



Delegated Decision Report

30th March 2021

Subject: NTCA Offshore and Subsea Infrastructure Programme – Swans Energy Park Phase 1

Report of: Director of Economic Growth

Portfolio: Place and Productivity

Report Summary

The offshore wind sector provides a game-changing economic opportunity for the area. Given the scale of 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.

The purpose of this report is to request the approval of funding for the Swans Energy Park Phase 1 project for a total value of £2 million.

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 delegation HPS11 in Part 2.9 of the Constitution, the Interim 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 Programmes.

Recommendations

The Interim Head of Paid Service is recommended to

- i. approve £2 million for Swans Energy Park Phase 1, subject to the funding conditions set out in paragraph 1.10

1. Background Information, Proposals and Timetable for Implementation

Proposal Name	Swans Energy Park (Phase 1 Enabling)
Lead Organisation	Shepherd Offshore Limited
Delivery Areas	North Tyneside
Timescales	April 2021 – March 2023
Project Value	£7,000,000
Grant / Loan amount requested	£2,000,000

- 1.1 The offshore wind sector provides a game-changing economic opportunity for the area. Given the scale of opportunity but also the scale of investment needed to realise it, NTCA agreed, in April 2020 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.
- 1.2 The Offshore and Subsea infrastructure component of the overall programme - £8.1m 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 wind and subsea supply chain.
- 1.3 The first expression of interest call opened on the 10th August 2020 and the closing date was extended to 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. Each of these will be appraised and considered in line with NTCA's assurance framework and this project is one of the first proposals.
- 1.4 The Swan Hunter site is a key regeneration priority for North Tyneside Council. It has Enterprise Zone Status and is identified as a major employment site in The North Tyneside Local Plan 2017. The site has recently been sold by North Tyneside Council and purchased by Shepherds Offshore to be developed as part of the growing North East offshore economy. The location of the Swans Energy Park on the North Bank of the Tyne is adjacent to Shepherd's Neptune Energy Park and close to Shepherd's Offshore Technology Park. The investment proposed by Shepherd's Offshore builds on public sector investment on the site over the last decade. This includes investment in feasibility works, site acquisition, site redevelopment, site utilities, new roads, quay and wet dock works, river dredging and the Centre for Innovation.
- 1.5 This initial public investment is being sought to allow Phase 1 enabling works to progress at Swans Energy Park to strategically establish, maintain and modernise the current quayside and site capacities, which will begin to allow the site to return to operational use. Phase 1 will kick start the immediate requirements to be operational, meeting the needs and demands of current users and to begin the remediation and modernisation of the site and bring certainty to future investors.
- 1.6 Phase 1 of the development is required to enable full remediation of the site in Phase 2 which will create a developable platform required to attract a long-term end-user of the site. Phase 3 will connect the Swans site to the already successful Neptune Energy Park creating a potential development area of up to 60 acres. The final proposed phase 4 of the development is intended to deliver an operational manufacturing centre for an end-user utilising the site's infrastructure and connection to Neptune Energy Park, creating a large number of employment and skill opportunities.
- 1.7 The direct economic outputs of Phase 1 are expected to be limited to temporary construction and professional services jobs. The primary economic benefit of the phase 1 works is the acceleration that would come as a result of public funding, leading to the future phases being unlocked sooner and the broader economic benefits (i.e. jobs) being delivered more quickly. At this stage it is estimated

that once fully developed out (completion of phase 4), the Swans Energy Park could accommodate approximately 500 jobs directly in manufacturing roles, whilst benefiting the wider offshore supply chain across the North East, in total supporting circa 1000 jobs. A full external green book appraisal has been undertaken which 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.

- 1.8 The phase 1 enabling works project (£7m project) was accepted as part of the North East LEP Getting Building Fund (GBF) in 2020 and has an allocation of £1.5m in the programme and was also accepted onto the NTCA Offshore Infrastructure Programme in December 2020 with an allocation of £2m. In addition, Shepherds Offshore are investing £3.5m private sector funding whilst actively seeking end user interest from businesses operating in the offshore wind sector. The North East LEP Investment Board considered this proposal on the 11th March and have approved £1.5m GBF subject to the same conditions outlined in this report.
- 1.9 A full external green book appraisal has been undertaken which highlighted that the development of Swans Energy Park has the potential to make a significant contribution to the North East's growing strength in the offshore economy and aligns closely 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 will be green if the conditions of funding set out below are met
- 1.10 NTCA Investment Panel considered the proposal on the 16th March 2021 and recommended to the Interim Head of Paid Service that funding of £2 million is agreed subject to the following conditions:
 - Evidence of the cost estimates associated with the items included in the 'Site security and safety infrastructure', 'Site investigation works and permissions' and 'Demolition and materials management' expenditure headings are to be provided, to the satisfaction of NTCA
 - The applicant to provide updated cost information and evidence for the items included in the 'Demolition and materials management', 'Wet Dock feasibility works' and 'Quay Works' expenditure heading following the completion of the site investigation and design works which confirms the remaining proposed budget for the Phase 1 works is adequate to the satisfaction of NTCA.
 - A detailed risk register is provided by the applicant and agreed by NTCA
 - Details of the Change Management Processes used by the applicant are provided to the satisfaction of NTCA
 - A Monitoring and Evaluation Plan is provided to the satisfaction of NTCA
 - Confirmation is provided, to the satisfaction of the NTCA, that all match funding is in place
 - The Subsidy Control position is assessed and confirmed as satisfactory by suitably qualified lawyer acting on behalf of NTCA
 - The Business Case document is updated to reflect information provided during the project appraisal and the above conditions

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 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

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. The inclusive economy case provides a strong narrative that describes how the Swans Energy Park will increase economic and skills opportunities and support local communities in a relatively deprived area. Shepherd Offshore has a strong track record of involvement in skills provision, and the development of the site will benefit from and provide new opportunities to existing sector-specific education facilities.

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 North Tyneside 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. Sign-off

1) Mayor and Portfolio holder Yes	2) Director/SMT Yes	3) Chief Finance Officer: Yes	4) Monitoring Officer: Yes	5) Head of Paid Service: Yes
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