

# North Tyneside Council Report to Cabinet Date: 12 November 2012

## ITEM 7(d)

Title: River Tyne North  
Bank Update

Portfolio(s): Elected Mayor

Cabinet Member(s): Mrs Linda Arkley

Report from Directorate: Chief Executive's Office

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Wards affected: Wallsend, Riverside

### PART 1

#### 1.1 Purpose:

The purpose of this report is to inform Cabinet about steps being taken to deliver the River Tyne North Bank Strategic Development Framework Plan, key projects to bring forward the redevelopment of the former Swan Hunter site and the appointment of a preferred developer partner.

The report seeks authority to progress proposed delivery arrangements, including bidding for and accepting external funding, and commencing site infrastructure and building works on the former Swan Hunter site, in accordance with public sector procurement requirements.

#### 1.2 Recommendations:

It is recommended that Cabinet:-

1. Authorise the Head of Regeneration, Development and Regulatory Services, in consultation with the Strategic Director of Finance and Resources, the Head of Legal, Governance and Commercial Services and the Elected Mayor, to bid for external funding for site infrastructure and the development of land and buildings on the Swan Hunter site, and accept offers of such funding providing there are no financial implications for the Council that cannot be accommodated within existing budgets.
2. Approve the feasibility and design works elements of the scheme of up to £0.280m, as set out in paragraph 1.5.5(b) of this report, being moved from the Capital Plan reserve list on to the main Capital Plan subject to the confirmation of the Homes and Community Agency grant funding (which will fund 100% of this expenditure) being received.

3. Note the progress with the procurement of a preferred developer partner and agree to receive a further report for the purpose of approval of appointment of the preferred developer partner, such report to contain all relevant additional legal, financial and/or other implications.
4. Note the Stage 1 ERDF approval and authorise the Head of Regeneration, Development and Regulatory Services, in consultation with the Strategic Director of Children, Young People and Learning, to undertake further detailed design work in relation to the proposed Business Incubation Centre and Research and Development Facility that forms a key part of the Learning Village Phase 2 and report back to Cabinet, including as to the legal and financial implications.
5. Authorise the Senior Manager Strategic Property, in consultation with the Elected Mayor, the Strategic Director for Finance and Resources and the Head of Legal, Governance and Commercial Services, to negotiate and agree terms for and finalise any land transaction in respect of the Swan Hunter site, in accordance with the requirements of the Joint Venture Agreement with the Homes and Communities Agency, ensuring best consideration is achieved for the Council, and ensuring compliance with all relevant legal requirements, the Council's Constitution and Financial Regulations, including the handling of all ancillary matters arising.

### **1.3 Forward Plan:**

This report appears on the Forward Plan for the period 1 October 2012 to 28 February 2013.

### **1.4 Council Plan and Policy Framework**

This report is relevant to the Council Strategic Plan 2012-15 – Priority 5 “Work in Partnership to realise the full potential of the North Bank of the Tyne Regeneration - we will work in partnership with local companies to ensure the employment and inward investment opportunities that a working river creates will boost the local and regional economy, through job creation, training and skills via a Multiversity Education Partnership. The resulting increased numbers of people using the town centres and riverside areas will assist in boosting the daytime and night time economy “, and in particular:

Priority 5 (8)

“The Council will begin the journey towards this vision by providing appropriate infrastructure and supporting investment in buildings. The council will actively seek endowments and collaborations between universities and companies in an innovative partnership. We will take this vision and our determination to Government and to our European representatives to seek their support.”

### **1.5 Information:**

#### **1.5.1 Background Information**

In October 2008, consultants were appointed to develop a Strategic Development Framework Plan (SDFP) and masterplans for the River Tyne North Bank (RTNB) area, which stretches from Royal Quays in North Shields to Walker in Newcastle. The SDFP was a joint initiative with Newcastle City Council and the former Regional Development Agency and has now become a top priority for the new North East Local Enterprise Partnership (NELEP) and the Homes and Communities Agency (HCA).

In September 2009 Cabinet approved the SDFP as the strategy for the economic and social regeneration of this important riverside corridor. The SDFP highlights the importance of key sites to the economic regeneration of the river corridor and the adjacent Wallsend town centre; as well as the need to provide local training facilities to train and upskill local residents to meet the requirements of the advanced manufacturing industries that are essential to securing the economic regeneration objective.

Cabinet considered further reports in July 2010, February and December 2011 and September 2012 regarding the delivery of key projects in the RTNB area, particularly the re-development of the Swan Hunter site and the Learning Village.

### **1.5.2 River Tyne North Bank Update**

River Tyne is already one of Europe's leading locations for the sub-sea, oil and gas, offshore advanced manufacturing and renewable energy sectors and there are significant growth opportunities, particularly arising from the UK's offshore wind programme, a key part of achieving Government targets for energy consumption from renewable sources. The pace of progress with the economic regeneration of the RTNB is therefore rapidly accelerating.

