

D2N2 Investment Board – October 2023

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Meeting and Date	D2N2 Investment Board – 19 th October 2023		
Subject	Project for Approval – Nuclear Skills Academy		
Author	T Goshawk	Total no of sheets (Excluding cover sheet)	9

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 September 2022, D2N2 allocated £1.38m from LEP reserves to allocate to projects which would help to promote the creation of Jobs, Homes and Learners. The funding is subject to 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 Economic 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 the University of Derby and following an approval D2N2 will release £1,388,826 of funding through the Economic Growth Fund.</p>

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

Project Name	Nuclear Skills Academy	Project Applicant	University of Derby
Construction Start Date	July 2023	Construction End Date	October 2023
Economic Growth Fund requested	£1,388,826	Total Project cost	£8.4m with the following match contributions: - UoD - £700K - DCC - £750K - Innovate UK - £1.3M - Rolls Royce - £4.26m
Gross Value Added/ Benefit Cost Ratio	3.5: 1	Expected Outputs	<ul style="list-style-type: none"> • 2493 Learners supported • 2131m² Training Space provided • 35 Jobs Created

1.0 Project Description

This project will complete the Phase 2 conversion of an existing building on Infinity Park (iHub) into a fit for purpose Nuclear Skills Academy (NSA). Phase 1 of the project converted office space into classroom and learning space. This was completed on an accelerated timeframe to enable training activity to commence in September 2022.

Phase 2 of the project concerns the conversion and fit-out of specialist workshop space to be ready for November 23. The conversion requires the renewal of all services to fit with the unique requirements of a nuclear engineering specialist teaching environment. Specialist workshops will be provided as follows in addition to required ancillary space:

- Lathe and Milling
- Maintenance
- Fabrication
- Learning Space
- Welding Workshop
- Inspection
- Electronics and Electronic Principles
- Scientific Lab
- CNC Workshop and Design

All the specialist workshops have been designed and created with innovative pedagogy in mind, enabling experiential and practice-based learning, guided by academics, technical teams, and nuclear subject matter experts. The workshops have designed in AV equipment, areas to huddle and discuss a particular teaching point or lesson plan, and break-out spaces to facilitate team-working and collaboration.

Changing rooms will be created, along with an appropriately sized kitchens and refectory, with a mezzanine level to provide sufficient seating. There will be self-study areas for apprentices, along with a technicians' storeroom and comms room.

2.0 Summary of Strategic Case/Fit

This project is required to meet the regional requirement for a rapidly expanded workforce, with the specialist skills critical to meet the needs of both defence and civil nuclear industries.

Specifically:

- The development of a pipeline of early careers, skilled talent for the nuclear industry. The Nuclear Skills Academy will provide apprenticeship programmes from Level 3 (technician) through to Level 6 (advanced degree level). All of which are accredited by both the University of Derby and the National College for Nuclear.
- The upskilling, broadening, and deepening of mid-career, nuclear professionals.
- The cross-skilling and retraining of people into the nuclear industry, with backgrounds in other engineering sectors, e.g. automotive, oil and gas.
- Support for returners to the nuclear industry, e.g. a career break for caring responsibilities, sabbaticals, return to health after illness.
- The provision of training to 'customers', e.g. MOD, Royal Navy, AUKUS partners
- Support for the nuclear supply chain and strategic partners, and their training and recruitment needs.
- Developing higher-order technical skills to Masters and PhD, bridging into research and technology developments, working in partnership with academia.

The centre will look to help create a highly responsive approach to skills development in the nuclear sector that can identify gaps within the industry skills needs, understand their requirements, and subsequently create long term plans to upskill the future workforce. The centre will also enable the local region to respond quickly to skills shortages which prevent barriers to grow the regional economy.

Rolls Royce Submarines Ltd (RSSL) has an ambitious growth strategy to solidify their reputation as an international nuclear thought leader, pioneering and delivering

innovative power and propulsion solutions. Growth opportunities beyond RRSL's immediate submarines business are focused on the global drive for sustainable, deployable, novel nuclear power and fusion energy. This significant opportunity for development would be severely hampered by acute skills shortages and limits its and others potential grow sufficiently and deliver on these opportunities, thus threatening the regions potential to be a global leader in nuclear excellence.

The Nuclear Skills Academy development supports the retention of associated supply chain jobs that will be created in Derby and will cement Infinity Park Derby as a magnet for growing and emerging nuclear supply chain companies. Furthermore, the UK Government confirmation that West Burton in North Nottinghamshire has been selected at the home for the new STEP fusion energy programme will create additional demand for nuclear engineering specialists. This prototype plant is expected to commence first operations in the early 2040's and will create highly skilled jobs in the region's nuclear sector. The NSA will have a key role to play in solving these skills challenges.

The approach set out in the D2N2 Recovery and Growth Strategy includes driving a once in a generation opportunity to take advantage of long-term opportunities presented by several strategic sites (including Infinity Park Derby) and sectors (including advanced manufacturing) to lead a green revolution.

