on developing infrastructure in ports and quays; in demonstration and research opportunities or to meet the needs of the offshore and subsea supply chain.
- 1.3** The first expression of interest call opened on the 10th August 2020 and closed on the 2nd November 2020. Investment Panel considered the outcome of the EOI call in December 2020 and agreed to invite the three top ranked proposals to progress to full business case, the Battleship Wharf link proposal was one of these. Each of the proposals has been appraised and considered in line with NTCA's assurance framework.
- 1.4** Battleship Wharf is operated by the Port of Blyth and is partly located in the Northumberland Energy Park 1 Enterprise Zone. It is part of Energy Central – a premier deep-water East Coast UK energy base located on the Northumberland coast. Energy Central is delivered through a partnership between Advance Northumberland and the Port of Blyth. An extensive specialist supply chain capability has developed within, and adjacent to, Energy Central at the nearby Blyth Riverside Business Park. The park is one of Northumberland's most established business and manufacturing clusters.
- 1.5** The project which aims to assist in the extension of key port infrastructure to support growth in the offshore renewable and subsea sector at Blyth, where a major cluster has been established. This will help to facilitate economic growth and jobs in low carbon, energy focused sectors. The project will increase the attractiveness of the sites for multiple large scale port related manufacturing and inward investment, increase the regions chances of success in leveraging further sector specific interventions from UK Government; increase the regions ability compete on an international scale for offshore wind contracts and support the delivery of the adjacent Enterprise Zone sites.
- 1.6** The Fundamental aim is for the link to provide access to 5 operational berths at Battleship Wharf to unlock the full potential of the NEP sites and the Energy Central Project. Strategic large-scale port related manufacturing requires multiple operational berths, to support inbound and outbound movements. Having priority access to berths is essential for large scale port related inward investors so that they can ensure timely movement of raw materials or finished products and ensure their operations are not restricted due to factors outside their control. The ability to move heavy lift

craneage between the sites is also critical as it would be challenging for any single berth to support the cost of a multi-million pound heavy lift crane and provide a critical mass of utilisation. The link will therefore allow the Energy Central partnership to offer cost effective solutions to potential inward investors.

1.7 The project will

- Create an internal heavy-duty access link between three key strategic operational employment sites – Northumberland Energy Park (NEP) Phase 1, Phase 2 and Battleship Wharf. These sites have been identified as prime location for energy sector businesses looking to relocate and grow in Northumberland.
- Create quayside apron to allow use of cranes and heavy plan loading components at NEP1 berth.
- Add additional hard standing capacity at Battleship Wharf.
- Install a marine bollard in the river to provide safe passage for vessels entering and leaving the upper estuary.

1.8 The project will create 20 construction jobs, 400 indirect jobs and 50 indirect apprenticeships, as well as safeguard six jobs, at NEP2, NEP3 and Battleship Wharf. The link is essential to deliver jobs from more than one inward investment that would otherwise be competing for use of a single common user berth and all demanding priority berthing.

1.9 In May 2021, the North East LEP Board agreed that the project be brought into the Getting Building Fund (GBF) programme and an allocation of £1,250,000 in the programme. The North East LEP investment Board considered this proposal on 16th September and have approved £1.25m GBF, subject to the same conditions outlined in this report.

1.10 A full external green book appraisal has been undertaken, which highlighted that the development of the Battleship Wharf link to the Northumberland Energy zones has the potential to make a significant contribution to the North East's growing strength in the offshore sector. The appraisal identified that the project has a strong fit with the Combined Authority's Vision and key priorities and also has a strategic fit with wider regional and national policy. The overall risk rating of the business case is green with the outstanding issues dealt with through the conditions of funding set out below.

1.11 NTCA Investment Panel considered the proposal on 14th September 2021 and recommended that funding of £1,250,000 is agreed subject to the following conditions:

1. Applicant to provide up to date Subsidy Control advice by a suitably qualified lawyer and that The Subsidy Control position is agreed with a suitably qualified lawyer acting on behalf of the funders.
2. Completion of Partnership Agreement between Port and Advance Northumberland to secure rights to carry out works and demonstrate that spend and milestones can be achieved.
3. Final project costs to be agreed with funders when tenders have been received by the Applicant in October 2021. Any costs above the grants awarded are to be met by the Applicant.
4. A Monitoring and Evaluation Plan is to be provided by the Applicant to the satisfaction of the funders.
5. The project Business Case document is to be amended and signed off by the Applicant to reflect to reflect the clarifications received under appraisal. This is to include an updated risk register to cover access to Advance Northumberland land, the need for a Partnership Agreement and the potential planning requirements with suitable mitigating action to satisfaction of funders.

2. Potential Impact on Objectives

2.1 Programme delivery as described in the report is consistent with the priorities set out in NTCA's vision and in line with the Offshore Wind Sector Development Narrative agreed in April 2020.

3. Key Risks

3.1 The risks associated with this application have been mitigated through funding conditions set out in paragraph 1.11.

4. Financial and Other Resources Implications

4.1 All funding provided will be capital. In line with our agreed claim process, grants will be paid at the agreed intervention rate quarterly in arrears and upon verification of costs. All funding is expected to be claimed by March 2023.

5. Legal Implications

5.1 The comments of the Interim Monitoring Officer are included in the report. NTCA will continue to work with legal colleagues to agree the recommended break clauses for inclusion in the grant funding agreement.

6. Equalities Implications

6.1 NTCA is committed to driving equality and diversity. The delivery of this proposal which will support the creation of jobs in the Offshore Wind sector and associated supply chain will help NTCA meet its duties under the Equality Act 2010, particularly around advancing equality of opportunity for those with protected characteristics.

7. Inclusive Economy Implications

7.1 The Inclusive Economy impact of the proposal was considered as part of the appraisal and NTCA. The appraiser notes a clear inclusive growth benefit of the proposed investment, as the project intervention will allow for an acceleration of new jobs at Battleship Wharf and the wider NEP sites to service the growing offshore wind and subsea sector. We will work with the applicant and the broader Energy Central partnership to develop measures that could be put in place with new employers to achieve Inclusive economy objectives.

8. Climate Change Implications

8.1 This proposal will support the growing offshore wind sector and will also support opportunities for low carbon focused investment and innovation.

9. Consultation and Engagement

9.1 The project has been discussed at technical Officers Group meeting, Investment Panel, the North East LEP and at Officer level in NTCA and Northumberland County Council. In addition, the project sponsor has undertaken engagement with relevant stakeholders.

10. Appendices

None

11. Background Papers

11.1 NTCA Delegated Decision Report 1st April 2020, Investment Fund Update, Part B: Energy, Green Growth and Climate Change – a North of Tyne Blueprint
<https://www.northoftyne-ca.gov.uk/wp-content/uploads/2020/09/20200401-InvestmentB-report.pdf>

12. Contact Officers

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13. Glossary

NTCA- North of Tyne Combined Authority
NEP – Northumberland Energy Park
LEP – Local Enterprise Partnership
GBF – Get Building Fund

11. Sign-off

1) Portfolio holder Yes	2) Director/SMT Yes	3) Chief Finance Officer: Yes	4) Monitoring Officer: Yes
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