Subsidy Advice Unit Report on the proposed subsidy to Sunderland City Council

Referred by the North East Mayoral Strategic Authority

17 November 2026

Subsidy Advice Unit

Part of the Competition and Markets Authority

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1. The Referral

1.1 On 7 October 2026, the North East Mayoral Strategic Authority (NEMSA) requested a report from the Subsidy Advice Unit (the SAU)[1] in relation to the proposed subsidy (the Subsidy) to Sunderland City Council (the Council) under section 52 of the Subsidy Control Act 2022 (the Act).[2]

1.2 This report evaluates NEMSA's assessment of compliance (the Assessment) of the Subsidy with the requirements of Chapters 1 and 2 of Part 2 of the Act.[3] It is based on the information and evidence included in the Assessment.

1.3 This report is provided as non-binding advice to NEMSA. It does not consider whether the Subsidy should be given, or directly assess whether it complies with the subsidy control requirements.

Summary

1.4 The Assessment uses the four-step structure described in the Statutory Guidance for the United Kingdom Subsidy Control Regime (the Statutory Guidance) and as reflected in the SAU's Guidance on the operation of the subsidy control functions of the Subsidy Advice Unit (the SAU Guidance).

1.5 In our view, NEMSA has considered in detail some aspects of the compliance of the proposed Subsidy with the subsidy control principles. In particular, the Assessment sets out a clear and precise policy objective, a well-evidenced equity rationale, and a detailed counterfactual.

1.6 However, we have identified the following areas for improvement. The Assessment should:

(a) better evidence why the Council is unable to contribute – at least in part – to the total cost of the Project[4] (Principle D).

(b) in relation to proportionality (Principle B):

(i) explain how NEMSA satisfied itself that the viability gap estimate is accurate for the Project, considering that the financial analysis on which

[1] The SAU is part of the Competition and Markets Authority.
[2] Referral of the proposed subsidy to Sunderland City Council by the North East Mayoral Strategic Authority - GOV.UK
[3] Chapter 1 of Part 2 of the Act requires a public authority to consider the subsidy control principles and energy and environment principles before deciding to give a subsidy. The public authority must not award the subsidy unless it is of the view that it is consistent with those principles. Chapter 2 of Part 2 of the Act prohibits the giving of certain kinds of subsidies and, in relation to certain other categories of subsidy creates a number of requirements with which public authorities must comply.
[4] The Project is defined as the construction and operation of a new film and high-end television production facility at the Crown Works site, a brownfield site located in the Pallion and Ford ward of Sunderland. The funding will also support the refurbishment of the existing Doxford Printworks building. See paragraph 1.8 below.

it relies refers to data relating to a different and significantly larger project design;

(ii) explain how NEMSA decided the relative amount of loan to grant funding;

(iii) identify the specific model(s) that informed the level of the revenue grant; and

(iv) consider which options would be available should the viability gap for the operational phase be higher than forecast.

(c) identify the competitors in the markets for event venues, offices, workshops and general commercial accommodation most likely to be affected by the Subsidy, and assess the likely extent of distortion, drawing on evidence on the facility's capacity relative to the estimated market size (Principle F).

(d) better reflect in the balancing exercise the analysis of the potential distortive effects of the Subsidy identified under Step 3, as well as the potential for distortion through the £2.5 million revenue grant supporting business-as-usual costs (Principle G).

1.7 We discuss these areas below, along with other issues, for consideration by NEMSA in finalising its assessment.

The referred subsidy

1.8 NEMSA proposes to award the Council a subsidy package of up to £38.5 million to support the construction and operation of a new film and high-end television (HETV) production facility (the Project) at the Crown Works site, a brownfield site located in the Pallion and Ford ward of Sunderland. It will also support the refurbishment of the existing Doxford Printworks building, providing office and workshop space to the creative industries sector.

1.9 The Subsidy comprises:

(a) a capital grant of up to £25 million and an £11 million interest-free loan or repayable grant, which will both principally cover construction, supporting infrastructure, site works, professional fees and contingency costs. The interest-free loan or repayable grant is intended to be repaid from the Council's business rates income generated by subsequent phases of development of the wider site. NEMSA is treating the full value of the loan element as a subsidy, reflecting the significantly below-market terms of the loan and the uncertainty associated with future repayment arrangements.

(b) a revenue grant of up to £2.5 million, which will support initial operating costs during the first five years of operation and will be drawn down according to the Project's actual performance.

