

Title: North East Screen Industries Partnership – Project Change Request to extend North East Production Fund
Report of: Rob Hamilton, Head of Strategy and Innovation
Portfolio: Culture, Creative, Tourism and Sport

Report Summary

The purpose of this report is to approve an additional investment, to North East Screen Industries Partnership (NESIP) to receive additional funding from the Investment Fund totalling £875,000 to deliver an additional 4 North East Production Fund (NEPF) grants. The NESIP delivers across the North East region and Tees Valley; an application to Tees Valley Combined Authority (TVCA) is also being made with a total additional funding request of £625,000. The Project Change Request is in line with the original business case which was supported by the former North of Tyne Combined Authority (NTCA) Technical Officers Group (TOG) and Investment Panel (IP) on 19 May 2022 with the final approval at June 2024 North East Combined Authority (North East CA) Cabinet.

Recommendations

The Chief Executive is recommended to:

- i. approve £875,000 of additional Investment Fund to be awarded to North East Screen Industries Partnership for the contract variation set out in the report; and
- ii. authorise the Director of Finance and Investment and Monitoring Officer to prepare the necessary documentation and enter into contract with the lead applicant (NESIP).

A. Summary of Investment Proposal (Context)

The North East Screen Industries Programme (NESIP) targets the sustainable development of the screen industries in the region, directly supporting the ambitions of the North East CA Corporate Plan and the emerging Local Growth Plan. The programme is a 5-year programme delivering investment of £11.4m, split £6.65m/£4.75m between NECA and TVCA respectively. Prior to the establishment of the North East CA, the North East contribution was resourced by the former North of Tyne Combined Authority on behalf of Newcastle, North Tyneside and Northumberland local authorities (LAs) with Gateshead, Sunderland, South Tyneside and Durham LAs contributing through their individual funds. The North East CA now undertakes the investment on behalf of the 7 North East LAs. In addition to a financial contribution, a number of the North East LAs have also signed up to the Film Friendly Charter to further support the sector.

Commencing in 2022, NESIP is in year 3 of the 5-year programme and has recently completed an independent interim evaluation reviewing progress to date and requirements for the remainder of the programme. The programme has been successful to date in exceeding its outputs and economic impact targets.

A key driver for this success has been the delivery of the NE Production Fund, being £3.8m of the total NESIP project, which has resulted in significant inward investment into the regional sector. The rate of Production Fund awards has exceeded the projections of the original delivery plan, such that it is anticipated that this fund is likely to be fully distributed by the end of this financial year (FY24/25). The risks of no further awards over the remaining two years of the programme are pointed out in the Interim Evaluation but in summary would result in considerable lost momentum.

This report recommends additional £1.5m funding for the Production Fund for year 4 (FY25/26) only of the NESIP programme, split £875K/£625K between NECA and TVCA respectively. This will deliver additional positive economic impacts to the region (see below) as well as ensuring the positive momentum from the remainder of the programme continues to exceed expectation.

This funding request is intended to be a bridge to year 5 (FY26/27) and beyond for the NESIP programme, which will be supported by the development of a long-term vision and strategy for the screen industries, as

endorsed at the most recent NESIP Board held on 22 October 2024. Work on a longer-term vision and strategy has commenced with colleagues from TVCA and North East Screen.

1. Background

NESIP was formed by Combined and Local Authorities from across the region to level up the regional film and TV industries by more than doubling its 2019 share of the UK production market and delivering an annual economic impact to the regional economy of £88m GVA.

Via a signed MOU in 2021, the BBC made a commitment to spend a minimum of £25m on production and skills development in the North East over the following five years. In conjunction, NESIP agreed to jointly invest £11.4m (£6.65m/£4.75m between NECA and TVCA respectively) over the same five-year period to deliver a new programme maximising opportunities for significant growth within the screen industries sector and developing a thriving and sustainable ecosystem which is not reliant on a single commissioner or broadcaster.

The scaling up and effective resourcing of a regional screen agency was critical to the success of the programme. North East Screen (NES) were appointed as the central delivery partner (operating under a Delivery Partner Agreement) through which programme production and skills activity were to be developed and delivered.

