

Title: Creative Central NCL – Grainger Market Creative Workspaces
Report of: Rob Hamilton, Head of Innovation and Strategy
Portfolio: Housing and Land

Report Summary

The purpose of this report is to provide details of the Creative Central NCL – Grainger Market Creative Workspaces project to enable it to be recommended to the Chief Executive for approval.

On 8 September 2023, the former North of Tyne Combined Authority (NTCA) Cabinet resolved with agreement of the former North East Combined Authority (North East CA) Constituent Local Authorities, that the NTCA act as the Accountable Body, to establish and deliver a £34 million Regeneration Capital Programme (£20m early priorities funding as part of devolution negotiations matched with £14 million Investment Fund). This was to enable delivery ahead of the formal creation of the North East Combined Authority (North East CA). The approved Capital Regeneration Programme and Pipeline will support a range of interventions across the region to boost economic growth and deliver enabling infrastructure. This programme was enhanced with an additional £35 million as part of Trailblazer negotiations in March 2023 for the development of the Crownworks Studios, Forth Yards and Health Innovation Neighbourhood.

The report was considered by Technical Officers Group and Finance and Investment Board on 3 February 2025 and 17 February 2025 respectively; and was recommended for approval.

Within the approved pipeline there were three schemes relating to Creative Central NCL, a place-based regeneration project in Newcastle that aims to create an inclusive, vibrant and distinctive creative district. These schemes help to address the critical need for C&C workspace (including studios, performance and rehearsal space) that is affordable, accessible, attractive and offers long-term security.

Project Name	Funding Ask	Status
Tyne Theatre & Opera House	£527,252	Approved by Delegated Decision (DD) – 29th February 2024 Scheme is contracted and delivering in line with approved business case.
Boho Arts	£523,000 (original) up to £957,598 (revised – under review)	Approved by DD – 29th February 2024 * To note, scheme has submitted a revised business case with an increased funding ask which is under review
Gibb Chambers – on original pipeline but withdrawn.	£1,614,254 (withdrawn)	Gibb Chambers scheme was withdrawn from pipeline.
Grainger Market Creative Workspace – replacement	£1,705,427 (replacement)	Grainger Market Creative Workspaces scheme has replaced the above with a funding ask of £1,705,427 for consideration.

Including the increased ask for Boho Arts and the project at Grainger Market to replace the project at Gibb Chambers, the overall position across the three NCL Creative Central schemes is as follows:

Original (Approved Pipeline)		Revised (For Consideration)	
Scheme	Funding Ask	Scheme	Funding Ask
Tyne Theatre & Opera House	£527,252	Tyne Theatre & Opera House	£527,252
Boho Arts	£523,000	Boho Arts	£957,598*

Gibb Chambers	£1,614,254
Total	£2,664,506

Grainger Market	£1,705,427
Total	£3,190,277

*Under review

The overall Capital Regeneration programme position, including the revised funding asks outlined above is as follows:

Project Name	Total Funding
Gateshead Quays	£3,500,000
NET Park	£10,700,000
Aykley Heads	£9,200,000
Blyth Cultural Hub & Market Place	£2,500,000
North Shields Public Realm	£3,300,000
Creative Central NCL – Tyne Theatre & Opera House	£527,252
Creative Central NCL – Boho Arts	£523,000 ¹
Creative Central NCL – Grainger Market Creative Workspaces	£1,705,427 ²
<i>Unallocated</i>	<i>£2,044,321 ³</i>
Total	£34,000,000

¹ Under review due to increased funding ask of £957,598 in total – to be considered separately.

² Subject to approval by Finance & Investment Board

³ Includes approval of Grainger Market Creative Workspaces but not including increased ask for BOHO Arts or South Tyneside regeneration.

Recommendations

The Chief Executive, in agreement with the Director of Finance and Investment and the Monitoring Officer and in consultation with the Mayor and relevant Cabinet Member, is recommended to:

- i. Approve the Grainger Market Creative Workspace project and funding up to £1,705,427; and
- ii. Authorise the Director of Finance and Investment and Monitoring Officer to prepare the necessary documentation and to enter into grant agreement with the lead applicant.

A. Summary of Investment Proposal (Context)

1. Background

Project Outline	
Applicant	Newcastle City Council
Project location	Grainger Market
Start Date	1 st August 2025 (start on site)
Financial End Date	31 st March 2026
Practical completion date (date by which all outputs will be achieved)	31 st March 2027
Total Project Value	£1,705,427
North East CA Financial Ask	£1,705,427
Budget Implications	This project will be funded from the Capital Regeneration Fund workstream as set out in the North East CA Investment Framework. If approved, £2,044,321 remains in the budget.