1.10 The Project will offer three flexible studio spaces and provide around 125,000 square feet of sound stage, ancillary space and supporting infrastructure. The Project is expected to strengthen and diversify the regional economy, supporting up to 380 jobs across Sunderland and the North East of England from 2028. The Council owns the site and proposes to undertake the works.

1.11 NEMSA explained that the Subsidy is a Subsidy of Particular Interest because it exceeds £25 million.

2. The SAU's Evaluation

2.1 This section sets out our evaluation of the Assessment, following the four-step structure used by NEMSA.

Step 1: Identifying the policy objective, ensuring it addresses a market failure or equity concern, and determining whether a subsidy is the right tool to use

2.2 Under Step 1, public authorities should consider compliance of a subsidy with:

(a) Principle A: Subsidies should pursue a specific policy objective in order to remedy an identified market failure or address an equity rationale (such as local or regional disadvantage, social difficulties or distributional concerns); and

(b) Principle E: Subsidies should be an appropriate policy instrument for achieving their specific policy objective and that objective cannot be achieved through other, less distortive, means.[5]

Policy objectives

2.3 The Assessment states that the policy objective is to mitigate deep-rooted regional inequalities and socio-economic disadvantages that have long affected Pallion and Ford, as well as the surrounding areas, by investing in a specialist creative industries facility which will nurture jobs in the TV and film production market. In the medium to long term, such investment is expected to create skilled jobs in this growing sector and encourage outside investment, which will diversify and strengthen the economy over time, delivering benefits for those living and working in the area.

2.4 The Assessment states that the facility will align with a range of creative industries strategies, focused on unlocking the potential of city regions across the UK to grow the sector beyond its current concentration around London and the South East of England.

2.5 The Project is intended to act as a 'proof of concept', demonstrating that a facility of this type can operate successfully in Sunderland and encouraging subsequent private investment.

2.6 In our view, the Assessment clearly describes and evidences the specific policy objective of the Subsidy.

[5] See Statutory Guidance, paragraphs 3.33–3.59 and the SAU Guidance, paragraphs 3.6–3.10 for further detail.

Equity Objective

2.7 Equity objectives seek to reduce unequal or unfair outcomes between different groups in society or geographic areas.[6]

2.8 Relying on the UK government's 2025 Index of Multiple Deprivation (IMD), the Assessment explains that Pallion and Ford ranks among England's 3% most deprived neighbourhoods and that Sunderland is one of England's most disadvantaged local authority districts. The Assessment explains that this is linked to the decline of Sunderland's traditional industries and persistent gaps in skills, employment and investment. The primary objective is to improve outcomes for those living and working in this disadvantaged area.

2.9 The Assessment states that the Subsidy aims to address these disparities through nearby economic activity and skilled employment, citing the success of regeneration from similar creative sector and film and TV production sector investment in other parts of the UK. The Assessment identifies the North East of England as one of the UK's fastest-growing regions for film and TV production.

2.10 The Assessment expects the Project to create up to 380 jobs across production, construction, facilities management and supply chains, alongside training, apprenticeships and educational opportunities. It suggests that an increase in local, higher-skilled and better-paid employment would improve incomes, financial security, skills and earning potential among local residents.

2.11 The Assessment further explains that the preferred design aims to increase the proportion of benefits for local residents. It sets out that the proposed mix of sound stages, workshops, offices and flexible space is expected to support a wider range of productions and jobs than a facility focused only on large HETV productions. This would make opportunities more accessible to local residents, including unemployed people and young people entering further or higher education.

2.12 In our view, the Assessment clearly describes and evidences the equity objective that the Subsidy seeks to address.

Appropriateness

2.13 Public authorities must determine whether a subsidy is the most appropriate instrument for achieving the policy objective. As part of this, they should consider other ways of addressing the market failure or equity issue.[7]

[6] Statutory Guidance, paragraphs 3.52–3.56.
[7] Statutory Guidance, paragraphs 3.57–3.59.

2.14 The Assessment explains that NEMSA has considered the following means to achieve the policy objective:

(a) Lease or sell the remediated site[8] to a private developer on the condition that it was used for film and TV studios. It was discounted due to insufficient private sector confidence to fund and construct the facility.

(b) Commercial loan, which was discounted because no private business had expressed interest in acting as developer, and the projected returns were considered to be insufficient to service commercial debt.

(c) Commercial guarantee, which was discounted because the viability gap would require a high premium and make it likely that the guarantee would be called.