Many local riverside businesses on the North Bank, including SMD, Bridon International, W.D. Close, DUCO and Wellstream, have already shown the drive and leadership needed to underpin the recovery and rebalancing of the national and local economies by growing their businesses and are rapidly creating new jobs in sectors such as sub-sea technology, advanced engineering and oil and gas.

Much of this business is export driven, essential to the overall UK economy and achieving the Government's Plan for Growth (2011), by:

- Encouraging investment and exports as a route to a more balanced economy;
- Making the UK the best place in Europe to start, finance and grow a business.

Offshore Group Newcastle (OGN) has recently completed a major fabrication contract in the offshore sector for Apache at their Hadrian Yard, clearly demonstrating that our local businesses can deliver. OGN are now constructing the topside platform for Apache, employing 500 people, with completion programmed for 2013.

In addition, the success of OGN in attracting a £0.640m grant for research and development into wind turbine jacket design and the grant of planning permission by the Council for a major new wind turbine jacket fabrication plant on the Hadrian Yard, represent a significant step forward in bringing this important growth sector to the RTNB on a substantial scale, which could create 800 direct new jobs on the site. OGN have also been successful with a stage 1 bid into Round 3 of the Regional Growth Fund for this new development.

Tyneside, through the NELEP, is one of 5 LEP areas in the United Kingdom identified for Centre for Offshore Renewable Energy (CORE) status. This identification was based on:

- Company interest in locations for major manufacturing centres;
- The traditional and developing industrial strengths in maritime and offshore engineering in our area. Local port facilities and available land (including enterprise zones) are additional positive features;

- Those LEPs which have demonstrated strong local championing of offshore renewables engineering within their growth plans.

In March 2012, The Technology Strategy Board (TSB) announced that the UK-wide consortium bid from the Carbon Trust, National Renewable Energy Centre (Narec) and Ocean Energy Innovation had been selected to play a pivotal role in setting up the Offshore Renewable Energy Catapult (the 'Catapult').

Narec was set up in 2003 to enable the commercialisation of offshore renewable energy technologies and therefore support the growth of these sectors across the UK. The Catapult will now provide national coordination of expertise and funding to fast track offshore wind, wave and tidal renewable technology development through to commercialisation, as quickly and efficiently as possible.

The Catapult will reinforce the UK's position as the global leader in offshore renewable energy by significantly accelerating the development and market deployment of new renewable energy technologies. Projects will focus on reducing the cost of renewable energy, accelerating market deployment and maximising the benefit to the UK economy. There will be close engagement with industry to ensure that they are aligned to key market needs, such as improving the reliability of energy generating devices expected to operate for many years in a harsh marine environment.

A positive factor in attracting new businesses to the RTNB is that the Catapult Operations Centre will be based at the nearby Narec Technology Park in Blyth, Northumberland, consolidating the testing of new technology in this area.

The MPI Adventure, which is the world's largest floating offshore wind turbine installation vessel, visited the River Tyne last month to transfer and install a foundation structure fabricated at the former McNulty Yard in South Shields for an offshore wind turbine off the coast at Blyth to be tested by Narec. This visit confirms the River Tyne can easily accommodate these vessels.

A river boat trip was organised in September to launch a new construction sub group for the North Tyneside Business Forum. This boat trip provided an opportunity to invite a number of important partners and stakeholders, including UKTI and the NELEP, to view key investment sites on the River Tyne from the river itself. The boat trip was very well attended and a number of speakers from landowners and businesses on both sides of the river contributed to the success of the event.

It is clear that our river related industries continue to be important economic drivers and that many of the key components are already in place to develop a truly global centre of excellence in advanced manufacturing and engineering here on the River Tyne, delivering significant and sustainable economic benefits for the local, north east and national economies. It is essential, however, that the Council, the NELEP and other key partners grasp the opportunities that these sectors currently provide.

### **1.5.3 North East Advanced Manufacturing and Low Carbon Enterprise Zone (NEEZ)**

Prior to the December 2011 Cabinet meeting the Council was informed by the NELEP that it had been successful in securing Enterprise Zone status for the Swan Hunter site and the Port of Tyne North Estate in North Shields as part of the North East Advanced Manufacturing and Low Carbon Enterprise Zone (NEEZ). The adjacent Neptune Yard site in Newcastle was also included, resulting in around 60 hectares of the RTNB being included in the overall NEEZ. This is consistent with the priority the NELEP has given to advanced manufacturing, renewable energy and the low carbon economy in its economic growth strategy and vision to create “Europe’s premier location for low carbon, sustainable, knowledge based private sector led growth and jobs”.

However, a legal challenge to the designation of the NEEZ was made by the (then) owners of Morston Quays, adjacent to the Howdon Yard, on the grounds that their site should also be included in the NEEZ. The legal challenge was subsequently withdrawn and the overall NEEZ came into effect on 1 April 2012.

The main benefits of the NEEZ to businesses are either 5 years’ business rate relief for individual businesses (the Swan Hunter site) or enhanced capital allowances against investment in plant and machinery (the Port of Tyne North Estate site); a simplified planning regime; and, superfast broadband. The 5 year business rate relief is only available to businesses that locate into a NEEZ site before 1 April 2015.

