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**Title:** UKSPF and REPF Transitional Year Update  
**Report of:** Mags Scott, Director of Finance and Investment  
**Portfolio:** Finance and Investment

### **Report Summary**

The purpose of this report is to provide an update on the UK Shared Prosperity Fund (UKSPF) transitional year 2025/26 and Rural England Prosperity Fund (REPF), including confirmation of the final UKSPF programme in relation to the former North of Tyne area.

At its 28 January 2025 Cabinet meeting, the North East Combined Authority (North East CA) Cabinet agreed to delegate authority to the Chief Executive, in consultation with the Director of Finance and Investment, Monitoring Officer and relevant Cabinet Member to approve project applications and contracts brought forward through UK SPF, in line with the North East Single Assurance Framework. This report was recommended for approval at the 31 March 2025 North East CA Finance and Investment Board meeting.

### **Recommendations**

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

- i. approve £16,032,739 of UKSPF funding for project extensions in financial year 2025/26 in line with the table in Section 2 and Appendix 1.
- ii. agree the approach to operationalising the REPF funding for financial year 2025/26.

## **A. Summary of Investment Proposal (Context)**

### **1. Background**

- 1.1 Following confirmation in the UK Budget on 30 October 2024, Government confirmed in December a regional allocation of £54.7m (£16.7m Capital; £38m Revenue) for a UKSPF 'transitional year' in 2025/26 (year 4). This includes a 22%, £9.8m top-up for MCAs paid entirely in capital.
- 1.2 In January 2025, Finance and Investment Board endorsed an approach to allocating UKSPF 'transitional year' funding. This focused on extending delivery of our most impactful investments in the North of Tyne and devolving funds to Local Authorities in the South of Tyne, to continue with their accountable body status for UKSPF and enable them to extend current delivery arrangements as appropriate. In respect of the South of Tyne programme, officers within the Combined Authority and Local Authorities are working towards getting a legal agreement in place to support delivery from 1 April 2025.
- 1.3 The North East CA UKSPF Programme Board has overseen the process of developing the transition year delivery plan for the North of Tyne area. The board is chaired by the Head of Economic Delivery and is attended by the Director of Finance and Investment, other Heads of Service, Finance and Comms and Theme Lead officers for UKSPF.
- 1.4 Theme Leads led on developing proposals for the transition year in their respective areas – with oversight from the Programme Board to develop a proposed programme of activity and notional financial allocations against projects.
- 1.5 The proposed UKSPF 25/26 programme totalled £18.899m and consisted of 40 projects, including an element of overprogramming to mitigate against the risk of any underspend. This was endorsed by Finance and Investment Board in February 2025, subject to projects providing a delivery plan and an objective appraisal to ensure:

- activity is in line with the North East CA's strategic objectives and political risks have been considered;
- that projects provide value for money;
- that projects are deliverable within the specified timeframe; and
- that projects meet the required UKSPF and statutory obligations.

- 1.6 Delivery plans have since been received from all North of Tyne projects, and appraisals undertaken. Finance and Investment Board is now asked to consider the final UKSPF 25/26 extensions and associated investment as set out in section 2 and Appendix 1.
- 1.7 The North East CA Finance and Investment Board will receive further updates throughout 2025/26 on the performance of the North East UKSPF programme. This will include consultation on the approach to addressing any over / underspend and oversight of the associated risks and mitigating actions, including management of overprogramming approach within the North of Tyne element.

## 2. UKSPF Programme 2025/26 – North of Tyne area.

- 2.1 Table 1 below shows the North of Tyne UKSPF 25/26 allocation and proposed commitments following assessment of delivery plans. New projects will require approval through the Single Assurance Framework. A breakdown of investment by project is included in Appendix 1.

Theme	Proposed Allocation & Feb F&IB Papers	Value of projects in submitted Delivery Plans	Difference
Communities & Place	£3,231,368	£3,231,368	£0
Local Business	£8,613,000	£8,808,082	£195,082
People & Skills	£4,010,000	£3,993,289	-£16,711
<b>Total</b>	<b>£15,854,368</b>	<b>£16,032,739</b>	<b>£178,371</b>
New Projects*	£3,045,000	£3,045,000	£0
<b>Total</b>	<b>£18,899,368</b>	<b>£19,077,739</b>	<b>£178,371</b>
<b>North Of Tyne Allocation minus 4% Top Slice</b>		<b>£17.9m</b>	

*\*Includes Music Production Space (£1.8m), Early Events Programme (£625,000), Digital Adoption (£500,000), Music Cluster (£120,000).*

- 2.2 The majority of delivery plans returned aligned to the notional allocation of funding with the following exceptions where additional funding has been requested to ensure ongoing viability and the realisation of impacts:
- **In-TUNE**, this is an innovation project involving the four North East universities, as well as well working with Teesside and York universities. The In-TUNE programme consists of two successful delivery elements; it supports the commercialisation of research through high growth university spin outs and through the Arrow programme it supports growth through matching regional businesses with university expertise to drive forward innovation with over 200 businesses supported to date. £1,173,000 was originally allocated in February, the project has requested an additional £170,082, total investment £1,343,082.
  - **NE Pharmaceutical Cluster** supports the region's pharmaceutical manufacturers and supply chain companies, and further develops an understanding of the cluster's needs. The project was originally allocated £60,000 and has requested an additional £25,000, total investment of £85,000. The funding will allow for enhancement of their previous activities around marketing the North East's pharmaceutical sector, and consolidation of their website as a means of distribution of key findings about the cluster. This funding will also allow North East Pharma to develop their skills offering – disseminating information about the cluster to schools, colleges and universities. A Pharma Bootcamp will also be developed with this funding.