(d) Joint venture or equity investment with a private business, which was discounted because the Project was not sufficiently profitable to attract a commercial partner, and market engagement did not identify interest in such an arrangement.

(e) Regulation, which was discounted because there is no regulatory mechanism capable of requiring the private sector to construct the facility without subsidy.

2.15 The Assessment also considers other arts and cultural interventions. While existing festivals, exhibitions, youth film programmes and cultural facilities benefit social wellbeing, they are expected to create fewer jobs, offer mainly shorter-term effects and have less capacity to generate sustained investment and skilled employment in Pallion and Ford.

2.16 In our view, the Assessment demonstrates that NEMSA has considered other ways of achieving its policy objective and clearly explains and evidences why a subsidy was the most appropriate option.

Step 2: Ensuring that the subsidy is designed to create the right incentives for the beneficiary and bring about a change

2.17 Under Step 2, public authorities should consider compliance of a subsidy with:

(a) Principle C: Subsidies should be designed to bring about a change of economic behaviour of the beneficiary. That change should be something

[8] The Assessment explains the £25 million remediation of the site undertaken previously has provided the Council with a development platform ready for subsequent development. Support was provided on a no subsidy basis in line with paragraph 15.25 of the Statutory Guidance on general infrastructure and public responsibilities.

that would not happen without the subsidy and be conducive to achieving its specific policy objective; and

(b) Principle D: Subsidies should not normally compensate for the costs the beneficiary would have funded in the absence of any subsidy.[9]

Counterfactual

2.18 In assessing the counterfactual, public authorities should consider what would likely happen in the future – over both the long and short term – if no subsidy were awarded (the 'do nothing' scenario).[10]

2.19 The Assessment sets out a counterfactual scenario in which, without the Subsidy, the Project would not proceed. It relies on a market study, undertaken for the Council, showing that the UK studio market is expected to grow incrementally, supported by continued content commissioning and increasing video-on-demand penetration. However, the market study finds no evidence of a major national undersupply and expects investment to remain concentrated in London and the South East of England. Demand in the North East of England's small, immature market remains insufficiently proven to support a major studio without public support. The Assessment therefore considers that in the absence of the Subsidy, the North East of England and in particular Pallion and Ford, would most likely miss out on the associated socio-economic and regeneration benefits sought by the policy objective.

2.20 The Assessment explains that NEMSA consulted North East Screen,[11] who did not flag any concerns about the market study's conclusions but noted some cause for optimism in respect of the local market.

2.21 The Assessment states that market testing found that, despite demand for a completed facility, no private operators would fund its construction, purchase it on a turnkey basis or operate it on a concession basis during its initial years.

2.22 The Assessment identifies a £38.5 million viability gap covering the £36 million construction cost and the £2.5 million anticipated early operating support. It considers this gap and the absence of a willing private developer or operator as strong evidence that the Project or an equivalent development would not proceed without the Subsidy.

2.23 The Assessment considers that, in the counterfactual, the Council would likely sell the entire site or might retain the site until funding became available. The policy

[9] See Statutory Guidance, paragraphs 3.60–3.74 and the SAU Guidance, paragraphs 3.11–3.13 for further detail.
[10] Statutory Guidance, paragraphs 3.63–3.65.
[11] North East Screen is a not-for-profit regional screen agency based in the North East of England which works with regional authorities to develop the sector.

objective would then not be achieved, or its desired regeneration and socio-economic benefits would be delayed.

2.24 The Assessment concludes that, in the counterfactual, Pallion and Ford and the wider area would not receive the proposed employment, training, regeneration and wider socio-economic benefits in the short, medium or long term. It notes that while alternative development possibilities might deliver some regeneration benefits, there is no evidence that they would provide a comparable specialist creative industries facility or achieve the policy objective.

2.25 In our view, the Assessment clearly describes and evidences what would be likely to happen if the Subsidy was not awarded.

Changes in economic behaviour of the beneficiary and additionality

2.26 Subsidies must bring about something that would not have occurred without the subsidy.[12] They should not be used to finance a project or activity that the beneficiary would have undertaken in a similar form, manner, and timeframe without the subsidy ('additionality').[13]

2.27 The Assessment explains that the Subsidy will enable the Council to deliver the Project, which it could not otherwise afford and is pivotal to delivering the identified benefits. The Assessment states that the Project is expected to create employment, training and career opportunities in Pallion and Ford, help local people enter or remain in the creative industries and support longer-term regeneration, in line with the policy objective.