In addition, the business rate growth income generated by all the NEEZ sites is retained by the NELEP for a period of 25 years for re-investment in the local economy. The NELEP has agreed to prioritise the use of this business rate growth income by the local authorities to fund infrastructure investment on the NEEZ sites.

In addition, in view of the importance of the NEEZ to achieving the Government and NELEP objectives for private sector led growth, a number of national and local funding sources are being aligned with the NEEZ and applications for funding from these sources are being prioritised.

NEEZ designation of the 3 North Bank sites therefore provides a significant opportunity to stimulate further interest in the River Tyne. All 3 sites are already being actively marketed through UK Trade and Investment (UKTI) as well as by the individual site owners. In particular, proximity to the Dogger Bank Round 3 offshore wind zone clearly make the NEEZ sites ideal for manufacturing components for offshore wind turbines as well as their assembly and also as a base for longer term operations and maintenance services.

The NELEP has agreed a protocol for handling inward investment enquiries with both UKTI and the local authority partners, which gives the NELEP and the local authorities access to information on business enquiries received nationally.

### **1.5.4 Port of Tyne North Estate NEEZ site**

The Port of Tyne North Estate (PTNE) is the largest available development site on the River Tyne. Around 30 hectares of this site has been included in the NEEZ, which provides businesses with enhanced capital allowances against expenditure on fixed plant and machinery. With other adjacent, non enterprise zone land owned by the Port, the PTNE provides 50 hectares of potential development land overall and is capable of attracting a large inward investor in the offshore wind turbine manufacturing sector.

Only 30 minutes' steaming time from the open sea with no aircraft restrictions, the site provides a heavy load out facility with a quay length of 420m dredged to a minimum of 10 metres and more than 13 metres river depth at high tide. The site has 24 hour river access at all states of tide and is adjacent to a 360 metre diameter turning circle. The site is therefore competitive with other UK and European ports.

NEEZ designation provides the PTNE with financial and other incentives that will encourage further interest from large inward investors, with the capacity to create significant numbers of new direct and indirect (i.e. in the supply chain) local jobs.

Preparation of the simplified planning regime for the PTNE has commenced and it is expected to be in place during 2013. In the meantime the Port of Tyne has been assured that the Council will consider proposals for development in accordance with the NEEZ objectives. The Port of Tyne is in direct discussions with suppliers about superfast broadband to the site.

The Port of Tyne own a substantial estate on the south side of the river around Tyne Dock, which has recently been significantly extended by the acquisition of the McNulty Yard and a further 5.5 hectares of new development land by infilling an existing dock using material arising from the construction of the 2nd Tyne crossing. The Port have also recently acquired the Morston Assets site on the North Bank and intend using these new sites on both sides of the river to extend their strong portfolio of river related engineering manufacturers and supply-chain businesses already clustered within the area.

The Port's five commercial business areas already add considerable economic value to the north east region, estimated at £467m in 2011, supporting 450 direct jobs and 9,500 indirect jobs and are therefore crucial to the future prosperity of the River Tyne.

## **1.5.5 Swan Hunter**

### **a) NEEZ site update**

The former Swan Hunter site was acquired by the Council in 2009 and is around 20 hectares in size, of which 17 hectares have recently been designated as Enterprise Zone land. Due to its smaller size and location upstream, the Swan Hunter site is considered more suitable for smaller businesses requiring river access and therefore provides 5 years' business rate relief (up to a maximum of £275,000) for businesses locating to the site before 1 April 2015.

The Local Development Order (LDO) that provides a simplified planning regime for the Swan Hunter site is progressing through the approval process and should be adopted shortly following recent confirmation by the Secretary of State that it will not be called in. This will automatically permit uses and new buildings in accordance with the LDO. The site has already been connected to superfast broadband.

### **b) Swan Hunter Infrastructure Improvements**

Swan Hunter is a highly complex regeneration scheme of a large site comprising a range of interlinked projects with varying requirements and opportunities for funding from other public and private sector partners.

There are 3 current primary projects.

1. The site improvements and new infrastructure required to bring the site up to a viable condition for construction of new business accommodation to commence;
2. The construction of new business accommodation on the site;
3. The refurbishment of part of the existing Swan Hunter buildings to accommodate a Business Incubation Centre and Research and Development facility.

There is a further emerging project that was reported separately to Cabinet in September 2012:

4. Learning Village Phase 2.

Of the 3 primary projects the site infrastructure improvements is the most critical.

The former Swan Hunter site was largely decommissioned by the former owner, resulting in most of the fabrication buildings and craneage being dismantled and transported off site. However, many redundant structures remain to be cleared. Subsequent vandalism and costs of standing charges also required the decommissioning of all except one of the electricity sub-stations on the site pending redevelopment. The extent of the remaining site clearance and the new/improved infrastructure required means that the upfront investment to make the site suitable for new development is significantly higher than an equivalent greenfield site.