The overall objective of the programme was that by 2027, the regional sector will secure more than double its 2019 level of the UK production market and have an annual impact to the regional economy (GVA) of £88m, with an aim of creating over a 1,000 FTEs.

There were five overarching objectives set up

- **Objective 1:** Establish North East Screen (NES) and raise the profile of the region
- **Objective 2:** Establish a North East Film Office
- **Objective 3:** Establish a North East Production Fund
- **Objective 4:** Develop and deliver a comprehensive skills and education service for the North East Screen industries.
- **Objective 5:** Enable business growth to develop a resilient and diverse North East Screen industries sector.

These objectives are established, and the programme is delivering above expectation – please refer to the two-year evaluation attached and current performance section below.

There is considerable crossover and opportunities provided across all the objectives i.e. they feed each other. The most significant driver for the programme's success to date has been the NE Production Fund (NEPF), instigating positive momentum in the regional screen sector attracting significant inward investment, creating regional spend and jobs. The Production Fund is operationally managed by North East Screen, but funding decisions for applications to the Fund are made by an independent panel of Finance and Economic Directors from the local and combined authorities.

Depending on the scale of award made to the latest application, the residual fund will be c.£1.2m of the £3.8m fund originally allocated at just past the halfway stage of the 5-year programme. Realistically, and subject to the quality of applications in the interim, it is anticipated that the Fund will be fully utilised by the end of this fiscal year with two full years of the programme to run.

Production Fund Awards - 2022 to date

<u>Title</u>	<u>Award</u>
Anton Corp- Jackdaw	£300,000
MCC Media - Cooking with the Gills	£95,100

Quay Street Productions - The Red King	£301,500
Hat Trick - Smoggie Queens (pilot)	£74,025
Twenty Six 03 - Making It	£173,721
Hera Pictures - I Fought The Law	£400,000
Lonesome Pine – Feud	£370,000
Hat Trick - Smoggie Queens (series)	£250,075
Asterix Productions - Virigina Woolf's Night & Day	£150,000
Big Talk Studios – Transaction	£250,000
	<hr/>
	£2,364,421

Awards made by the NEPF panel have been made at a faster rate than anticipated at the time of the original Business Case due to the positive momentum within the regional sector created by all aspects of the NESIP programme. This, in turn, has created a higher level of quality applications to the Fund with resultant awards and productions.

In respect of Cabinet decisions and endorsement to date in support of developing the region's screen industries, the following should be noted:

- June 2024 - Cabinet approved £2.528m of Investment Funds to cover the North East area contribution to the North East Screen Industries Partnerships to March 2027. This was to take on the responsibility of the South of Tyne Local Authorities following the commencement of the North East CA and related to the original financial allocation for NESIP i.e. did not represent an uplift in funding.
- July 2024 – Cabinet endorsed Strategic Portfolio Plans, comprising “early priorities [including] supporting the regional screen industry”.
- November 2024 – Cabinet noted that the “region has seen significant growth over the past 10+ years, including in screen industries [with] real potential to rapidly scale this further including through the nationally-significant proposal for Crown Works Studios on the Wear”.

The July 2024 Cabinet report delegates authority to the Chief Executive to progress business cases and make investment decisions associated with the activity described within the Strategic Portfolio Plans in consultation with the Mayor and relevant Portfolio Holder subject to the following thresholds which are included within the adopted Single Assurance Framework:

- Investment approvals up to £500k are to be approved by the Chief Executive in consultation with the S73 Officer and Monitoring Officer, under the Cabinet approved delegated authority.
- Investment approvals over £500k and up to £1m are to be approved by the Chief Executive in consultation with Technical Officers Group, the S73 Officer and Monitoring Officer, under the Cabinet approved delegated authority.
- Investment approvals over £1m and up to £5m are to be approved by the Chief Executive in consultation with the Finance and Investment Board, the S73 Officer and Monitoring Officer, under the Cabinet approved delegated authority.

2. The Investment Proposal

The proposal is for a combined additional funding of £1.5m in 2025/6 into the North East Production Fund (NEPF) to supplement the NESIP £11.4m investment originally approved in 2022. This would be split NECA £875K and TVCA £625K.