2.28 The Project is also intended to provide proof that film and TV studios can operate successfully in Sunderland, thereby increasing private-sector confidence and encouraging further investment, expansion and supply-chain development over the following 10 to 15 years.

2.29 The Assessment explains that NEMSA will require the Council to provide a warranty in the funding agreement that there is no pre-existing commitment to deliver the Project. It notes that the viability gap is such a significant impediment to proceeding that it is unlikely that the Council would have any reason to commit to the Project in advance of securing the Subsidy.

2.30 NEMSA clarified that the revenue grant is likely to be spent on offsetting the operating losses incurred in running the facility. Therefore, while it acknowledges that part of the grant may relate to costs that could be characterised as business-

[12] Statutory Guidance, paragraph 3.67.
[13] Statutory Guidance, paragraphs 3.66–3.70.

as-usual operating expenditure, NEMSA considers the grant necessary to ensure operation of the Project and the achievement of the policy objective.

2.31 In our view, the Assessment partially explains and evidences how the Subsidy would change the Council's economic behaviour and brings about changes that would not otherwise occur. However, the Assessment should better evidence why the Council is unable to contribute – at least in part – to the cost of the Project.

2.32 It could also describe more clearly the mechanisms that will be put in place to ensure that Pallion and Ford, and neighbouring communities, will access the anticipated social and economic benefits – for example, through local job targets, bespoke training, employment pathways and local procurement throughout delivery.

Step 3: Considering the distortive impacts that the subsidy may have and keeping them as low as possible

2.33 Under Step 3, public authorities should consider compliance of a subsidy with:

(a) Principle B: Subsidies should be proportionate to their specific policy objective and limited to what is necessary to achieve it; and

(b) Principle F: Subsidies should be designed to achieve their specific policy objective while minimising any negative effects on competition or investment within the United Kingdom.[14]

Proportionality

2.34 The Assessment explains that the £36 million construction cost estimate has been independently appraised by an external provider. The construction contract will cap the guaranteed price at £36 million for the funded project and transfer the cost of risks associated with ground conditions, inflation and design to the contractor. It states that funding will be drawn down only against incurred eligible costs and subject to achievement of delivery milestones. Failure to deliver within the agreed requirements may result in funding being suspended or recovered.

2.35 The Assessment explains that the Council is expected to repay the interest-free loan or repayable grant from retained business rates income[15] if development of the surrounding site succeeds, thereby reducing the total subsidy amount.[16] It considers the loan arrangement appropriate even if no repayment occurs given the

[14] See Statutory Guidance, paragraphs 3.75–3.112 and the SAU Guidance, paragraphs 3.14–3.18 for further detail.
[15] Estimated to be around £1.5 million per annum.
[16] The site surrounding the Project would be developed in subsequent phases of development, and repayment of the interest-free loan or repayable grant would come from business rates collected on those phases, rather than this Project.

speculative nature of the investment and the dependence of repayment on increased business rates.

2.36 The Assessment explains that the £2.5 million revenue grant was informed by two externally commissioned analyses of the Project's projected operating performance over its first five years. One analysis projects negative cumulative EBITDA[17] at the end of Year 5; the other uses three models, which project both positive and negative cumulative EBITDA outcomes at the end of Year 5.

2.37 The Assessment acknowledges uncertainty in the revenue and cost estimates, particularly given the difference between external advisers' forecasts, and notes that operator procurement is not yet completed. We also note that one of the external advisers highlights significant uncertainty because its analysis predates operators updating their bids to reflect the revised Project scope. The Assessment states that an operator/managing agent will be appointed through a competitive procurement process, with any resulting savings reducing the amount of subsidy required, although the preferred operating model remains under development.

2.38 The Assessment states that NEMSA considered four alternative designs for the Project (including a business-as-usual option), estimating the benefits and costs and calculating a value for money ratio for each option. The preferred option was selected because it offered the best value for money and better aligned with the policy objective.

2.39 In our view, the Assessment demonstrates and evidences some aspects of how the Subsidy is proportionate and limited to the minimum necessary to achieve its specific policy objective, in line with the Statutory Guidance.

2.40 However, the Assessment should:

(a) explain how NEMSA satisfied itself that the viability gap estimate is accurate for the Project, considering that the financial analysis on which it relies refers to data relating to a different and significantly larger project design;

(b) explain in more detail how NEMSA decided the relative amount of loan to grant funding. In particular, it should set out how the level of loan funding was decided, given that the Council's ability to repay funding via retained business rates depends on the wider site being developed;

[17] EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is a financial metric used to evaluate a company's core operational performance without the influence of financing decisions, tax environments, or non-cash accounting items like depreciation and amortization. It provides a clearer view of how much profit a business generates from its day-to-day operations, making it easier to compare companies across industries or regions with different capital structures or tax regimes.

