

Title: North East CA Capital Regeneration Fund Trailblazer – Sunderland Riverside (Studio Development) Enabling and Preparation works
Report of: Andrew Nicholson - Project Manager (Housing and Land)
Portfolio: Housing and Land

Report Summary

The purpose of this report is to seek approval of the request of £25,000,000 funding for site enabling and preparation works on the 31.42-hectare Brownfield Riverside Studio Development site in Sunderland. Funding will come from the North East Combined Authority’s (North East CA) Capital Regeneration Fund (CRF), as a result of additional targeted funding being provided through the North East CA Trailblazer Devolution Deal. The project will focus on site enabling, preparation and infrastructure works. This includes producing technical designs up to RIBA stage 4, early contractor involvement, delivering general site infrastructure, preparation and enabling works, paving the way for Phase 1 of any commercial development, and helping unlock further investment.

Initial details of the project were presented to Cabinet on 11 June 2024 and delegated authority has been granted to the Chief Executive, in consultation with the Mayor, relevant Portfolio Holders and the Finance and Investment Board, to approve the final business cases for the Sunderland Riverside development. At its meeting on 15 July 2024, the Finance and Investment Board recommended approval to award £25,000,000 to Sunderland City Council for the project outlined in this report.

Recommendations

The Chief Executive, in consultation with the Mayor, relevant Cabinet Member and the Finance and Investment Board, is recommended to:

- i) Approve £25,000,000 of North East CA Capital Regeneration - Trailblazer funds to Sunderland City Council for the Sunderland Riverside (Studio Development) Enabling and Preparation works scheme set out in the report.

A. Context

In March 2024, the Government announced a “trailblazer” deeper devolution deal with the North East Combined Authority (North East CA) as part of the Spring Budget, to empower local leaders with new funding and tools to deliver local regeneration priorities. The devolution deal seeks to build on the government’s ambition to level up across the North East, ensuring the region has the powers needed to deliver long-term change and a brighter future for everyone. As a result of this, a further £35 million capital funding has been negotiated with Government with £25m allocated towards the Sunderland Riverside site within the Deeper Devolution Deal. Additionally, Government confirmed it will work with the North East CA to establish a ‘growth zone’ with the expectation of a business rates retention scheme which will see 100% of business rates growth retained within the region for the next 25 years.

Details of the three projects from the £35m Trailblazer Capital Funding were presented to the final North of Tyne Combined Authority (NTCA) Investment Panel on 4 April 2024 and added to the Capital Regeneration Fund Pipeline. Furthermore, initial details of the Sunderland Riverside (Studio Development) Project were presented to Cabinet on 11 June 2024 and delegated authority has been granted to the Chief Executive, in consultation with the Mayor, relevant Portfolio Holders and the Finance and Investment Board to approve the project business case <https://www.northeast-ca.gov.uk/governance/cabinet>.

Table 1: Capital Regeneration Pipeline

Project Name	Applicant	Status
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Gateshead Quays	Gateshead Council	Approved 11 th January
NETPark Phase Three, Sedgefield	Durham County Council	Approved 11 th January
Aykley Heads Development, Durham City Innovation District	Durham County Council	Approved 11 th January
North Shields Public Realm	North Tyneside Council	Approved 29 th February
Blyth Culture Hub and Market Place	Northumberland County Council	Approved 29 th February
Creative Central Boho Arts	Newcastle City Council	Approved 29 th February
Creative Central Tyne Theatre Opera House	Newcastle City Council	Approved 29 th February.
Creative Central Gib Chambers	Newcastle City Council	In development
South Shields College	South Tyneside	In development
Health Innovation Neighbourhood	Newcastle City Council	Approved 11 th June
Forth Yards – Pottery Lane and Highline	Newcastle City Council	FIB 15 th July 2024
Sunderland Riverside	Sunderland City Council	FIB 15 th July 2024

3.0 Project Outline

3.1 Key information

This project will deliver site enabling works on the Riverside Sunderland site, which will include earthworks, retaining structures, piled foundations, the removal of hazardous materials, demolition and relocation of the salt store building as well as the installation of key infrastructure including waster, electrical and digital connections. Also, the project will include the production of technical design up to RIBA stage 4. The intention is that this site will deliver a world-class film/high-end TV (HETV) production facility with anticipated future developers, Fulwell 73 and Cain International, expected to invest £450m in the development of the Studios – a 1.68m sq ft film production hub, with 19 sound stages including production workshops, office space, and vendor village for supply chain businesses as well as social facilities and parking. The completed development will drive regional economic growth and contribute to levelling up by supporting the potential creation of up to 8,450 jobs (direct, indirect and induced - full-time, part-time, freelance) across the North East region by 2033. It is forecast that as the studio development and its supply chain grows over the next 10 years it could contribute a cumulative £2bn to regional GVA, reaching an estimated £336m in annual GVA to the region from 2033. Initial economic impacts undertaken by Saffery Champness and based on potential full studio development and expected wider supply chain.