In addition, lack of regular use of the quay berths and associated regular dredging has led to a build up of silt, reducing the depth of water to around 7.0 metres. This has been identified by current and potential users of the site as a major constraint as the products they are proposing to manufacture require transport by ship/barge to their destination.

The site urgently requires dredging of the quay berths, repair and strengthening of the quay walls, ground reinforcing behind the quay walls (to allow for the weight of products for load out onto vessels), new electricity and water supplies to the whole site, upgrading of the eastern access road, upgrading of the western access road along Benton Way (including replacing the existing bridge over the former riverside branch railway) and new internal access roads. Without these works the site is not viable for developing new business accommodation and associated job creation as required by its NEEZ status and the Government objectives to rebuild the economy set out in their Plan for Growth.

The estimated cost for these works is £13.600m, broken down as follows:

<b>Project</b>	<b>Cost (£m)</b>
Utilities (electricity and water)	£3.255
Road links/access improvements/bridge	£2.355
Dredging	£3.476
Quay edge repairs	£4.474
ERDF Monitoring requirements	£0.040
<b>Total</b>	<b>£13.600</b>

The Council is quickly bringing forward plans for essential new and improved infrastructure, including dredging of the quay berths, repair and strengthening of the quay walls, ground reinforcing behind the quay walls (to allow for the weight of products fabricated on the site for load out onto vessels), new electricity and water supplies to the whole site, upgrading of the eastern access road, upgrading of the western access road along Benton Way (including replacing the existing weak bridge over the former riverside branch railway) and new internal access roads. The infrastructure works are programmed to begin in early 2013 and will take around 2 years to complete.

Bids for external grant funding towards these costs have already been successful with a stage 1 approval for £6.800m ERDF funding, which will provide 50% of the funding and must be fully spent by July 2015. The second stage bid was submitted in August 2012 and a formal offer of funding is expected shortly. A further £6.800m of match funding is therefore required to maximise the value and benefits of the ERDF grant to the Council and businesses.

The Homes and Communities Agency (HCA) has also approved (subject to formal written confirmation) a grant of £3.280m, with £0.280m in 2012/13, £1.800m in 2013/14 and £1.200m in 2014/15, to fit with the ERDF grant timescales, and the NELEP has approved in principle a £3.800m allocation of funding to maximise the early deployment of resources for the site improvements and infrastructure works and thereby the creation of new jobs within the Enterprise Zone. £0.280m of the HCA funding is specifically for further feasibility and design work, leaving £3.000m as match for the site infrastructure works.

The proposed funding mix for the £13.600m site infrastructure works is therefore as follows:

<b>Funder</b>	<b>Capital (£m)</b>
ERDF	£6.800m
HCA	£3.000m
NELEP	£3.800m
<b>Total</b>	<b>£13.600m</b>

### **c) Procurement of a developer partner**

The site is already of considerable interest to existing local companies who may require space to grow their business, as well as new companies looking for a riverside site. It has also become clear during discussions with businesses that while some will wish to invest in new buildings themselves, a significant number have indicated that they wish to rent accommodation, freeing up their capital for investment in plant and machinery.

An outline masterplan has therefore been prepared that shows the site has the potential to accommodate up to 50,000 square metres of new manufacturing and office space, either built by the preferred developer or directly by new businesses. The masterplan shows how both known local business growth can be accommodated, while ensuring the potential of the overall site can be maximised for new businesses. Accommodating existing business growth must, however, be carefully evaluated to avoid 'boundary hopping' by businesses looking to benefit from the NEEZ status without actually growing their business. The masterplan remains a 'live' document and continues to be adjusted to take account of new business interests as they arise.

Consideration was given to how new manufacturing units could be provided to support new businesses who wish to rent accommodation on the Swan Hunter site. It was concluded that the preferred option would be to appoint a developer partner, who would enter into a Joint Venture or similar development agreement with the Council to build manufacturing units to match business needs. The developer partner could also take the lead on undertaking some of the required infrastructure works and/or the refurbishment of the existing Swan Hunter office buildings and take responsibility for the day to day operation of the public quay. This would also provide a more substantial critical mass of development for the developer and greater value for money for the Council, as well as a more responsive approach to satisfying emerging demand than undertaking speculative development at higher risk and therefore cost.

Due to the scale of development envisaged, the appointment of the developer partner must be procured through an EU compliant process. At its meeting in December 2011, Cabinet authorised the Head of Regeneration, Development and Regulatory Services to undertake an EU compliant procurement exercise to appoint a developer partner to maximise the development, employment and training opportunities on the former Swan Hunter site. Cabinet agreed to receive a further report to approve the appointment of the preferred bidder including all relevant legal, financial and/or other implications arising from the procurement process.

The EU procurement process has now commenced to appoint a preferred developer to construct new manufacturing buildings on the site. To commence the process, a successful Open Day was held at the Site in June 2012, with around 60 representatives from potential developers and agents attending to receive presentations from the Elected Mayor, the North Eastern Local Enterprise Partnership (NELEP), North Tyneside and Newcastle City Councils (who own the adjacent Neptune Yard) and the HCA. A workshop held on the day with the attendees helped shape the development brief to ensure it provided the best opportunity for the market to respond.