Specifically, the Nuclear Skills Academy will contribute to addressing the following challenges facing D2N2 as set out in the D2N2 Strategy:

- Labour productivity gap is widening – by supporting creation of high skill, high pay jobs in a growing sector linked to clean energy
- High proportions of low skilled and low earning jobs – by providing reskilling and upskilling opportunity
- 54,000 jobs and risk of automation – by supporting attraction of new jobs into the region
- Levelling up the socio-economic inequalities linked to low educational attainment and workforce skill levels – by supporting regional social mobility initiatives involving a local university with a track-record of promoting social mobility and major local employer

Assessors
Comments

The project demonstrates very good strategic fit with both D2N2 and national policies around green growth. The strategic case sets out the need for the project and the specific reasoning for the skills requirements for the Nuclear Skills Academy. The case is articulated well and demonstrates the need for this style of facility which can adapt and be flexible in delivering its skills needs.

3.0 Summary of Economic Case and expected outcomes

The economic case provides a fully demonstrated report from independent assessors which sets out the value for money case from the project. The report includes the correct assumptions and deductions around the Benefit Cost Ratio and shows that the scheme provides a strong return on investment for public sector funding.

The report also tests several different scenarios and options for the schemes delivery that were eventually dismissed as they did not provide the same economic or output value from the project. These options were:

Do Nothing	No workshop space would be available for teaching apprentices as the current space is unsuitable for the intended use e.g. electrical supply, cabling, ventilation all inadequate. Apprenticeship programmes could not be delivered through classroom delivery only. Therefore, Phase 1 NSA would be unsustainable leading to significant financial and reputational damage. Future job creation and skills development opportunities likely to be lost to areas outside D2N2.
Outsource Workshop Access	This option has been trialled already as a temporary fix to enable the accelerated opening of the Academy. It was agreed as a temporary solution and it has proven to be unsustainable for all parties including the employer, apprentices, and teaching staff. It is a very expensive model and does not deliver the vision or experience of a Centre for Excellence. Outsourcing does not meet the needs of the employer or the apprentice and there have been significant quality assurance issues. Risks loss of future apprenticeship opportunities to areas outside D2N2. Not achieving Centre of Excellence standard risks adversely affecting development of nuclear supply chain and skills cluster in D2N2.

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 3.5:1 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.
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4.0 Summary of Commercial Case

Specialist equipment is being tendered for award by the University of Derby's Procurement Department following the University's Procurement Policy.

In summary:

- Items under £15k including VAT – 1 quote
- Items £15k to £25k including VAT – 3 quotes
- Items over £25k including VAT – tendered following Public Procurement Regulations 201

The contractor for the works Seddon Construction were procured in line with public sector procurement regulations through the PAGABO Refurb and Re-fit framework. The University of Derby has a call down process with the contractor from a pre-approved list of contractors who have all been accepted on to the PAGABO Framework through an independent process. The sum of the refurbishment contract is within the contract limits of the framework.

Assessors
Comments

The commercial case sets out good mechanisms from all parties involved to minimise risk in the procurement process. The processes are in line with public sector procurement regulations and proof of the process has been given by the University.

5.0 Summary of Financial Case

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 £8.4 million project will be delivered from the following sources, all of which have been confirmed:

- University of Derby - £700K
- Derby City Council - £750K
- Innovate UK - £1.3m
- Rolls Royce - £4.26m

The University has confirmed that the project is sustainable from a revenue perspective and will be funded going forward via a variety of mechanisms.

Assessors
Comments

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.

6.0 Summary of Management Case

Management & Governance

This project will be managed by the University of Derby with oversight from the #TeamDerby project board that includes executives from NAMRC, Rolls-Royce Ltd, Derby City Council, National College for Nuclear and the University of Derby.

The Board has oversight of the strategic developments at Infinity Park Derby that relate to Nuclear and Clean Growth. There is a steering and operations group that reports to the board on progress and points of escalation. The partners came together to successfully deliver Phase 1 at pace and in good faith. All partners have subsequently committed to this Phase 2 project. All match funding has been approved by the project partners demonstrating their commitment to the intervention.

Key project roles & responsibilities

Strategic Lead - Professor Warren Manning, Provost Innovation & Research

University Delivery Lead - Justin Steele-Davies, College of Science & Engineering

NSA Operational Lead - Jason Pimborough, Nuclear Skills Academy Manager

Estates Lead - Dan Ilsley, Interim Assistant Director of Estates

EGF Monitoring and Compliance - Clare Tatham, Senior Programmes

Assessors Comments

The Management case demonstrates that good governance procedures are in place to manage the project going forward. These management structures show clear lines of responsibility and named personnel that will govern the project.

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 £1,388,826 to the Nuclear Skills Academy project.

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 3.5:1 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>Planning consent was required for the project and was granted on the 25th of May 2023.</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 and given proof of the tendered contracts.</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>The details of the construction contract have been submitted with the Final Business case.</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 the details submitted. The promoter should submit a</p>	<p><i>The University of Derby has confirmed that they 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

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>The scheme is fully designed in this project</i>
9. Details of any outstanding points preventing/delaying the start-up of the construction contract.	<i>No Delays for the project</i>
10. Details of any changes for the project form 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 made no significant changes since the EOI process.</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 Derby City Council who the project sponsor has signed an extended lease agreement with.</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>