The North East Production Fund is a discretionary funding scheme, managed and delivered by North East Screen (under a Delivery Partner Agreement). Open to both regional and national companies, the fund aims to catalyse the sustainable growth of the region's film and TV production, by investing in a portfolio of distinctive, high-quality projects that will collectively contribute to the North East region increasing the on-

screen visibility and actively contribute to employment of locally based crew, spend in the region, and improved equality, diversity and sustainability.

Funding decisions for applications to the NEPF are made by an independent panel comprising Finance and Economic Directors from the local and combined authorities. The fund aims to deliver the following strategic objectives;

1. Increase the number, scale and variety of feature films, scripted and unscripted television productions being made in the NE Region.
2. Create jobs and opportunities for a broad range of locally-based talent and crews, thereby strengthening and retaining a diverse and highly skilled workforce.
3. Stimulate the growth of the local screen production sector through an increased demand for facilities, studios, locations and other services as well as for related sectors such as hospitality and transport.
4. Improve the productivity, competitiveness and access to markets for local producers, creative talent and businesses across the film and television supply chain.
5. Develop the NE region's reputation as a destination for high-end film and television production;
6. Promote the NE region to both a national and international audience as a dynamic and vibrant place to live, work, study, visit and invest in through increased on-screen cultural and geographical representation.
7. Generate a financial return that will enable a legacy fund to be established, if desired, to support further sectoral development in the NE Region.

Awards made by the NEPF panel have been made at a faster rate than anticipated at the time of the original Business Case due to the positive momentum within the regional sector created by all aspects of the NESIP programme. This in turn has created a higher level of quality applications to the fund with resultant awards and productions.

Earlier this year, North East Screen engaged with sector experts Saffery-Nordicity and they estimate that the Production Fund *in isolation* from the rest of the overall whole NESIP programme (i.e. North East CA and TVCA) delivered £9.6m of GVA and 151 FTE jobs to the region in the first two years of the programme. They estimate that the full £3.8m NE Production Fund allocation will deliver £21.4m of GVA and 338 jobs.

The concern is that the full £3.8m allocated to the Production Fund will be fully utilised by the end of this financial year. Without additional funding, the excellent returns and positive momentum derived from the Production Fund will stop. This will also risk other aspects of the NESIP programme and reduce the impact to the regional screen sector.

An independent evaluation (Ortus Economic Research) of the first two years of the programme was taken on behalf of NESIP. All areas of the programme were considered, but in reference to the Production Fund, Ortus cited a key risk as:

“Exhausted NEPF means production flows reduce before (regional sector) sustainability is reached.”

Similarly, a key opportunity was recommended:

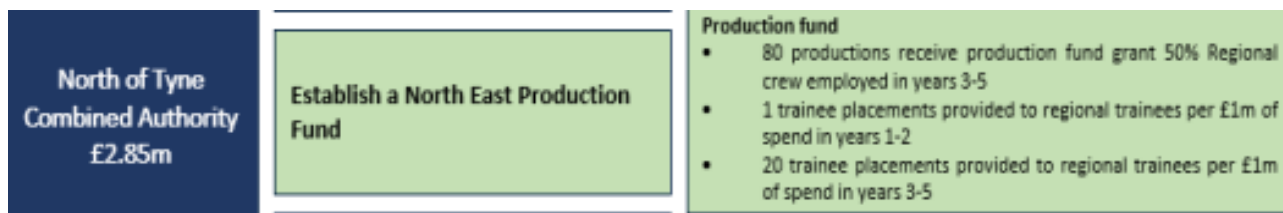
“Expansion of NEPF beyond initial £3.8m to capitalise on demand and drive further incoming and regional production.”

The above has driven the proposal for additional Production Fund finance within the confines of the current NESIP programme. As well as maintaining the positive momentum of the NEPF, it is estimated that an additional £1.5m investment will drive an incremental £8.4m GVA and 134 jobs.

2.1 Outputs and Outcomes

The original targets for the production fund are set out below:





The original intention was to support 80 productions (North East and Tees Valley) with grants of around £50,000. What has transpired is that the fund has been successful in attracting applications from larger productions, meaning that the original target is no longer relevant. To date 10 awards have been made with an average value of £220k, and the pipeline of activity suggests that this trend will continue.

On that basis the additional funding request is expected to deliver an additional 4 financial awards to production companies. This will align with the agreed approach of contributing up to 20% of the total production costs.

