
Title: Town Centre and High Street Transformation - South Tyneside College
Report of: Rob Hamilton, Head of Strategy and Innovation
Portfolio: Housing and Land

Report Summary

The purpose of this report is to provide details of a project to relocate South Tyneside College and Marine School to a new Campus in South Shields Town Centre. At its meeting on 18 March 2025, North East Combined Authority (North East CA) Cabinet agreed in-principle support for the project, subject to the Chief Executive in consultation with the Mayor, relevant Portfolio Holders and the Finance and Investment Board approving the final business case, in accordance with the Single Assurance Framework.

Up to £18,204,912 is required to enable the College to relocate to a new 14,000 Sqm Campus on a cleared brownfield site in the heart of South Shields town centre. Like many other town centres within the region and across the UK, South Shields is facing challenges of retail decline, vacant properties and pressures of costs of living. With declining footfall, there is need for more non-retail led development to give residents and visitors alternative reasons to visit our town centres. The relocation of the College to a new Campus will not only unlock a significant cleared brownfield site in a prime and sustainable location, but will also drive additional footfall, spending power and vibrancy, providing a much-needed non-retail anchor within the heart of the town centre. Such intervention will therefore achieve the type of transformational change and high street rejuvenation sought by the newly established North East High Streets Commission and the Towns and High streets ambition approved by Cabinet on 28 January 2025.

The new Campus will be capable of accommodating 9,000 students and 300 staff and will ensure the long-term viability of the College and its internationally respected Marine School. The existing College Campus is outdated and not fit for purpose, with a lack of modern learning facilities and has high running and maintenance costs of around £3m a year. Without relocation, students and staff will continue to use substandard facilities, impacting their ability to teach and learn, and the costs of maintaining the current campus will continue to increase, until they eventually become unsustainable. The project is strongly supported by DfE, who have undertaken due diligence on both the construction costs and the long-term operation of the facility, on the basis of student numbers and associated funding.

The total project costs of the facility are £94,826,228, with £76,621,316 having been secured from a number of sources, including the Department for Education (DfE), Government's Levelling up Fund and South Tyneside College. The request for up to £18,204,912 of funding from the Combined Authority would enable construction to start on site in summer 2025 and allow completion ahead of the September 2027 student intake. This represents a once in a generation opportunity for the next phase for revitalisation of South Shields town centre and to safeguard the long-term viability of the College to remain within the town.

The North East CA will continue to actively work with DfE and partners to enhance the government funding package, ensuring the North East CA investment represents the minimum required to ensure viability of the scheme.

Recommendations

1. The Chief Executive is recommended to approve an award up to £18,204,912 of funding from the North East CA's Early Capital Fund/Investment Fund to Tyne Coast College and South Tyneside Council to contribute towards the costs of developing a new 14,000 Sqm college campus in South Shields town centre, in accordance with the Single Assurance Framework and the delegated authority agreed by Cabinet on 18 March 2025.

A. Context

1. Background

South Shields is a town with a rich and vibrant history, having been at the forefront of the industrial revolution helping to drive the economy of the North East of England and Britain for over 200 years. Occupying an enviable location on the mouth of the River Tyne, the town has an award-winning beach and attractions. South Tyneside Council have invested in buildings, infrastructure, and public realm to create areas of exceptional quality whilst hosting events ranging from local food festivals to the internationally renowned Great North Run, which helps attract 7m visitors a year to the region.

Despite this, the town centre is facing the same challenges as others across the country. The retail landscape that we knew previously has changed fundamentally over the last decade, impacted by the rise of online shopping and reduced footfall on the high street. This change was accelerated further by COVID-19, which acted as a catalyst for changing the way many of us work, commute, and spend our free time.

As with many other places, South Shields town centre must evolve, with a key barrier to address being declining footfall and the need for more non-retail led development to give residents and visitors alternative reasons to visit. The Council has recognised that this will take time and needs to be shaped by working together with residents, businesses and other stakeholders.

To understand thoughts and views, the Council undertook a major consultation exercise¹ in late 2022. Various options for future development and change were presented as part of this campaign, including the opportunity for a new College Campus to be delivered on King Street, the town centres main high street. More than 80 per cent of the 1,300 responses supported the idea of the college relocation.

