

D2N2 Investment Board – September 2023

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Meeting and Date	D2N2 Investment Board – 7 th September 2023		
Subject	Project for Approval – Heat Pump and Green Skills Accelerator		
Author	T Goshawk	Total no of sheets (Excluding cover sheet)	

Papers are provided for:	Approval <input checked="" type="checkbox"/>	Discussion <input type="checkbox"/>	Information <input type="checkbox"/>
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Summary and Recommendations
<p>In March 2022, D2N2 allocated £6.5 million from the remaining allocation of the Growing Places Fund to utilise on grant based capital projects which will help to deliver the LEPs Low Carbon Agenda. The funding is subject to each of the 7 identified projects submitting a business case that is fully compliant with the D2N2 Local Assurance Framework (LAF).</p> <p>The delivery of the fund is managed in line with the D2N2 Local Assurance Framework agreed with Government, which sets out the compliance requirements in relation to the delivery and approval of projects funded through the Low Carbon Growth Fund.</p> <p>This project being put before the Investment board has now been assessed and is being recommended for consideration and approval based on its full compliance with the LAF. D2N2 will contract with Bolsover District Council and following an approval D2N2 will release £0.5 Million of funding through the Low Carbon Growth Fund.</p>

D2N2 Investment Board
Final Business Case – Project for Decision
Low Carbon Growth Fund

Project Name	Heat Pump and Green Skills Accelerator	Project Applicant	Bolsover District Council/ West Nottinghamshire College
Construction Start Date	November 2023	Construction End Date	June 2024
Getting Building Fund requested	£500,000	Total Project cost	£5.4m with match contributions from NTU, WNC, ESFA, Ashfield Town Fund and Green Skills Flagship
Gross Value Added/ Benefit Cost Ratio	2.6: 1	Expected Outputs	<ul style="list-style-type: none"> • 99 Businesses Supported • 3,200 Qualifications over 10 years • 5 New Jobs • 250m² of additional training space • New training and assessment space

1.0 Project Description

In a unique partnership between Bolsover District Council, West Nottinghamshire College, Nottingham Trent University and leading construction companies, this project aims to develop a flagship skills centre and demonstrator site for low-carbon construction and retrofit in the D2N2 LEP region. The project will develop a new training and assessment centre at Pleasley Mill and facilities that allow onsite practical learning of heat pumps and low-carbon building methods that support their installation, this will be in a mix of new build and retrofits.

The project centres around:

- A further training assessment centre will be developed in Bolsover at Pleasley Mill to grow the capacity to meet the skills and competencies needed in heat pump installation.
- along with a project to work in partnership with Bolsover to provide practical experience on site of low carbon construction and heat pumps installation.

- The project will also partner with JTL, the leading national building services training organisation and NAPIT a leading body in terms of building regulation compliance and certification of competencies.

The D2N2 £0.5m investment supports an overall project of £5.4m, which seeks to make a step change in the delivery of construction skills to support green skills and low carbon building methods. This project will drive the early adoption of low-carbon technologies to make D2N2 LEP businesses in the construction sector and its associated supply chain more competitive and productive. In doing so, it will help to grow the region's economy.

The D2N2 investment joins up investment from the Ashfield Towns Fund – £2.734m (approved Towns Fund projects at agreed business case stage; ESFA – £0.233m, DLUHC £1.5m and from NTU and WNC – £0.4425 (met from capital funds and future revenue to support the project).

2.0 Summary of Strategic Case/Fit

The proposed grant supports a number of priorities for D2N2

- £0.5m investment would support levelling up in D2N2, supporting growth in the construction sector as it adapts to low-carbon products, a key part of the local economy,
- Supporting D2N2's contribution to the target of delivering 300,000 high quality and affordable homes. Increasing the supply of workers able to work on new modern methods of construction and low-carbon technology assists the industry in meeting this target.
- Investing in these growth areas of construction will also assist the D2N2 to Build Back Better, increasing employment and earnings, whilst stimulating investment.
- D2N2's Growth and Recovery Strategy recognises the potential to grow high-quality skilled jobs within the low-carbon sector; this project supports the capacity of D2N2 to train more skilled workers in heat pumps and the associated competencies needed to switch from a historic gas-focused heating market to a net zero heat pump model.
- The project supports D2N2 ambition to achieve growth through low carbon.

This project will drive the early adoption of low-carbon technologies to make D2N2 LEP businesses in the construction sector and its associated supply chain more competitive and productive. In doing so, it will help to grow the region's economy.