(c) identify the specific model(s) that informed the level of the revenue grant, setting out the reasons for this; and

(d) consider which options would be available should the viability gap for the operational phase be higher than forecast.

Design of subsidy to minimise negative effects on competition and investment

2.41 The Assessment discusses the following characteristics of the Subsidy designed to minimise negative effects on competition and investment:

(a) Nature of the instrument: Alternative subsidy options were considered, including a sub-commercial loan or guarantee to a private sector body, joint venture or equity share. They were discounted as there has been no market interest.

(b) Breadth of beneficiaries: The Subsidy is for a single beneficiary. An externally commissioned market review considered alternative designs and beneficiaries but concluded that there is currently no demand from the private sector to deliver the Project on the site.

(c) Size of the Subsidy: The Assessment states that the Subsidy is limited to the identified viability gap and that the Project was scaled down following initial market engagement. Competitive procurement, open-book assessment of operating losses, audit rights and payment only against eligible costs are intended to limit overcompensation.

(d) Timespan: Funding for capital works is a one-off subsidy, which are less likely to cause distortions, and the revenue grant is limited to the first five years of operation of the facility.

(e) Nature of costs covered: Funding covers identified costs of delivering the Project, including up to £2.5 million towards ongoing costs for the sum expected to be needed in the first five years.

(f) Performance criteria and ringfencing: The capital grant will be subject to construction timescales; failure to meet them could trigger recovery. The revenue grant will be capped and drawn down only when there is a viability gap. The Project costs will be ringfenced and subject to monitoring and audit.

2.42 The Assessment states that the design of the Project seeks to limit displacement, as:

(a) sharing capacity between events and HETV production is expected to reduce distortion in each market compared with a facility dedicated to one activity;

(b) including workspace within the facility would negatively impact other local providers; however, the Assessment considers it important for the facility's sustainability and its offer to production companies, as well as the achievement of the policy objective.

(c) the facility will seek to focus on films and higher-budget HETV projects originating from outside the UK where feasible, alongside projects requiring the North East's natural and historic locations. The nearby Northern Studios facility in Hartlepool is expected to focus on smaller productions. The two facilities could therefore collaborate and strengthen the regional production cluster rather than compete directly.

2.43 In our view, the Assessment demonstrates how features of the Subsidy contribute to minimising any negative effects of the Subsidy on competition and investment within the United Kingdom.

2.44 However, as NEMSA is still considering the revenue grant's design, the Assessment could explain in more detail how the design of the revenue grant contributes to minimising potential distortions. In particular, it could consider whether profit-sharing arrangements or purchase options during the operating phase could limit the ongoing effects of the Subsidy on competition. The Assessment could also draw on comparable UK studio developments identified in the development appraisal to inform the design of these arrangements to minimise distortions.

Assessment of effects on competition or investment

2.45 The Assessment identifies the main product market as the rental of specialist commercial and production space, particularly for film and HETV. It identifies related markets for event space, offices, workshops and general commercial accommodation.

2.46 The Assessment explains that the facility will compete most directly with purpose-built studios, although some adaptable commercial properties may also be suitable for productions. When not used for screen production, its flexible spaces may compete with a limited number of local event venues and workspace providers. The Assessment considers that sharing capacity between production and events should reduce the degree of distortion in each market compared with a facility dedicated entirely to one use.

2.47 The Assessment describes the geographical market as national and, to a lesser extent, international. It acknowledges that the Subsidy may give rise to regional distortion, and considers the Project to compete principally with studios in Liverpool, Bristol, London and the South East of England, with more limited effect on studios in Scotland.

2.48 The Assessment states that the Northern Studios facility in Hartlepool targets smaller productions, while NEMSA expects Crown Works to attract larger productions. It considers differences in the number and capacity of sound stages and workspaces could allow the two studios to provide complementary services.

2.49 The Assessment identifies potential positive effects through greater geographic competition, a stronger North East of England production cluster, additional UK capacity, increased international investment and subsequent private-sector expansion.

2.50 The Assessment expects that the Subsidy will increase demand for skilled labour. The Project may strengthen the regional talent pool and supply chain, including through links with local education providers. It may also create competition between regional studios for skilled workers. NEMSA nevertheless expects the larger, more permanent pool of skilled labour to benefit the regional production ecosystem and make further investment more likely.