A new Town Centre Masterplan Vision² for South Shields was then published in July 2023, providing a flexible and strategic framework to guide economic growth and the physical development of the Town Centre for the next 10-15 years. The Masterplan Vision is not intended as a rigid blueprint for future development, as wider societal and economic changes will influence what specifically is brought forward. It is underpinned by the following strategic objectives:

- Creating a diversified town centre
- Working closely with local businesses and property owners
- Facilitating residential and commercial development
- Providing opportunities for local retailers
- Re-developing under-utilised sites
- Bringing empty properties and floor space back into use
- Enhancing public realm, green space and linkages
- Attracting external funding and investment

The Masterplan Vision seeks to deliver ***a vibrant, attractive, and healthy town with a secure and sustainable future. A place where people want to live, work, study and socialise.*** Clearly, this vision shares the ambitions of the North East High Commission, whose approach is to be centred around medium to longer term place regeneration and the role that alternative uses and mixed development can play in securing the sustainability of high streets and places.

In September 2023, the North of Tyne CA working on behalf of the North East CA approved a pipeline of capital projects as part of the Early Capital Regeneration Fund. £2.5m of this funding was earmarked for construction costs of new student accommodation associated with the college relocation. Planning applications were then approved in December 2023 to deliver the new college campus³ and to redevelop its existing campus for housing⁴. Investment has then also been made by the South Tyneside Council in assembling all of the land required for the campus and undertaking associated utility diversions.

¹ <https://www.ourconversation.co.uk/>

² [South Shields Town Centre Vision Masterplan Vision Document](#)

³ [ST/0534/23/FUL - Plans for new ST College Campus](#)

⁴ [ST/076/23/FUL - Housing on ST College site](#)

2.0 The Investment Proposal

The project has already secured £76.2m from a variety of sources, including from the land sale of the existing college site (£23m), a £20m Department for Education (DfE) Capital Transformation Round 2 Funding Bid, and capital contributions from South Tyneside Council. However, there remains a significant, shortfall of £18.2m, when compared to the overall £94.8m cost of the project. This is due to the significant ongoing inflationary pressures being experienced across the construction industry, which has caused the development cost of the project to increase. Despite making allowances within previous cost estimates and value-engineering the project as much as is practical, Atkins Realis benchmarking indicates that cost forecasting has not been keeping pace with events in real time across the construction industry. The Council has advised that it has not been possible to secure any additional funding from central Government and the College has confirmed that it is unable to borrow any further to invest in the project.

It is proposed that £2.5m of the costs are reallocated from investment which had previously been approved by the Combined Authority for new student accommodation for the College, as the Council has been able to find cost savings by converting an unused office block for this provision. The remaining £15.7m would come from the North East CA Investment Fund.

The table below provides an overview of the current financial position and project timescales:

Project Outline		
Proposal Name	South Shields Vision - South Tyneside College Relocation	
Lead Organisations	(i) South Tyneside Council (ii) Tyne Coast College	
Delivery Areas	South Shields Town Centre	
Start Date	June 2025	
Financial End Date	June 2028	
Practical completion date	September 2027	
Total Project Value	£94,826,228	
Grant Amounts Requested	i) £2,500,000 reallocated from the North East CA Early Capital Fund ii) £15,704,912 Investment Fund.	
Budget Implications	£18,204,912	
Additional Funding:	Funding Source:	Amount Secured:
	DfE Grant:	£22,000,000
	DfE Loan:	£11,000,000
	South Tyneside College Grant Contribution:	£8,000,000
	Receipt from sale of current college site:	£23,000,000
	Levelling up (round 3) Funding:	£9,500,000
	Funding towards Listed Building Works:	£2,700,000
	Total:	£76,200,000

It is noted that the £78.4m cost of constructing the new campus/building is the key part of an overall £94.8m project to relocate the College and Marine School. The additional £16.34m works will deliver a refurbished Listed Building for staff office accommodation (£3.25m), a refurbished office building for student halls of residence (£9.52m) and refurbished industrial units as training workshops (£3.55m). Overall, 133 direct/174 indirect jobs in construction will be created during the construction phase of the project.

2.2 Outputs and Outcomes

The business case is supported by a Logic Model which sets out a range of outputs and outcomes:

