

**Title:** North East Investment Zone – NETPark Phase 3a  
**Report of:** Rob Hamilton, Interim Strategic Leader, Economic Growth and Regeneration  
**Portfolio:** Finance and Investment

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## Report Summary

The purpose of this report is to seek approval for the enactment of the delegation provided to the Chief Executive at the November 2024 meeting of the North East Combined Authority (North East CA) Cabinet, to approve the final business case and funding of up to £11,255,710 for the NETPark Phase 3a project.

Durham County Council is seeking £11,255,710 funding from the North East Investment Zone for essential infrastructure works to unlock the whole of NETPark Phase 3a in Sedgfield, County Durham, for future development. This will directly unlock three units for development and accelerate delivery by the Council of the first commercial building for a nationally significant inward investor.

## Recommendations

- i. Recommend the NETPark Phase 3a project for approval, and funding of up to £11,255,710 from the North East Investment Zone, in line with the delegation provided at the November 2024 meeting of the North East CA Cabinet.

## A. Summary of Investment Proposal (Context)

The North East Investment Zone (IZ) has been designed to deliver £160m of investment and 4,000 jobs over the next ten years. With a sectoral focus on Advanced Manufacturing and Green Industries it builds on the ‘Arc of Innovation’ outlined in the NE devolution deal, spanning from Blyth to NETPark, including the Tyne Economic Corridor and the International Advanced Manufacturing Strategic Site. This includes many of the region’s most productive businesses in areas of our economy where we have nationally and internationally leading expertise; in the offshore and renewable energy sector, electric vehicle and battery manufacturing; and associated low-carbon manufacturing, materials and research.

The business case and delivery plan for the North East IZ were co-developed by the Combined Authority, our constituent Local Authorities and Government. The ambition for the IZ is to leverage at least £3 billion of private sector investment. The IZ tax incentives and flexible funding will be used to unlock growth in jobs and productivity through investment in skills, infrastructure and innovation.

### 1. Background

The project presented in this paper is aligned with the IZ business case and delivery plan, and the North East sectoral strengths that will be reflected in our Local Growth Plan. The project was presented to Cabinet on 26 November 2024, where it received in-principle support, with authority delegated to the Chief Executive, in consultation with the Mayor and Finance & Investment Board, to approve the final business case and funding of up to £11,255,710.

### 2. NETPark Phase 3a

This project would unlock the next phase of development at NETPark, to facilitate the attraction of significant advanced manufacturing inward investment opportunities and bolster the region’s position as a leading technology and innovation location. IZ funding will deliver essential infrastructure works consisting of grid connections, road infrastructure, levelling, stabilizing and other groundworks to unlock Phase 3a at NETPark and accelerate development of a commercial building on Zone 1. Without proactive public sector investment to unlock the site, a major inward investment opportunity would be lost from the region, in addition to the regional supply chain opportunities that could be unlocked.

The project would be led by Durham County Council (Business Durham), which is in advanced stages of securing a construction partner for the Zone 1 site. Durham County Council has already made a significant capital investment of £48 million, with contributions from NELEP and the North East CA, in the development of Phase 3a Zones 2 & 3, and has committed to further investment of over £24 million in the development of one of the three units on Zone 1, subject to gap funding for the infrastructure and enabling works being secured.

The investment would facilitate remediation of 50,900 sqm of underdeveloped land and accelerate direct delivery of the first commercial building on Zone 1 for the nationally significant inward investor, with the creation of 13,780 sqm of commercial space. The North East CA investment is expected to create 400 highly skilled jobs by 2031/32 as a result of the development of the three units on Zone 1. Wider economic benefits are expected to include the creation of new jobs in the supply chain, and increased investment into research and innovation in the wider region.

The project has been discussed by the Finance & Investment Board on 11 November 2024 and 13 January 2025. Subject to the funding conditions listed below, the project is recommended for approval by the Chief Executive in line with the delegation agreed by the North East CA Cabinet.

## 2.1 Outputs and Outcomes

Project outputs and outcomes have been reviewed and updated following the Cabinet meeting on 26 November. The jobs will be created by businesses occupying the newly developed units, Durham County Council have provided assurance that all jobs created will be verified and this will be managed through the terms of the lease.