The Notice in the Official Journal of the European Union was placed on 20 July 2012 with a closing date of 13 August 2012. Pre-qualifying Questionnaires (PQQ's) received by the closing date have been evaluated to select a shortlist of developers that will take part in the competitive dialogue process.

The overall timetable for completing the appointment of a preferred developer is as follows:

<b>Stage</b>	<b>Date/time</b>
Submission of completed PQQs	Before 12 noon on 13 August 2012
Notification of result of PQQ evaluation and issue of Invitation to Participate in Dialogue and Submit Outline Solution	August 2012
Expected date for submission of Tender	February 2013
Expected date for Contract Award	March 2013

The Council expect to appoint the preferred developer in early 2013 and for building work permitted by the LDO to commence soon afterwards to meet the need for businesses to be located on the site by 31 March 2015 to benefit from the 5 year business rate relief. It is therefore anticipated that a further report will be brought to Cabinet in March 2013 recommending the appointment of the preferred developer partner.

The intention is that this element of the regeneration scheme will have no cost implications for the Council but may generate revenue income (i.e. rent) or a capital receipt in the future, which will be governed by the JVA. At this point in time it is not possible to project the amount or timing of income from the construction of new business accommodation. Further details on this will be reported to Cabinet as part of the business case for appointing the preferred developer partner.

#### **d) Current operation of the site**

The acquisition of the site was assisted by Single Programme grant from ONE NE, and is subject to a Joint Venture Agreement (JVA) that is now administered through the HCA. The JVA contains a number of requirements regulating how the Council can use or dispose of the site, how income is managed and the apportionment of value arising from site disposal(s), which is currently 70/30 in favour of the HCA (based upon the original pro rata contribution towards the site acquisition cost). However, the JVA does allow the Council to recover its normal site holding and management costs and to use up to £0.500m per annum of site income in accordance with the objectives of the JVA before any pro rata division of value is required. The HCA can also approve the use by the Council of income over the £0.500m limit within the RTNB area in accordance with the objectives of the JVA. Regular discussions with the HCA indicate strong support for the Council's current actions in bringing forward the development of the site and using income to both facilitate temporary uses as well as the long term sustainable use of the site. Recycling of income over the £0.500m limit will be discussed with the HCA on a case by case basis.

The site currently provides over 84,500 square metres of mainly open yard space with riverside access, much of which is covered by a series of large concrete pads, that lends itself to a variety of uses creating 300 permanent and temporary jobs and enabling local businesses to compete for large fabrication contracts they previously could not accommodate on their existing sites.

The site has also become popular with film and television companies, with TV dramas such as Vera and Inspector George Gently being filmed here recently as other interim uses pending permanent development of the site.

These uses have generated income to help offset the Council's site holding costs such as rates, security and utilities while we have been negotiating longer term uses for the site with potential businesses and seeking sources of external funding to help facilitate the rapid development of the site.

Since the site was acquired in 2009 the annual aggregated holding account has been as follows:

<b>Swan Hunter Site Management Account</b>	
2009/10	£22,827 (deficit)
2010/11	£193,459 (deficit)
2011/12	£3,383 (surplus)
2012/13	£65,743 (projected deficit)
Total	£278,646 (deficit)

Under the terms of the JVA the Council can recover an in year deficit from future income.

Annual site holding and management costs in 2011/12 were £0.474m, of which the largest single cost is for site security, and were more than offset by income of £0.477m. Holding and maintenance costs will reduce significantly as the site is developed out by businesses or the preferred developer and those costs are transferred across or no longer relevant. In addition, the masterplan provides for a public quay to be retained that can be used by all businesses needing river access. The use of the public quay is projected to create substantial revenue income into the future as the site infrastructure works are completed and new businesses locate to the site.

The disposal of the freehold of around 2.74 hectares of the site to a local company has been negotiated by the Council. The Council has also negotiated an easement across the site from the adjacent Oceana Business Park that has enabled SMD to access the public quay for the load out machinery that can only be transported by sea because of the size. This easement will provide regular income to the Council as each use of the public quay is covered by a payment mechanism. Use of the public quay by other companies will provide further regular income.

### **1.5.6 The Learning Village**

Phase 1 of the Learning Village, the new 20,000 square foot Energy Academy, opened in October 2011 and was the first educational facility of its kind in the UK providing an offshore wind and wind technologies centre of innovation, training and development. The Energy Academy provides courses targeted at the offshore wind sector, including Level 2 and 3 Diplomas in Engineering (Renewable Energy) and Level 2 and 3 Diplomas in Welding and Fabrication. This gives inward investors in the renewable and advanced manufacturing industries the confidence that local training providers and public sector bodies are committed to supporting the training needs of businesses, and that the skilled workforce they need into the future can be provided.