Proposal Name	Sunderland Riverside (Studio Development) Enabling and Preparation works
Lead Organisation	Sunderland City Council
Delivery Areas	Housing and Land
Timescales	Project Start Date – 07/05/2024

	Workstream 1 site enabling works – 06/05/2024 -22/08/2025 Workstream 2 Phase 1 Detail Design – 01/07/2024 - 11/04/2025 Workstream 3 Phase 1 ECI – 17/06/2024 -11/04/2025 Financial Completion Date - 31/03/2026 Anticipated Project Completion Date (date by which all outputs/outcomes will have been achieved) - 31/08/2025 Gantt Chart Provided with business case.
Project Value	£25,000,000
Grant / Loan amount requested	£25,000,000
Budget Implications:	£25,000,000 from Deeper Devolution Deal

The prospective development will see a 31.42 hectare brownfield site on the banks of the River Wear become the beating heart of the region’s creative economy. The Studio Development is recognised as a major regional investment opportunity which can significantly accelerate development of the regional screen industries ecosystem envisaged by the North East Screen Industries Partnership (NESIP). Working with key local and regional partners the project will build on the proactive development work that has taken place across the wider region following signing of the MoU between the BBC and wider regional representatives in September 2021. The project also aligns with the North East CA’s wider objectives including putting culture, creativity, the visitor economy, leisure and sport at the heart of our regional economy and driving growth and regeneration through improvements to land and infrastructure. Additionally, the project is integral to delivering against the Sunderland City Plan and is a key element of the council’s commitment to maximizing the contribution which culture and creativity can make to the city’s development and economic regeneration.

There is currently no major studio situated in the North East and in 2022 a total of £6.3 billion was spent on the production of film and high-end TV content in the UK. According to Ampere Analysis, £185 billion was spent globally on original content in 2022. The UK currently captures under 5% of the global market, leaving significant room to expand its market share. Additionally, the North East Screen Industries Partnership will continue to monitor demand for production space. Sunderland City Council have outlined that they will work with key stakeholders to maximize the opportunity to enable new skills, training and employment opportunities as well as building a regional screen industries ecosystem envisaged by the North East Screen Industries Partnership

The enabling works will occur on a 31.42 hectare site of previously developed land on the south bank of the River Wear. The site is prominently located at a key gateway entrance into Sunderland, flanking the iconic Northern Spire Bridge, which was constructed between 2015 to 2018. The site overlooks Castletown on the northern bank of the River Wear and is located 3km west of Sunderland city centre. It is well connected with new road links, the existing Pallion Metro Station and established bus routes through the area. The site has a rich industrial heritage. It was once a thriving area used for various industrial activities, including shipbuilding and repair works, during the 19th and 20th centuries. However, the site and surrounding area experienced significant change towards the end of the 20th century as a result of deindustrialisation, site clearances and regeneration.

The project will be designed and delivered to ensure alignment with the Council’s Low Carbon Framework and help contribute towards the region’s Net Zero ambition. Overall, during operation, relative emissions for the proposed development have been estimated to be -28% less than a development of a similar type built elsewhere. It will do this by targeting a BREEAM ‘Excellent’ rating, and by maximizing energy efficiency and integrating the use of decentralized renewable and low carbon energy. Furthermore, opportunities will be sought where possible for nature conservation enhancement at this site.

Without the £25m of funding the project would not go ahead, and a major regional investment opportunity could be lost. The funding will deliver site enabling and preparation works to unlock the delivery of the Phase 1 Commercial Development. This will include earthworks, retaining structures, piled foundations, the removal

of hazardous materials, demolition and relocation of the salt store building as well as the installation of key infrastructure including waster, electrical and digital connections. Also, the project will include the production of technical design up to RIBA stage 4, early contractor involvement, delivery of general site infrastructure, and contingency. Planning has been approved and there are no outstanding conditions in relation to the enabling and preparation works.

3.2 Funding Profile

FUNDING			
	24/25	25/26	Total
Capital Regeneration Fund (Trailblazer)	£14,989,826	£10,010,174	£25,000,000
Match Funding			
Total	£14,989,826	£10,010,174	£25,000,000

Cost Breakdown

Enabling works - £16,275,000
Employer Contingency (15%) - £2,441,250
Consultancy and Fees - £4,076,630.43
Early Contactor Involvement Fees - £1,078,500
Internal Fees - £309,000
Contingency - £819,619.57
Total - £25,000,000

Full cost breakdown has been provided for enabling and preparation works.