Outputs	24/25	25/26	26/27	27/28	28/29	Total
Amount of land reclaimed, remediated or rehabilitated (m2)	0	50,900	0	0	0	50,900
Amount of commercial space created or improved (m2)	0	0	4,830	0	8,950	13,780

Description of Outcomes	Timeframe for achievement	Totals
Number of FTE permanent jobs created	2027/28 to 2031/32	400

## 2.2 Timetable for Implementation

Milestone	Forecast Date
Agreement of Enabling Works Package	20 <sup>th</sup> December 2024
NPG Order Placed	January 2025
Commence Enabling Works	5 <sup>th</sup> February 2025
Inward Investor ITN issued	February 2025
Building Contract Award	14 <sup>th</sup> April 2025
Commence Main Building Works Activities	15 <sup>th</sup> April 2025
Inward Investor Contract Award	January 2026
Practical Completion	28 <sup>th</sup> August 2026
Financial Completion Date	August 2027
Anticipated Proposal Completion Date (date by which all outputs/outcomes will have been achieved)	March 2032

Following in-principle agreement by Cabinet in November 2024, the project has commenced at risk to ensure it is in the strongest position to realise the significant inward investment opportunity.

## 2.3 Appraisal

A full appraisal of the project business case has been completed by Mickledore Ltd.

## Summary

The project has been ranked overall as 'Green' although this is based on an important assumption. The assumption is that there is acceptance that the project is an enabler for future as yet uncertain economic benefit. The success to date of the NETPark scheme, its regional importance and the demand studies undertaken provide comfort in this area. The possibility or otherwise of the identified inward investor locating on site is considered uncertain and the economic benefits and outcomes of the scheme are contingent on this being achieved.

### 2.4 RAG Assessment

The assessment follows the HM Treasury Five Case model.

The appraisal notes that £1.77m of Local Transport Funding is included as match, however at this point in time a regional allocation and the parameters of this additional transport funding is still to be confirmed by Government. This risk has been addressed through a proposed funding condition.

Overall RAG assessment		
Risk Rating	Strategic case	Green
	Commercial case	Green
	Economic case	Amber
	Financial case	Green
	Management case	Green
	<b>Overall rating</b>	<b>Green</b>

### 2.5 Recommended Conditions of Funding

The award of funding would be **subject to the following proposed funding conditions:**

No.	Condition
1	Durham County Council to underwrite the £1.77m of unconfirmed match funding.
2	Durham CC retain ownership of the site and act as developer after the enabling works are in place.
3	The beneficiary sets out the costs of foundations above the standard costs anticipated for the site as a means of demonstrating subsidy control compliance.

#### B. Potential Impact on North East Combined Authority Objectives

All funded activity will contribute to progressing the Mayor and Cabinet's priorities.

#### C. Key risks

A full risk analysis will be completed as part of the Assurance Process, with risks reported to the Chief Executive ahead of any decision. A project risk register has been provided as part of the business case, which will be subject to a robust assessment including the subsidy control position prior to any formal award of funding in line with the Single Assurance Framework.

#### D. Financial and other resources implications

The financial profile for the project is included below:

<b>Funding source</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>Total</b>
North East CA Investment Zone Capital (£)	£2,807,211	£8,187,549	£130,475	£130,475	£11,255,710
Capital Match – Transport Grant (£)	£0	£1,715,258	£26,525	£26,525	£1,768,308
<b>Total (£)</b>	£2,807,211	£9,902,807	£157,000	£157,000	£13,024,018

#### **E. Legal implications**

The applicant has provided external legal advice on a compliant subsidy control position and the comments of the Monitoring Officer have also been included in the report.

#### **F. Equalities implications**

The North East CA follows the Public Sector Equality duty and this report has due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010.

#### **G. Consultation and engagement**

Ongoing engagement and consultation has taken place with Local Authorities and members of the Investment Zone Advisory Board throughout the development of the Investment Zone programme.

#### **H. Appendices**

None

#### **I. Background papers**

None

#### **J. Contact officers**

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#### **K. Glossary**

CPI – Centre for Process Innovation  
 DCC – Durham County Council  
 ECI – Energy Central Institute  
 IZ – Investment Zone  
 North East CA – North East Combined Authority

#### **L. Consultee**

Cabinet Member:	Director/Head of Service:	Director of Finance and Investment:	Monitoring Officer:
Yes	Yes	Yes	Yes