The Grainger Market Creative Workspaces act as an anchor for Creative Central NCL in the centre of the city. It would provide a hub of creative workspaces, which could also include an accessible exhibition and retail area at ground floor. The currently vacant, listed building would create a backdrop to a lively and attractive programme of uses that help nurture creative and cultural individuals and organisations.

The location for these newly refurbished facilities is in the heart of Creative Central NCL and close to excellent transportation links. The new creative hub would be a destination within Creative Central, which is intended to trigger further creative investment in the area through public and private partnerships.

North East CA funding would be used to bridge the viability gap faced by the Council in delivering new creative workspace that is affordable to tenants, attractive, accessible, and provides long-term security. The funding would cover the cost of the refurbishment of a historic asset, creating accessible, flexible and affordable creative workspaces, such as studios, workshops, classroom spaces in the top three floors and an exhibition and retail area with a public frontage at ground floor.

The proposal would:

- Bring 8,600 square feet unused space back into use, comprised of:
 - 6,500 square feet in-demand creative workspace
 - 900 square feet of retail / exhibition / cafe space at ground level
 - 1200 square feet of cafe and toilet areas at basement level
- Provide an anchor building for Creative Central NCL that would catalyse further investment
- Create additional jobs to operate the new facilities
- Safeguard existing jobs within the creative industry and attract inward investment
- Bring a listed building back into use and therefore increase long-term sustainability of our heritage assets
- Increase participation and engagement in culture and cultural activities

The Grainger Market Creative Workspaces team have just concluded RIBA Stage 3. The project will require 2 months of Detailed Design pre-tender, tendering in spring 2025. Works will commence in the summer of 2025, with all funding defrayed before the end of March 2026.

2. The Investment Proposal

The proposed Grainger Market Creative Workspaces project would act as a hub of creative workspaces, providing a lively and attractive programme of uses that help nurture creative and cultural individuals and organisations. Through the refurbishment of a historic asset, the project would provide an in-demand anchor building for Creative Central NCL that would catalyse further investment.

The project is seeking funding from the North East CA to bridge the viability gap faced by the Council in delivering new creative workspace that is affordable to tenants, attractive, accessible, and provides long-term security. The funding would cover the cost of the refurbishment of a historic asset, creating accessible, flexible and affordable creative workspaces, such as studios, workshops, classroom spaces in the top three floors and an exhibition and retail area with a public frontage at ground floor.

The cost plan produced by Todd Milburn includes fees, a contingency for the construction costs and an inflation uplift. The proposed works are expected to total £1,705.427 and are outlined below.

Item	Amount
Construction costs	£1,484,933
Professional fees (including Council fees)	£218,493
Statutory fees	£2,000
Total	£1,705,426

Newcastle City Council (NCC) have undertaken a process to identify a suitable workspace operator which has demonstrated the significant demand for creative workspace in the city centre. They are confident that the space being brought to market will be fit for purpose, to suit both the needs of the workspace operator, and the studio users. NCC have identified a preferred bidder and are in the process of negotiating an 'agreement to lease', which is based upon detailed long-term financial modelling provided by the operator setting out realistic occupation, void levels, rental income, service charges, sales through the café/bar space, staff and running costs. The operator has been engaged in the design process from an early stage to help shape the look and feel of the space, and to advise on very practical elements to ensure the space best

meets the needs of the market, while also giving them the best opportunity to implement a economically viable business model. The operator has an excellent track record in delivering similar studio spaces and café/bar space elsewhere in the city; and has a long waiting list of potential studio users ready to commit to the space from a very early stage. This experience is invaluable in giving confidence to NCC that the operator, as primary tenants, has a long-term vision and delivery plan that matches NCC's aspirations, and need for long term sustainability.

2.1 Outputs

Outputs	25/26	26/27	Total
801.36 square metres (8,625 square feet) refurbished floorspace		801	801
3 direct jobs created by the operator of the space	3		3
56 indirect jobs safeguarded		56	56

2.2 Outcomes

Project outcomes are listed below, with the timeframe for achievement from April 2026 onwards:

- Create a dedicated cultural anchor in the centre of Creative Central NCL
- Significant cultural contribution to the city 300 days per year with free exhibitions / cultural events, including at least one annual open studio, and around 100 ticketed creative learning events.
- Increase the long-term sustainability of our heritage assets.
- Increase participation and engagement in culture and cultural activities.
- Creating the opportunity for culture and creative businesses to grow, create job opportunities as well as safeguarding jobs and attracting inward investment.
- Provide the opportunity for creative practitioners to develop their knowledge and experience.
- Added value to Grainger Market in the shape of available meeting space; art exchange between pop-up events at the market and the creative workspaces; engaging with traders to offer product launches / pop up events in the retail unit; and coordinated late night or special seasonal events.