- 2.3 An application for £1.8m of UKSPF funding has also been received from Newcastle City Council for Music Production Space project which is currently in the final stages of appraisal. Finance and Investment Board agreed to consider this request by written procedure in April to enable the Combined Authority to expediate delivery against the tight finalise the UKSPF 25/26 programme.
- 2.4 The Digital Adoption and Music Cluster projects are in development and will come forward for consideration in due course.
- 2.5 As shown in Table 1 there remains scope within the programme to accommodate these asks, while retaining an element of overprogramming at 6.6% (£1,177,739), a slight increase from the 5.5% agreed by Finance and Investment Board in February. This approach enables the combined authority to fully utilise the opportunity of UKSPF reducing the requirement for Investment Funds, all projects included within the UKSPF 25/26 programme meet our strategic priorities with activity reflected within the Cabinet agreed Strategic Portfolio Plans, the Local Growth Plan and our Corporate Plan.
- 2.6 Modelling has been undertaken on the 2022-25 UKSPF programme. This indicates that an overall underspend of 9% would have occurred if the contingency arrangements had not been embedded. The proposed level of overprogramming is therefore considered reasonable and mitigates against the risk of UKSPF being lost from the region if not spent within the financial year. It is also noted that £1m of UKSPF is invested with the Culture and Creative Investment Programme, a recyclable fund where funding can be withdrawn, and utilised to fill any gaps should no attrition of UKSPF investments occur.
- 2.7 Finance and Investment Board will receive regular updates on the performance of the regional UKSPF programme and will be consulted as part of the decision-making process in respect of managing any under/over performance, to ensure the region benefits in full from the opportunity.

### **3. Rural England Prosperity Fund 2025/26**

- 3.1 The REPF is a rural top up to UK Shared Prosperity Fund (UKSPF), providing allocations for eligible local authorities in England to help address the additional needs and challenges facing rural areas. The REPF supports the government's agenda in particular its ambition for economic growth funding capital projects for small businesses and community infrastructure.
- 3.2 On 4 March 2025 Government confirmed that the REPF will continue for a further year with £33m allocated nationally to eligible local authorities. Allocations to individual Combined and Local Authorities. Government advised on 27 March 25 that £1,053,436 is allocated for Durham and £912,848 for Northumberland.
- 3.3 As with UKSPF the timescale for finalising and delivering the North East programme is extremely tight, a practical approach is therefore proposed mirroring that undertaken for UKSPF. This will include passporting the obligations and investment to Durham County Council in respect of the REPF transition year funding, and working with Northumberland County Council to develop a North of Tyne programme that is achievable within the constraints of the funding and deliver maximum impact within our rural areas. The latter will likely focus on extending current successful delivery arrangements.
- 3.4 Work is underway with delivery partners to ensure the North East CA is able to operationalise the REPF at pace, now regional allocations have been confirmed by Government.

### **4. Timetable for Implementation of UKSPF implementation – North of Tyne programme.**

<b>Milestone</b>	<b>Due date (all 2025)</b>
Finance & Investment Board consideration	31 March
Delegated Decision report – consultation and sign off	31 March
Contract variation letters issued	w/c 31 March
Delivery Commences (at risk)	1 April
Signed contract variation letters returned	30 April

## **5. Potential Impact on North East Combined Authority Objectives**

- 5.1 UKSPF provides resources which supports activity in the areas of business support and economic development, employment and skills and community engagement – priority areas for the North East CA and constituent local authorities.

## **6. Key risks**

- 6.1 There are tight delivery constraints to ensure funding is contracted and spent within the North East by 31 March 2026. This has been mitigated in part through our approach to extend current delivery arrangements.
- 6.2 Government are yet to provide all guidance to ensure our structure enables us to meet national UKSPF requirements. Verbal reassurances have been provided that this will reflect previous delivery which provides a level of comfort in this respect.
- 6.3 Government formally confirmed regional REPF allocations for 2025/26 on 27 March 25, the late confirmation of funding for financial year 25/26 will require either an element of delivery at risk or a delayed start to the programme impacting on timeframe for delivery.

## **7. Financial and other resources implications**

- 7.1 The regional UKSPF allocation for the FY 2025/26 is £54.7m.
- 7.2 The regional REPF allocations for 2025/26 is £1,053,436 is allocated for Durham and £912,848 for Northumberland.