The project will impact D2N2 but will significantly impact nine districts: Bolsover, Mansfield, Ashfield, Chesterfield, Newark and Sherwood, Amber Valley, Bassetlaw, Gedling, and Northeast Derbyshire. These areas have been used for the economic overview. This area has a population of 1,024,839 (2021), with 369,775 in

employment. Though employment has remained high, this has been through the growth of lower-skilled and lower-paid roles. This has seen deprivation rise and leads to poor social mobility. Indeed, eight districts ranked in the bottom 25% of local authority (LA) areas in the country, according to Grant Thornton's Sustainable Growth Index 2018. For example, out of 324 areas, Mansfield ranked 315, Bolsover 299, Ashfield 294, Bassetlaw 296, and NE Derbyshire 293. Construction is the area's sixth largest employment sector, with over 23,000 individuals, with local employment in this sector one-third greater than the national average. This sector provides a significant opportunity to grow well-paid, skilled jobs in the area and surrounding areas.

The skills focus of the project will address the need to skill and reskill the local population: only 29% hold a Level 4 or above qualification and 19% Level 3. With various Government opportunities being made available for decarbonisation projects there will be an increase in demand for sector employment in construction and a need for skilled individuals to take on these roles. Therefore, the project is looking to proactively address some of these needs through skilling/ reskilling people.

The project has 4 routes to engage with smaller businesses.

1. we acknowledge that most employment opportunities sits with smaller firms, the majority of our apprentices are employed by smaller business and the existing networks we have will provide good access to these businesses. Particularly as new apprenticeship standards develop to meet modern methods of construction.
2. We have highlighted major main contractors as these still provide a good route to access the businesses we need to support. For example, one larger regional firm has indicated that they have over 1,000 active sub-contractors. We will work with main contractors to support their supply chain. They are highly motivated to support this as a shortage of skilled labour leads to delays, increased costs for labour and the risk of poor-quality work on site.
 - a. On some schemes, particularly public sector, the main contractor has also made commitments to support training of local people
3. Work with Social Housing is vital as they are currently the lead organisations in delivering new build homes and retro fits which support the move to low carbon. By working with them we can help them build initiative into the letting of contracts which will support training and again work with their main contractors to support the supply chain.
4. Particularly relevant to also supporting demand is the Green Skills Boot camps, we are a delivery partner for D2N2 LEP who run a contract across D2N2, Leicestershire and Lincolnshire.
 - a. This provides a route to run short(60hr) focused programmes to meet demand for new labour.

<p>b. It also supports the cost of training for the employed offering small employers a 90% discount and large employers a 70% discount on training.</p>	
<p>Assessors Comments</p>	<p>The project demonstrates good strategic fit with both D2N2 and National policies covering a breadth of areas which will help to benefit the locality and our economy. The business case shows good credentials around upskilling and reskilling individuals to make the area a more prosperous economic geography and demonstrates initiatives to deliver on the Low Carbon agenda for the region.</p>

3.0 Summary of Economic Case and expected outcomes

The project looked at 4 main options for the delivery of the project which are summarised as the following:

Option 1 – do nothing: no investment will see no growth in training for green skills and risk a reduction in employment rather than the benefit of predicted growth in employment.

Option 2 – reduces the investment from DLUHC by removing the activity on civil/land management. The grant would be £1.202m, and the overall project would be £5.112m. The impact of this is to reduce the number of outputs linked to civils qualifications. This project would support 2,930 qualifications and four jobs.

Option 3 – is essentially the same project as option 4 but with a new training centre constructed in Shirebrook. This has a higher capital cost of £6.136m (DHULC grant £1.5m). The number of qualifications supported is 3,085, and the number of jobs is five. There is significant risk within this option:

- The site has yet to secure detailed consent.
- This has delayed the start of outputs.
- The risk of rising new-build costs.
- The level of support required by WNC for the lease acquisition is not approved.

Option 4 – is broadly similar to Option 3 but utilises premises that have been vacant for over eight years. This reuse of facilities is a significant carbon gain within the project. It also de-risks the planning issues and new-build issues. The project will have a period of 10 years rent at a price for basic storage, rather than the rate for training facilities. This means that the annual rent and running costs can be covered from revenue without needing upfront capital investment to acquire the site. This option supports 3,200 qualifications outputs and five jobs.