In September 2012 Cabinet was informed that changes in the funding of the Education Providers mean that training requirements must be responsive to demand from the businesses. The second phase of the Learning Village must therefore be dependent upon the needs of business and any gap in provision by the Education Providers. A study commissioned in March 2012 to review training provision and make recommendations as to what a second phase should therefore include, concluded that the key priority should be to increase the number of local young people choosing a career in engineering related employment. This was based on growing concern regarding the rapid growth of this sector but an already ageing workforce, with a consequent need to increase numbers of young people achieving qualifications in Science, Technology, Engineering and Maths (STEM) subjects.

Cabinet therefore agreed that the second phase of the Learning Village could be focused on a Studio School, which is an all-ability, mixed gender state funded school independent of local authorities. Studio Schools provide high quality aspirational education for 14-19 years olds using project-based learning, delivering mainstream qualifications, including the core subjects of Maths, English and Science, and at the same time developing individual students' employability skills and preparing them for work, Further or Higher Education.

The Learning Village would therefore be at the centre of a hub and spoke model in North Tyneside providing clear educational and vocational pathways into employment opportunities focused on supporting the workforce requirements of engineering and advanced manufacturing businesses on the RTNB. Other growth sectors such as creative industries, particularly film and television, which have already made significant use of the Swan Hunter site since it was acquired by the Council, would also be targeted.

Cabinet also agreed in principle to the establishment of complementary facilities on the Swan Hunter site comprising:

- A Business Incubation Centre (BIC) for Small and Medium sized Enterprise (SME's) to start up, with dedicated business support to grow and progress into larger managed work space; and,
- A Research and Development (R and D) facility to support business led project work, innovation and entrepreneurial skills, including an internationally recognised "Fab Lab".

The creation of a BIC consisting of approximately 20 business units will require an area of 1,000 square metres to accommodate new and existing start-ups, micro businesses and SME's, principally in the supply chain for the RTNB. The BIC is aimed at very small new businesses requiring significant business support services to survive and grow. Providing dedicated business incubator space and expansion accommodation on the same site would provide an integrated centre of excellence to provide young entrepreneurs, including Studio School graduates, with the business support they need to start up and become sustainable businesses. Once established they can then move onto local SME accommodation, which could be important to creating and nurturing a local supply chain for larger manufacturing businesses based in the RTNB.

The R and D facility will require the provision of approximately 2,000 square metres of workshop and training space. This will comprise of 6 workshops, one of which will be converted into a Fabrication Laboratory ('Fab Lab'), which is a fully kitted branded fabrication workshop which gives everyone in the community, from small children through to entrepreneurs and businesses, the opportunity and capability to turn their ideas and concepts into reality. Business support functions will be provided to the tenants of the workshops and the Fab Lab will provide services to SME's, educational providers and the community. Fab Labs specifically provide access for schools, colleges or universities, fostering innovation, entrepreneurship and a hands-on experience of STEM and engineering at an early age, essential to encouraging young people into this sector.

The combined BIC and R and D project is therefore projected to require up to 3,000 square metres of business floorspace, creating approximately 35 new businesses and 50 new jobs initially, and will be located within the existing former Swan Hunter offices. It is estimated that the combined project will have a capital cost of £5.500m.

The refurbishment of part of the existing Swan Hunter office buildings to accommodate the proposed Business Incubation Centre and Research and Development facility has received a 1st stage ERDF grant approval of £2.750m towards the £5.500 capital cost. This is matched with £2.750m of Council capital funded from the targeted capital fund that was originally set aside to support 14-19 provision within the Building Schools for the Future investment programme (shown in the Capital Plan as ED179 in 2013/14). In addition to this there is £0.600m (one off) funding identified by the North Tyneside Learning Trust which could be used to support any capital funding, or fund additional works and services on the site required by the project.

This capital project is therefore fully funded and could progress immediately if the stage 2 ERDF approval is received, although a fully detailed business case must also be approved by Cabinet prior to the stage 2 bid. The stage 2 bid will include details of market need and other relevant factors and must be submitted by 28 February 2013. It could take up to a further 3 months for a formal offer to be received.

In the meantime it is proposed that detailed design work for this project be commenced including assessment of Building Research Establishment Energy Assessment Method (BREEAM) requirements. This detailed design work will help inform the stage 2 bid, the business plan for the subsequent operation of the completed project and enable a rapid start on site, which is important to deliver the project objectives and the broader objectives for the Swan Hunter site and the RTNB. In addition, a market needs assessment will also be commissioned as this was highlighted as a weakness in the stage 1 approval. As a stage 1 approval has already been received this expenditure can still be matched against the ERDF grant following the stage 2 approval, although it would be abortive should the stage 2 approval not be forthcoming. The detailed design work will be funded from existing budgets for the RTNB.

It is assumed that any additional revenue costs associated with the delivery of the scheme can be met from existing budgets, however the detailed business plan will be prepared for approval by Cabinet prior to a stage 2 application being submitted. This will include detailed financial implications.