2.51 The Assessment states that the UK market has experienced short-term turbulence but retains a positive long-term outlook due to continuing content demand and growth in video-on-demand. Consequently, demand for production space is expected to grow. However, the Assessment describes significant barriers to entry and expansion arising from the significant costs of studio construction, long lead times, uncertain and fluctuating occupancy levels, and some evidence of strong price discounting at some independent studios, increasing the risk faced by new entrants.

2.52 In our view, the Assessment considers some impacts of the Subsidy on competition and investment, in line with Annex 3 of the Statutory Guidance.

2.53 However, the Assessment should identify the competitors in the markets for event venues, offices, workshops and general commercial accommodation most likely to be affected by the Subsidy, and assess the likely extent of distortion, drawing on evidence on the facility's capacity relative to the estimated market size.

2.54 In relation to film and TV production facility services, the Assessment could consider further the potential effects on competition both nationally and in particular locations, given that it identifies Liverpool and Bristol as key alternative locations. It could also test the sensitivity of its estimates of the Subsidy's size relative to the affected market at alternative geographic scales, drawing on information in the supporting document on the pipeline and location of likely new production facilities.

Step 4: Carrying out the balancing exercise

2.55 Under Step 4 (Principle G), public authorities should establish that the benefits of the subsidy (in relation to the specific policy objective) outweigh its negative effects, in particular negative effects on competition or investment within the United Kingdom and on international trade or investment.[18]

2.56 The Assessment discusses three main benefits of the Subsidy, to which it gives significant weight:

(a) Creation of an estimated 380 jobs, including at least 103 construction jobs, depending on occupancy and usage levels. The Assessment states that nearly all will be within Pallion and Ford, providing employment and skilled career opportunities for locals, while increasing footfall for local businesses. It explains that this will also support the retention and attraction of creative talent. It states that this will directly address local and regional disadvantages;

(b) Enhancement of the creative industries sector and reputational benefits for Sunderland and neighbouring areas, complementing the Northern Studios facility in Hartlepool and potentially generating agglomeration benefits such as improved productivity through collaboration and knowledge-sharing as clusters develop. Although the Assessment acknowledges that this is less certain, it highlights the Project's potential to provide 'proof of concept' and increase private investor confidence in the North East of England film and HETV production sector, supporting the long-term development of a regional cluster; and

(c) Regeneration of a prominent vacant brownfield site into an employment zone in areas experiencing longstanding deprivation and regional disadvantage. The Assessment considers the associated social and environmental benefits such as reduced antisocial behaviour, which it considers to be certain as they arise directly from the site development, rather than depending on the future commercial performance of the Project.

2.57 The Assessment also identifies:

(a) An estimated £24.7 million contribution to the wider economy over five years and encouragement of further private investment in film and TV production infrastructure in the North East of England by demonstrating demand and operational viability, while improving diversification and resilience of the regional economy;

[18] See Statutory Guidance, paragraphs 3.113–3.121 and the SAU Guidance, paragraphs 3.19–3.21 for further detail.

(b) Wider cultural benefits from the flexible use of the facility for large-format events; and

(c) Increased business rates that could support further local benefits.

2.58 The Assessment lists the following negative effects and risks:

(a) High reliance on public funding as the Subsidy supports the majority of upfront costs;

(b) Distortive impact on other providers, especially in the North West of England, Scotland, London and internationally;

(c) If operational performance is weaker than expected, the wider regeneration and private investment benefits may not materialise, risking reputational damage;

(d) Risk of construction and refurbishment delays, cost overruns, procurement complexity and contractor underperformance alongside noise, pollution and pressure on resources and local infrastructure during construction;

(e) Increased governance, compliance and monitoring requirements arising from the complexity of the funding structure.

2.59 Overall, the Assessment concludes that the benefits outweigh the negatives.

2.60 In our view, the Assessment sets out the positive effects of the Subsidy in relation to the policy objective as well as some potential negative impacts, and conducts a balancing exercise between them. However, the Assessment should better reflect the analysis of the potential distortive effects of the Subsidy undertaken under Step 3, as well as the potential for distortion through the £2.5 million revenue grant supporting business-as-usual costs.

Other Requirements of the Act

2.61 NEMSA confirmed that no other requirements or prohibitions set out in Chapter 2 of Part 2 of the Act apply to the Subsidy.

17 November 2026