After deliberation the project decided to proceed with option 4 as the strongest and preferred way forward. This option generates a Benefit Cost Ratio of 2.6: 1 which aligns to the LEPs requirements to deliver 'High' Value for Money. The scheme overall will deliver a net present value of £8.241m and over 3,200 qualifications to the area.

**Assessors
Comments**

The applicant has set out a good understanding of assumptions for the project and has demonstrated through their Benefit Cost Ratio score of 2.6:1 that the project will deliver good value to the economy based on the intervention being made. Discounts have been made to the assumptions to ensure that the figures presented align with HM Treasury Green Book standards.

4.0 Summary of Commercial Case

The project will be delivered by Bolsover District Council supported by West Nottinghamshire College, a further education college. Both Organisations have well-developed Financial Regulations which govern procurement. A project manager will lead the work within the WNC construction team and be supported by the Bolsover's and WNC's estates and finance teams.

Claims would be supported by the WNC's external funding manager, familiar with providing full audit assurance and evidence of defrayal of funds.

The spend is broken down into three key areas:

Equipment and plant will be selected on price and functionality, where a single make is preferred due to standardisation of existing equipment or for its market-leading position, providing more relevant training. A report is required outlining why a single source of supply is chosen.

For plant that is not new, processes will be compared across online sites to establish VFM related to specification and hours of historic operation.

IT equipment will be procured via a CCP framework or from additional suppliers that can supply and deliver at a lower cost.

It is envisaged that no individual purchase would exceed £150k plus VAT.

Building materials – three quotations will be obtained for these from local suppliers.

Small Building Works – three quotes would be obtained from the approved list of suppliers.

<p>It is envisaged that no individual purchase would exceed £150k plus VAT.</p> <p>The type of procurement with the project is not complex. Due to the nature of some equipment items, a deposit may be placed and final payments made at delivery.</p>	
Assessors Comments	<p>The commercial case sets out good mechanisms from all parties involved to minimise risk in the procurement process. Due to the smaller nature of the project delivery, there is little risk of price increases and any tender documentation/invoicing will be monitored by the LEP to ensure appropriate spend of funds and ensure the procedures align with our regulations.</p>

5.0 Summary of Financial Case

<p>The financial case within the Final Business Case demonstrates that all sources of match funding have been identified and confirmed to fit within the funding envelope needed to deliver the project. The funding for the £5.4095 million project will be delivered from the following sources, all of which have been confirmed:</p> <ul style="list-style-type: none"> - Ashfield Towns Fund - £2.734m - ESFA - £233,000 - D2N2 - £500,000 - DLUHC - £1.5m - West Nottinghamshire College - £355,000 - Nottingham Trent University - £87,000 <p>The financial case also demonstrates the project income and expenditure which confirms that West Nottinghamshire College have a viable method to ensure the delivery of the courses alongside their current curriculum. The college have budgeted to maintain delivery over the period of output delivery and ensure that the outcomes can be demonstrated.</p>	
Assessors Comments	<p>The financial case shows that the project has the relevant funds to commence with the initial build and purchase phase of the project as well as continue to deliver the outcomes through its lifetime.</p>

6.0 Summary of Management Case

Theory of Change

The project applicants have developed their theory of change for the project which is seen below

Issues	Reasons for these issues	How – causal relationship	Outputs	Outcomes	Theme and strategic objective met
Lack of qualified people in the construction sector with green skills.	Demand for new housing and infrastructure development. Brexit and COVID had an impact on foreign workers moving back home. New building technique. Low carbon approaches to new build and retrofit, that require upskilling	Intervene in addressing the issue with establishing new courses and increase number of learners.	Two new education facilities, one expanded; five new jobs being created; twelve schools engaged in careers, education link to local skills needs.	Enterprising benefitting from upskilling their workforce: new learners, new technology skills.	Succeed in Ashfield – encourage and promote inward investment through supplying a workforce with the right skill set

Project Change Mechanisms

The Management case sets out the instances that will lead for the internal management team of the project sponsor to recall the business case. The following events will automatically trigger a review of the project should they occur:

- The budget is under/overspent by 10%
- One or more of the training facilities are not developed.
- Learner numbers starting the programmes are 20% below target.
- Monitoring data identifies that any part of the budget is not being spent in accordance with the theory of change.

Project Governance

The project has an internal steering group where the stakeholder organisations meet to oversee the delivery of the project and the co-ordination of the different delivery strands. The Governance structures have been further sub-divided to monitor the following; Planning and Design, Procurement, Build process.