3.3 Outputs/Outcomes

Outputs	
<i>Area of site reclaimed, (re)developed or assembled</i>	31.42 Ha
<i>Area of brownfield land remediated</i>	31.42 Ha
<i>FTE temporary construction jobs (created and safeguarded)</i>	332
Outcomes	
<i>Creation or safeguarding of space for shared community and/or business activities</i>	
<i>Phase 1 (2026/27)</i>	33,781 Sqm
<i>Phase 2 (2027/28)</i>	33,925 Sqm
<i>Phase 3 (2029/30)</i>	80,869 Sqm
<i>Total</i>	148,575 Sqm
<i>Jobs Supported (at full build out)</i>	6,080
<i>Direct (high value jobs)</i>	1,570
<i>Indirect</i>	800
<i>Induced</i>	8,450
<i>Total</i>	

3.4 Milestones

Headline milestones include:

Project milestone	Delivery date
Project Start Date	07/05/2024
Financial Completion Date	31/03/2026

Anticipated Project Completion Date (date by which all outputs/outcomes will have been achieved)	31/08/2025
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Gantt Chart Provided with Business Case.

4.0 Appraisal

4.1 Appraisal Summary

The North East CA commissioned Mickledore Ltd to undertake an appraisal of the projects business case. The appraisal findings are set out here:

Strategic Case – The project is outlined in the North East CA’s Deeper Devolution Deal and the application demonstrates strategic alignment with the North East CA’s wider objectives including putting culture, creativity, the visitor economy, leisure and sport at the heart of our regional economy and driving growth and regeneration through improvements to land and infrastructure.

Economic Case - The actual economic benefit of the proposed project would be the land value uplift achieved from reclamation and perhaps some utility achieved from a meanwhile use. The enabling works as a standalone project is unlikely to achieve a good value-for-money BCR. However, the application sets out the potential economic benefits from the proposed studio development which would be significant. With greater certainty in the proposed project and its phasing, it is likely that a very strong BCR could be provided as the project reaches a point of greater certainty, but at present, there is no certainty about the future development taking place,

Commercial Case —The commercial case sets out the demand case for a film studio project but should at least consider the alternative potential future demand for a reclaimed large brownfield site within Sunderland. The Council is proposing to provide the reclaimed site on a phased basis to the developer, and further certainty on how this phasing would work is addressed in the conditions of funding.

Financial Case – The costs of the scheme have been estimated by an external provider (Turner & Townsend). The reclamation costs can be uncertain until work has commenced and a contingency of 15% has been applied to the cost estimates (and no inflation). Sunderland City Council do not expect to achieve a fixed price contract for the work as they state this will offer the best value. The full risk of the project is, therefore, essentially being taken by the Combined Authority as the sole funding provider, due to this a condition has been included which states the Combined Authority will not cover additional costs beyond the £25,000,000 provided.

Management Case—Sunderland City Council’s management approach demonstrates the structures it has in place to manage large-scale projects and deal with performance and risk. It intends to provide an evaluation report using an internal team. The Subsidy Control position is outstanding, we have been advised their legal advice has confirmed it does not represent a subsidy. However, we still require the written advice to be sent through.

Conclusion – The project has the potential to bring significant economic benefits to the region and demonstrates strong strategic alignment with the ambitions of the Combined Authority as outlined in the deeper devolution deal. However, as the project is in the early stages there is no certainty around the future economic benefits. While the economic case is rated as amber the overall project has been rated as green based on the conditions outlined below.

4.2 RAG Assessment

Overall RAG assessment		
Risk Rating	Strategic case	Green
	Commercial case	Green
	Economic case	Amber

	Financial case	Green
	Management case	Green
	Overall rating	Green

4.3 Recommended Conditions of Funding

It is recommended the award of funding should be subject to the following proposed funding conditions:

No.	Condition
1	Greater documentation of how the land disposal would be phased to ensure that only the intended uses were delivered on land in the ownership of the developer
2	£25m is the maximum available from North East CA irrespective of cost overruns.
3	A completed BCR linked to the end user once contractually certain.

B. Impact on North East Combined Authority Objectives

This project relates to supporting economic activities via trailblazer funding, which are highlighted in the Deeper Devolution Deal, with the Sunderland Studio project highlighted as a major strategic site to deliver significant economic development.

C. Key risks

RAG assessment and risk register has been submitted alongside the Business case. The risks associated with this application (delivery of a capital works programme, on time and to budget) are mitigated through funding conditions.

D. Financial and other resources implications

The allocation for this project was identified within the Trailblazer Devolution agreement, allocating £25million from central government to deliver a time bound one off capital works programme by end March 2025. This allocation was set out and approved at Cabinet on 11 June 2024.

E. Legal implications

The comments of the Monitoring Officer are included in the report. Full subsidy control advice has now been provided which outlines a compliant subsidy position.

F. Equalities implications

North East CA is committed to driving equality and diversity. The measures contained within this paper will help meet duties under the Equality Act 2010, particularly around advancing equality of opportunity for those with protected characteristics, particularly with regard to socio-economic background.

G. Consultation and engagement

Extensive consultation is underway and will continue with key stakeholders including the North East Screen Industries partnership.

H. Appendices

None

I. Background papers

[Cabinet Decision Notice - 11 June 2024.pdf](#)

J. Contact officers

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K. Glossary

N/A

L. Sign-off

1) Cabinet Member: Yes	2) Director/Head of Service: Yes	3) Director of Finance and Investment: Yes	4) Monitoring Officer: Yes
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