The project has already exceeded the trainee placement targets ahead of schedule and will continue to report on the overperformance through the programme wide evaluation.

Outputs	25/26	Total
Number of enterprises receiving financial support (based on average award of c. £220K)	4	4

Description of Outcomes	Timeframe for achievement	Totals
Additional GVA (NECA only)	June 2026	£4.9m
Additional jobs created (NECA only)	June 2026	78

2.3 Timetable for Implementation

Milestone	Forecast Date
Continuation of NEPF upon approval	May2025
Completion of NEPF	March 2026
NEPF panel	Convene monthly to assess applications to the fund and discuss operation of the fund.
Focus – Attendance at annual trade event in London for all involved in the creation, production and promotion of on-screen entertainment	Every December
Marketing trips to London	Monthly
Networking events organised by North East Screen bringing the regional sector together	Twice per annum

2.4 Evaluation -

The NESIP programme required a formal evaluation of the programme after 2 years, a summary of the key points attached below. There is also another contracted evaluation to be carried out after the completion of the five-year programme.

The original Logic Model for the NESIP Business Case will be updated to account for the additional funding and associated outputs/outcomes.

2.5 Appraisal

An internal appraisal of the proposed activity has been undertaken. This is a financial extension to an existing

project, and within the scope of the original funding parameters there is little changing in practice. A summary of the appraisal is set out below:

Strategic Case

The original business case was appraised against the priorities of the former North of Tyne CA, TVCA, and the four local authorities south of the Tyne. There is sufficient justification within the updated business case to demonstrate that the continuation of the production fund activity aligns with the North East CA priorities. This is backed by Cabinet endorsement in July 2024 and the embedding of screen industries within strategic portfolio plans.

Economic Case

The business case sets out that the increased contribution towards the production fund will contribute to an additional 4 North East organisations receiving financial support at an average of £220k grant or loan value. The fund is structured so that the value of the support is no more than 20% of the total production costs, meaning that from the £875k investment, organisations will invest at least £3.5m into regional productions. It is anticipated that this will create an additional 78 jobs, equating to £11,217 per job. This represents good value for money as DCMS calculate GVA output by job in the creative sector to be £62,000.

The entirety of the additional £875k will be directed towards financial support to organisations, with TVCA ensuring the management and administrative capacity is in place and fully funded.

Information on social value is limited, however an Equalities Impact Assessment was completed for the original proposal and remains valid.

Commercial, Financial, and Management Cases

There is limited change to scope. Tees Valley Combined Authority will continue to operate and manage the programme. There is an established Inter Authority Agreement between North East CA and Tees Valley Combined Authority. This will need to be reviewed to ensure detail and terms remain valid to cover the additional expenditure, however the project will continue to operate on the agreed terms.

A representative panel is in place and meets on behalf of the NESIP Board to receive recommendations and make decisions on investment through the production fund mechanisms. The Panel’s decisions are informed by detailed reports and recommendations prepared by North East Screen which include Financial Due Diligence. The panel has appropriate membership from both TVCA and North East CA.

There are no changes to the subsidy control position which has been verified with assurance that the additional funding does not breach the threshold. Tees Valley CA will continue to operate in line with subsidy control conditions set out in the inter-authority agreement for NESIP. The grant funding agreement will sit with Tees Valley CA as the accountable body.

The NESIP project has had an interim evaluation. This breaks down progress within the individual workstreams and performance against targets. Specifically related to the North East Production Fund, the evaluation recognises significant achievements to date:

“Qualitative evidence indicates that the Production Fund is serving as a key differentiator for the region and is a tangible demonstration of the commitment within the North East to developing and support the screen industries. The concern is that the funding pot will run dry significantly before the end of the Programme period, and that should this occur, this would risk stalling progress and potentially undermining future prospects. It is felt to be crucial that momentum is maintained.”

Overall the appraisal concludes that the case for continuation of funding for the production fund is strong and demonstrates value for money.