2.3 Timetable for Implementation

Milestone	Forecast Date
RIBA Stage 3 – design & cost plan	Completed
Planning application – change of use / listed building consent	31 st March 2025
RIBA Stage 4 – design & cost plan	30 th April 2025
Tender	31 st May 2025
Start on site	1 st August 2025
Works completed	31 st March 2026
Financial completed (all funding defrayed)	31 st March 2026

2.4 Evaluation

The appraisal report notes that the project is a construction project only and so an ongoing evaluation is not required. NCC will evaluate performance through the procured operator agreement.

2.5 Appraisal

Key points from the appraisal report and the background to funding conditions proposed within the report and summarised below.

The appraisal report outlines a clear strategic rationale for the project aligned to the purpose of the fund and to the North East CA's strategic economic objectives.

It is acknowledged within the appraisal report that funding is requested to bridge a viability gap faced by NCC to cover the cost of refurbishment of the Grainger Market, and the project could not go ahead without North East CA funding. As part of the detailed options appraisal undertaken by NCC within the Economic Case, it is clear that the creative workspace option is the most favourable and is the only option that is forecast to generate a cash surplus over the next 10 years. None of the options available currently meet NCC's internal income target on this asset, hence the significant deficits against internal budget. As such, NCC have internal agreement to reduce the income target over the next 10 years to a more realistic and achievable level, with an aspiration to build up the income target over the longer term. NCC have outlined they are committed to this scheme, and its role in addressing the need for workspace for the creative sector that is accessible, affordable, attractive and provides long-term security of tenure. As such, NCC are committed to ensuring this space remains open and occupied by the culture and creative industries for a least the first 10 years of operation. The appraisal report notes that this commitment from NCC should be a condition of funding within the contract.

Within the Financial Case assessment, the report notes that a detailed cost plan has been prepared, with specific contingencies and inflation uplifts included. The project is not reliant on additional match funding to proceed and all supporting financial documentation has been provided. The appraisal report outlines that the financial plan is sustainable insofar as the capital spend will complete all of the refurbishment of the building. The proposed venue operator was contracted via an open call and the viability of a financial model ensuring sustainability whilst meeting affordability goals was demonstrated within the call response.

The report notes that appropriate governance arrangements have been put in place by NCC with a clearly outlined delivery team and partners. Appropriate milestones are developed within the delivery plan. Key risks are detailed satisfactorily and documented within the Business Case.

A Seven Subsidy Control Principles assessment in line with the Subsidy Control Act 2022 has been completed following receipt of external legal advice.

2.6 RAG Assessment

Overall RAG assessment		
Risk Rating	Strategic case	Green
	Commercial case	Green
	Economic case	Green
	Financial case	Amber
	Management case	Green
	Overall rating	Green

2.7 Recommended Conditions of Funding

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

No.	Condition
1.	The Recipient will be solely responsible for bearing any cost over runs in relation to development costs for the Project.
2.	Subsidy Control advice and Seven Principles report to be assessed by North East CA legal prior to funding offer.

3.	The Recipient commits to ensuring this space remains open and occupied with priority given to the culture and creative industries for a least the first 10 years of operation.
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B. Potential Impact on North East Combined Authority Objectives

The North East Devolution Deal refers to increased alignment with programmes such as the Culture and Creative Zones to better harness the cultural, economic, social and educational capital of the region. This project fits within the Culture and Creative Zone programme in Newcastle; addressing the needs of the culture and creative sector; unlocking employment opportunities and allowing the existing culture and creative sector to reach its full potential. The proposal clearly supports the Culture and Heritage sector; and drives economic growth.

C. Key risks

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/programme is included below:

Funding source	2024/25	2025/26	2026/27	Total
North East CA Capital Regeneration Fund (£)	£71,000	£1,634,427	£0	£1,705,427
Total (£)	£71,000	£1,634,427	£0	£1,705,427

E. Legal implications

The comments of the Monitoring Officer have been included in this 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

During the project development, NCC consulted with a number of local creative workspace providers, including The New Bridge Project; East Street Arts; Cobalt Studios; Floe; Alphabetti Theatre; and Breeze Creatives. Each confirmed a severe shortage of creative workspace matching that proposed for the Grainger Market Creative Workspace; demonstrated by long waiting lists.

Broadoak Asset Management have supported the Creative Central NCL project for a number of years. A demand assessment outlined a broad range of different potential users of space for cultural and creative purposes, and how this could be matched through new developments within the Creative Central NCL. Through this research, and independent secondary sources, they identified at least 55 individual requirements, equating to over 40,000 square feet of demand within the city centre. It was their belief that this was only a fraction of the pent-up demand, as many individuals and organisations with the sector would only respond once there was a tangible space for them to express an interest in.

H. Appendices

None.

I. Background papers

None.

J. Contact officers

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K. Glossary

NCC – Newcastle City Council

North East CA – North East Combined Authority

TOG – Technical Officers Group

L. Consultee

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