Project Risk Monitoring

As part of the Final Business Case the project applicant has included an initial risk register which identifies the key areas of risk which may inhibit the projects progress throughout the construction and delivery phases. Each risk has a corresponding mitigation action and level of potential risk identified.

Assessors Comments

The Management case demonstrates that good governance procedures are in place to manage the project going forward. These management structures are set to be updated and closely monitored throughout the delivery process.

7.0 Assessors and Officers Recommendation

Following a review of the Final Business Case submitted to the LEP the Investment Board is recommended to approve the release of £500,000 to the Heat Pump and Green Skills Accelerator project. The release of funds will be subject to the full procurement process and delivered in arrears based on defrayed expenditure from the applicants.

Getting Building Fund Checklist

<p>1. A detailed 'Green Book' compliant business case has been completed detailing the project and its alignment to the 5-case model. 'The Checklist'¹ published by HM Treasury is a useful one-page guidance paper.</p>	<p><i>The project sponsor has delivered a fully compliant HM Treasury Green Book Business case to the LEP.</i></p>
<p>2. A VFM assessment must be completed. This VFM assessment will be independently assessed by D2N2 and must show an overall score of 'High'.</p>	<p><i>The VFM assessment is completed within the Economic Case and demonstrates that the preferred option has a Benefit Cost Ratio (BCR) of 2.6:1 against total public sector costs. This figure indicates that the project provides 'High' value for money</i></p>
<p>3. Details confirming that all planning consents have been granted and that all pre start conditions have been met.</p>	<p><i>The project does not require planning permission to deliver on the D2N2 phase of the project. A further phase requires planning permission and work is underway following initial advice from Ashfield District Council to secure this.</i></p>
<p>4. Confirmation that any Section 106 or other agreements have been entered into.</p>	<p><i>N/A for this project</i></p>
<p>5. Confirmation of the results of the procurement exercise detailing: -the tenders received (along with detailed costs) -the tender accepted (along with timescales/conditions)</p>	<p><i>The project has set out the procurement method for delivery of the construction phase of the scheme within the Business Case. These tenders will be monitored throughout the delivery process and no funding will be released until the results of the exercise have been confirmed.</i></p>
<p>6. Details of the construction contract to be entered into by the promoter detailing: -start date -completion date -liquidated damages/cost over runs</p>	<p><i>As above the procurement process will inform the construction contracts that will be entered in to, the project sponsor will confirm this detail with the D2N2 LEP and Accountable Body before any release of funding is made.</i></p>
<p>7. Confirmation that the promoter will be responsible for any variations to the contract price and that once entered into, the contract will be completed in line with</p>	<p><i>Bolsover District Council and West Nottinghamshire College will be responsible for any cost overruns.</i></p>

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/190603/Green_Book_guidance_checklist_for_assessing_business_cases.pdf

the details submitted. The promoter should submit a separate letter appended to the Business Case which confirms this from their Financial Director or equivalent.	
8. Confirmation that the project has been designed to RIBA stage 4 or its equivalent.	<i>N/A for this project</i>
9. Details of any outstanding points preventing/delaying the start-up of the construction contract.	<i>The project is currently on track for a November 2023 start date, this date is still highly achievable but may be subject to any delays in the procurement process.</i>
10. Details of any changes for the project from the initial EOI and OBC submissions with reasoning behind these changes. Including an updated viability report as submitted in point 5 of the OBC.	<i>The project has changed since the initial EOI due to a change in tactics to combine the heat pump training centre with West Nottinghamshire's Green Skills project. This achieves greater value for money and significantly more output delivery for the LEP than the initial project.</i>
11. Confirmation that all funding is now in place with details of the sources of funding, please include letters from third party funders confirming any conditions and timescales.	<i>All match funding has been confirmed by the other parties involved</i>
12. Confirmation that all land/legal agreements have been completed and are in the control of the promoter to deliver the entire project	<i>The land in question is in control of Bolsover District Council who have confirmed that it should be used for this purpose.</i>
13. A phasing plan identifying the start and completion elements of the project along with costs associated with each phase and the outputs/outcomes that will be delivered on a quarterly basis.	<i>Included within the business case and will be drafted in to the Grant Offer letter for the project</i>
14. An updated risk register identifying the key risks and the project manager responsible. The risk register needs to be scored and include a mitigation plan.	<i>A risk register has been prepared by the project applicant alongside the management case of the business case. Mitigations are in place for the identified risk and the document will continue to be updated throughout the projects lifespan.</i>