2.6 RAG Assessment

Overall RAG assessment		
	Strategic case	Green

Risk Rating	Commercial case	Green
	Economic case	Green
	Financial case	Green
	Management case	Green
	Overall rating	Green

B. Potential Impact on North East Combined Authority Objectives

The Mayoral Manifesto, Devolution Deals and emerging Local Growth Plan recognise the benefits that an expanding screen industries can bring to the region – socially, economically and reputationally. The North East CA Corporate plan sets out an objective to sustainably grow and develop the sector, as a part of delivering the mission to create ‘a North East we are proud to call home’. An expanded NESIP programme, and increase in the NE Production Fund in the immediate short term, is needed to support the ongoing development of the sector, coming at a time of significant opportunity for the region in respect of infrastructure and capacity development (i.e. Crown Works, Sunderland) and also embedded relationships with national and international broadcasters and media platforms.

The original NE Business Case has been updated to reflect the Mayoral manifesto, Devolution Deal commitments, and Corporate Plan.

C. Key risks

A summary of key risks relating to the investment proposal is included below.

Risk Summary	Risk Consequences	Treatment Action Plan
No additional NEPF funding	Positive momentum created from 2022-4 within the regional screen sector would be lost.	Reallocate funding from other areas of the programme (skills, business development), but this would not enable these areas to grow in parallel with the Production Fund so infrastructure would be insufficient

D. Financial and other resources implications

The financial profile for the project/programme is included below.

Funding source	2025/26	Total
North East CA Investment Fund (£)	£875K	£875K
Private Sector Leverage (£)	£3,500K	£3,500K
Total (£)	£4,375K	£4,375K

	Phase 1 initiation		Phase 2 : Delivery					Totals /Maximum Funding Contribution
	21/22	22/23	22/23	23/24	24/25	25/26	26/27	
TVCA	£69,295	£81,213	£641,763	£797,798	£1,059,893	£1,675,038	£1,050,000	£5,375,000
Former NTCA	£41,577	£48,729	£385,057	£478,679	£635,936			£1,589,978
NECA					£847,916	£2,345,050	£1,470,000	£4,662,966
Durham	£13,859	£16,242	£128,353	£159,560				£318,014
Sunderland	£13,859	£16,242	£128,353	£159,560				£318,014
Gateshead	£13,859	£16,242	£128,353	£159,560				£318,014
South Tyneside	£13,859	£16,242	£128,353	£159,560				£318,014

Total	£166,308	£194,910	£1,540,232	£1,914,717	£2,543,745	£4,020,088	£2,520,000	£12,900,000

Status of match funding: Private sector leverage is based on the maximum 20% contribution that the Production Fund will make to the overall cost of the respective production. A smaller Production Fund contribution % will leverage a higher private sector contribution.

Funding availability:

The level of investment sought has been included as part of North East CA MTFP planning and review and is also included in the Budget Allocation for FY25/26 approved at the January 2025 Cabinet.

E. Legal implications

The comments of the Monitoring Officer are included in this report.

F. Equalities implications

The North East CA complies with 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. Equalities implications will be included as part of the update to the original NESIP Business Case.

G. Consultation and engagement

Consultation and engagement includes the following:

NESIP Board:

- 25th July 2024 – Proposal to request additional Production Fund funding passed by North East Screen board of directors.
- 20th September 2024 - North East Production Fund Panel – LA/CA Finance and Economic Directors considered Production Fund “Top Up” paper and passed proposal to advise NESIP board.
- 22nd October 2024 – NESIP Board – recommended preparation of case to be put to respective CA cabinets for additional Production Fund investment.

The Mayor and portfolio holder have also been consulted.

A final consultee log will be completed as part of the completion and updating of the original full NESIP Business Case. However, to date, consultation has also included the Local Authority Officer Group for the CCT&S portfolio and the CCT&S Portfolio Advisory Board.

H. Appendices

Summary of the key points from the independent Interim Evaluation (Ortus Economic Research).

I. Background papers

June 2024 Cabinet Paper ([NECA CabinetAgenda 11%20June%202024](#) (pages 24-25)

[July 2024 Cabinet Paper](#) (pages 35 and 36)

November 2024 [Cabinet](#) Paper (page 92)

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K. Glossary

NESIP – North East Screen Industries Partnership

NEPF – North East Production Fund

L. Consultee

Cabinet Member:	Director/Head of Service:	Director of Finance and Investment:	Monitoring Officer:
Yes/No	Yes	Yes	Yes