## **1.6 Decision options:**

The following decision options are available for consideration by Cabinet:

### Option 1

Cabinet may approve the recommendations as set out in Section 1.2 of this report, which means that officers continue to secure offers of external funding from ERDF, HCA and the NELEP to fund the essential site infrastructure improvements that will then release the full potential of this site for new businesses and job creation, and that officers will be authorised to take forward any relevant land transactions. In addition, officers can continue to progress the procurement of a preferred developer partner and commence detailed design work on the Business Incubation Centre and Research and Development facility.

### Option 2

Cabinet may approve the recommendation to receive a further report on the appointment of the preferred developer partner and commence detailed design work for the Business Incubation Centre and Research and Development facility with the relevant legal, financial and/or other implications, but not approve the recommendation to seek further external funding for the site infrastructure improvement works, or to take forward and relevant land transactions.

The Council therefore would have to accept a reduced overall offer of external funding from ERDF and the HCA. This will mean that considerably less site infrastructure improvement works can be afforded and therefore the rapid development of business accommodation and job creation on the site would be adversely affected, making the site potentially unviable for the developer partner. The Council's reputation for being able to deliver high profile regeneration projects would be adversely affected.

### Option 3

Cabinet may decide not to approve any of the recommendations set out in section 1.2, which, in addition to the adverse impacts set out under option 2 will also mean the Council aborting the current EU procurement process. This would significantly affect/delay progress with the development of the Swan Hunter NEEZ site and the Council would undoubtedly fail to meet its contribution to local business growth and job creation and the objectives of the Government Plan for Growth. The Council's reputation for being able to deliver high profile regeneration projects would be adversely affected.

Option 1 is the recommended option

## **1.7 Reasons for recommended option:**

Option 1 is recommended for the following reasons:

It allows the rapid deployment of the resources required to deliver the site infrastructure improvements needed to maximise the business and job creation benefits of the Swan Hunter site at an early stage.

This is in accordance with Council Plan Priority 5(8) for the River Tyne North Bank, which states that "The Council will begin the journey towards this vision by providing appropriate infrastructure and supporting investment in buildings. We will take this vision and our determination to Government and to our European representatives to seek their support. "

It also delivers the Council's commitment to the North East Enterprise Zone objectives, the NELEP vision and the Government Plan for Growth.

Progressing the procurement of the preferred developer and undertaking detailed design work on the Business Incubation Centre and Research and Development facility means that the speedy commencement of building new business accommodation and the refurbishment of the existing Swan Hunter buildings can be achieved once a stage 2 ERDF offer of grant is received.

## **1.8 Appendices:**

None.

## 1.9 Contact officers:

Francis Lowes, Senior Manager, Regeneration, tel. (0191) 643 6421  
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Vicki Dixon, Senior Manager Financial Strategy and Planning, tel (0191) 643 5723  
Jon Ritchie, Head of Finance, tel (0191) 643 5800

## 1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- a. River Tyne North Bank Strategic Development Framework Plan  
[http://www.northtyneside.gov.uk/pls/portal/NTC\\_PSCM.PSCM\\_Web.download?p\\_ID=516659](http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=516659)
- b. North Bank Strategic Development Framework Plan: North Tyneside Council Cabinet report September 2009  
[http://www.northtyneside.gov.uk/pls/portal/NTC\\_PSCM.PSCM\\_Web.download?p\\_ID=508773](http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=508773)
- c. River Tyne North Bank Regeneration: North Tyneside Council Cabinet report 12 July 2010  
[http://www.northtyneside.gov.uk/pls/portal/NTC\\_PSCM.PSCM\\_Web.download?p\\_ID=516230](http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=516230)
- d. River Tyne North Bank Regeneration, Learning Village Options: North Tyneside Council Cabinet report February 2011 (pink paper report)
- e. River Tyne North Bank: Local Development Order Arrangements and Learning Village Phase 2: North Tyneside Council Cabinet report December 2011  
[http://www.northtyneside.gov.uk/pls/portal/NTC\\_PSCM.PSCM\\_Web.download?p\\_ID=531094](http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=531094)
- f. River Tyne North Bank – Learning Village: North Tyneside Council Cabinet report September 2012  
[http://www.northtyneside.gov.uk/pls/portal/NTC\\_PSCM.PSCM\\_Web.download?p\\_ID=537624](http://www.northtyneside.gov.uk/pls/portal/NTC_PSCM.PSCM_Web.download?p_ID=537624)

## PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

### 2.1 Finance and other resources

Detailed financial implications have been set out in the main body of the report. Further reports will be brought to Cabinet as set out which will contain full details of the financial implications. In addition, any costs arising which cannot be contained within existing budgets will be reported to Cabinet or Council, as appropriate, for a decision before costs are incurred.

The proposed funding mix for the £13.600m site infrastructure works is as follows:

Funder	Capital (£m)
ERDF	£6.800m
HCA	£3.000m
NELEP	£3.800m
<b>Total</b>	<b>£13.600m</b>

Bids for external grant funding towards these costs have already been successful with a stage 1 approval for £6.800m ERDF funding, which will provide 50% of the funding and must be fully spent by July 2015. The second stage bid was submitted in August 2012 and a formal offer of funding is expected shortly. A further £6.800m of match funding is therefore required.