## **8. Legal implications**

- 8.1 North East CA legal team have advised on our approach to extending existing contracts through formal variations of Grant Funding Agreements.
- 8.2 Legal colleagues will be consulted on any new UKSPF investment in accordance with our Single Assurance Framework processes.

## **9. Consultation and engagement**

- 9.1 Officers have worked closely with officers from all seven North East CA member authorities to operationalise the UKSPF 2025/26 programme. This engagement will be ongoing to ensure the opportunity of UKSPF and REPF investment is maximised in the region.

## **10. Appendices**

**Appendix 1** – North of Tyne UKSPF Project Extensions.

## **11. Background papers**

UKSPF Transition Year, Finance and Investment Board Paper 17 February 2025.

## **12. Contact officers.**

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## Appendix 1 – North of Tyne UKSPF Project Extensions.

### 1. Local Business Support

Project Name	Project Status	If existing, Grant/Contract Reference #	Is the project delivered through a Grant or Contract	Lead Delivery Partner Name	2025/26 Funding (£)
SME Decarbonisation (BEST)	Existing	U0005	Grant	Newcastle City Council	£400,000
Northumberland Localised Support NSBS UKSPF (inc Towns)	Existing	U0011	Grant	Northumberland County Council	£675,000
In-TUNE	Existing	U0013	Grant	Durham County Council	£1,343,082
TIGGOR Phase 2	Existing	U0012	Grant	ORE Catapult	£1,000,000
Culture & Creative Investment Programme 2 UKSPF	Existing	U0016	Grant	Creative UK	£1,000,000
Newcastle Localised Business Support (inc towns)	Existing	U0022	Grant	Newcastle City Council	£1,250,000
North Tyneside Localised Business Support (inc towns)	Existing	U0023	Grant	North Tyneside Council	£845,000
DPS Scaleup NE - RTC	Existing	U0024	Contract	RTC North Ltd	£500,000
DPS Business Growth Fund (UMi)	Existing	U0032	Contract	UMi Commercial Ltd	£600,000
DPS Social Enterprise (Business with Purpose) - NEEAL	Existing	U0033	Contract	North East Enterprise Agencies Ltd (NEEAL)	£250,000
DPS Start up Support (Enterprising North) - NEEAL	Existing	U0034	Contract	North East Enterprise Agencies Ltd (NEEAL)	£500,000

DPS Business Support Fund - NBSL	Existing	U0015	Contract	Northumberland Business Services Ltd (NBSL)	£300,000
Energi Coast - Cluster Development Support	Existing	U0014	Grant	NOF	£60,000
DPS Pharmaceutical Cluster - NEPIC	Existing	U0045	Contract	North East Pharma Industry Cluster	£85,000
Digital Adoption	New		Grant	Sunderland Software City	£500,000
Newcastle Music Studio	New		Grant	Newcastle City Council	£1,800,000
Music Cluster	New		Contract	TBC	£120,000
				<b>Total</b>	<b>£11,228,082</b>

## 2. Communities and Place

Project Name	Project Status	If existing, Grant/Contract Reference #	Is the project delivered through a Grant or Contract	Lead Delivery Partner Name	2025/26 Funding (£)
Volunteering and social action partnership	Existing	U0009	Grant	North Tyneside VODA	£400,000
Community Partnerships	Existing	U0026, U0027, U0028	Grant	Newcastle City Council, North Tyneside Council & Northumberland County Council	£1,800,000
Local Cultural and Creative Capital	Existing	I0123 I0124 I0125 I0126	Grant	Newcastle City Council, North Tyneside Council & Northumberland County Council	£900,000
Tourism Events Programme	New		Grant	North East CA	£625,000
One Stop Shop and LEAD	Existing	U0035	Contract	Energy Savings Trust	£131,368
				<b>Total</b>	<b>£3,856,368</b>

### 3. People and Skills

Project	Project Status	If existing, Grant/Contract Reference #	Is the project delivered through a Grant or Contract	Lead Partner	Cost implications
Northern Directions	Existing	U0038	Grant	Groundwork	£300,000
New Start	Existing	U0036	Grant	Karbon Homes	£280,000
Empower Works	Existing	U0043	Grant	NEAS	£260,000
BOOST	Existing	U0040	Grant	Newcastle City Council	£330,000
Green Start	Existing	U0046	Grant	Newcastle City Council	£290,000
Talent Pools and Pathways	Existing	U0037	Grant	Newcastle City Council	£449,829
Open Doors: Beyond Barriers	Existing	U0042	Grant	Newcastle College	£585,000
Working For Carers	Existing	U0039	Grant	North Tyneside Carers Centre	£250,000
In-Work Support	Existing	U0044	Grant	Northumberland County Council	£138,501
Solid Foundations	Existing	U0010	Grant	Thriving Together	£249,959
Small Grant Programme	Existing	U0025	Contract	Rocket Science	£400,000
Wise Group Relational Mentoring	Existing	U0008	Grant	The Wise Group	£410,000
Unlocking Potential	Existing	U0047	Grant	Society Matters CIC	£50,000
				<b>Total</b>	<b>£3,993,289</b>