The Homes and Communities Agency (HCA) has approved (subject to formal written confirmation) a grant of £3.280m (of which £0.280m is specifically for feasibility and design work which leaves £3.000m as match funding for the site infrastructure works) and the NELEP has approved in principle a £3.800m allocation of funding.

The details of the NELEP funding are not yet known. If the funding is in the form of a loan to the Council, a further report will be submitted to Council for approval before this is accepted as this would be prudential borrowing and therefore in view of the level of borrowing Council approval would be required.

As the phase 2 of the Learning Village capital project is fully funded this could progress immediately if the stage 2 ERDF approval is received, although a fully detailed business case must also be approved by Cabinet prior to the stage 2 bid.

Any capital receipts from the sale of Council owned land will be ringfenced to the Swanhunters site.

## **2.2 Legal**

The acquisition of the former Swan Hunter site is subject to a Joint Venture Agreement (JVA) between the Council and the HCA. The JVA imposes conditions upon the Council in relation to the future use of the site, disposals, income and other relevant matters. Providing the Council act in accordance with those conditions there are no legal implications arising from the JVA.

Procurement of the preferred developer partner has been undertaken in compliance with Council's Financial Regulations, Contract Standing Orders and all applicable UK and European procurement requirements. Any legal implications in relation to the appointment of the preferred developer will be considered in the further report to Cabinet.

The carrying out of site infrastructure works will be undertaken in compliance with Council's Financial Regulations, Contract Standing Orders and all applicable UK and European procurement requirements.

## **2.3 Consultation/community engagement**

### **2.3.1 Internal Consultation**

The regeneration of the former Swan Hunter site has been the subject of extensive internal consultation as part of the preparation of the River Tyne North Bank Strategic Development Framework. Officers from Regeneration, Economy and Employment, Financial Strategy and Planning, Legal, Governance and Commercial Services, Strategic Property and Planning have been involved extensively in developing the projects. Briefings have been provided to Elected Members, including meetings of the Economic Prosperity and Housing Sub-Committee.

### 2.3.2 External Consultation/Engagement

Extensive engagement has taken place with businesses, partners and the community regarding the future development of the Swan Hunter site on an individual basis as well as strategic groups such as the Riverside Business Forum. The Masterplan for the site has been displayed at a number of recent public events including Area Forum meetings and drop in events.

Most recently a boat trip was organised in September 2012 for members of the North Tyneside Business Forum to provide a unique view of the River Tyne North Bank area, with presentations by land owners including the Council.

### 2.4 Human rights

There are no human rights implications directly arising from this report.

### 2.5 Equalities and diversity

Equality and Diversity issues will be fully considered and addressed as part of the ERDF application process. It is considered that the development will have a significant positive effect upon equality of access and opportunity to new jobs for residents of local communities.

### 2.6 Risk management

There are a number of potential significant risk factors associated with the development of the former Swan Hunter site.

The main risk is that by not undertaking the required investment in site infrastructure the subsequent development of the site for business accommodation will not be viable for the preferred developer or individual businesses. This would place the opportunity to use the benefits of the Enterprise Zone designation, including accessing external grant, at risk, which would significantly reduce or delay the creation of sustainable new businesses and job creation. The reputation of the Council in terms of delivering new business and jobs growth in these high growth areas would be adversely affected and this would also impact upon future funding by key funders.

Any risks associated with the appointment of the preferred developer will be considered in the further report to Cabinet.

Any relevant risks associated with the acceptance of external grant would be assessed to ensure there were no adverse implications.

### 2.7 Crime and disorder

The development of the former Swan Hunter site will have significant positive implications for crime and disorder. The size of the site means that there are currently opportunities for casual crime despite the provision of 24 hour site security.

The early re-use and development of the site and buildings will reduce the opportunities for crime by introducing a significant level of natural surveillance and new security systems, including CCTV.

## 2.8 Environment and sustainability

The environment and sustainability are at the heart of bringing back into productive use this brownfield site and by making best use of the investment and embodied energy in the existing buildings.

The site is located close to Wallsend Metro Station and Bus Interchange, making it highly accessible by public transport and is immediately alongside a major east-west cycleway, providing for healthy and low carbon alternative transport. The site is also close enough to our local riverside communities for a substantial number of employees to walk into work. Businesses requiring riverside access for the transport of products will be prioritised, reducing the number of vehicles using the adjacent roads.

The proposed re-use of the site and buildings is targeted at industries that will contribute towards long term environmental sustainability for the UK by providing support for the emerging renewable energy sector, particularly offshore wind power. Site infrastructure works will be undertaken with recycling of materials within the site boundary as a priority and new materials will be selected from sustainable sources. The refurbishment of the existing buildings and the construction of new buildings will be undertaken to the required BREEAM standards.

The overall scheme provides for the protection of features that have heritage value associated with the adjacent Segedunum/Hadrians Wall World Heritage site.

### PART 3 - SIGN OFF

- Chief Executive
- Strategic Director(s)
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Strategic Manager Policy and Partnerships