i	<p>Delivery of a new, modern fit for purpose 14,000Sqm college and Marine School campus. The new Campus will be capable of accommodating 9,000 students and 300 staff and will ensure the long-term viability of the College and its internationally respected Marine School, which is the oldest in the world. The co-location delivers valuable operational synergy and visibility of this important industry to students, but also ensures a diversified funding model for the college at a time of funding pressures in both the further and higher education systems.</p>
ii	<p>Reduction in college's energy consumption and carbon.</p>
iii	<p>Increase in student enrolment, retention, and attainment rates. By creating a fit for purpose and sustainable new Campus in the town centre, adjacent to the new transport interchange, the new College will be more attractive to students, boost the learner experience, and maintain the College's position as a world leading maritime education and training provider.</p>
iv	<p>Increase in footfall in town centre, induced by move of campus into the town centre. The relocation of the College Campus will provide a significant non-retail anchor into the town centre. The economic impact of a new FE facility in a town centre location such as South Shields will include direct employment benefit from increased revenue into local town centre businesses, increased spend on local transport systems and in respect of the Marine School additional overnight stays from attendees of professional-level courses. The <i>Association of Colleges</i>, and the <i>High Streets Commission</i>, have both found that colleges play an important role in driving footfall, especially where they are located near to the high street.</p>
V	<p>Delivery of 260 new homes on the old college site. Whilst not directly funded as part of the project, the freeing up of land at the existing site of the college will enable 260 family homes to be constructed. Planning permission and an agreement for sale is already in place for this, with the full £23m land receipt from the sale of the site making a vital contribution towards the costs of constructing the new Campus. In addition, the relocation will result in the redevelopment of a vacant town centre office building, to provide 125 new student accommodation units.</p>

Should the project not proceed, there is a real risk that the College and Marine School would be unable to sustain itself in the medium to long term, as maintenance and operational costs will continue to grow. Business as usual would have a significant negative impact on the college's finances in the long run. A new campus, however, would overcome these risks and become the catalyst for raising the aspirations of local young people, providing them with a quality environment where they will want to train and learn the skills needed to obtain well paid jobs in the key growth sectors identified in the North East CA's emerging Local Growth Plan. Naturally, it is essential that the region maintains the workforce needed to support our industries and foster inclusive economic growth.

It is also important to acknowledge the far wider-reaching benefits that will arise from the College's relocation into the heart of the town centre, which will provide a much-needed and significant non-retail anchor. Clearly, such intervention will assist realisation of the types of transformational change sought by the North East High Streets Commission, which Cabinet agreed to establish at its meeting of 28 January 2025. The project represents a once in a generation opportunity for the college and residents of South Tyneside and if approved, the North East CA's contribution will provide the final piece in the funding jigsaw, enabling construction to start on site this summer so that the campus will be ready for its September 2027 student intake.

2.3 Timetable for Implementation:

Milestone	Forecast Date
Project Start Date	The project is already live
Financial Completion Date	June 28 (inc. 12-month retention period)
Anticipated Project Completion Date (date by which all outputs/outcomes will have been achieved)	Campus Open Sept 27
Final grant funding secured	Mar 25
Site transferred to the College	Apr 25
Enter contract with the main contractor	Apr 25
Contractor places sub-contract orders & mobilises	Apr / May 25
Start of construction	Jun 25
Foundations complete	Jan 26
Steel frame complete	Apr 26
External envelope & roof complete	Mar 27
External works & landscaping complete	May 27
Internal fit out complete	June 27
Completion of campus construction	June 27
Migration from exiting campus to town centre	July / Aug 27
Opening of campus	Sept 27

2.4 Appraisal:

The Combined Authority commissioned Mickledore Ltd to undertake an independent appraisal of the scheme's business case and supporting evidence, which has been submitted by South Tyneside Council. This follows the HM Treasury Five Case model and is summarised below:

Strategic Case - The project delivers a range of outcomes, including the re-provision of Further Education and specialist Maritime Training in South Tyneside. The applicant has clearly set out the role that the project will play against the strategic objectives of the Combined Authority. The project has a clear rationale which is to replace an ageing College which is no longer fit for purpose, so that it can continue to deliver skills and opportunities for residents. Whilst this aligns with the Combined Authority's strategic objectives, making a clear case for renewal of capital facilities for skills is less obviously linked. However, the strategic case is strengthened by the contention that the College cannot continue to operate in its current form. A noted ancillary benefit is that the new College campus will significantly benefit South Shields town centre.

The Economic Case - The economic case has been rated Amber.

A number of public bodies are contributing towards the project, including DfE, Local Authority, the College and more widely MHCLG, with a 23.2% contribution sought from the North East CA towards the capital cost of the new College re-provision.

Against the applicant's own measure, the project has a BCR of 1.68 (good is ranked 2, however, between 1.5 and 2 is seen as moderate). The applicant has explored adjusting the BCR to also include wider benefits, including those arising from the new housing that is to be built on the existing college site, (which has been sold to fund the College), as well as those from overseas students, who need to stay in accommodation during their studies. Whilst these raise the BCR to 2.42, the appraiser did not accept this as being the correct method of measurement for direct North East CA involvement. It is nonetheless accepted that this 'adjusted BCR' does indeed demonstrate that the project will create far wider-reaching and transformational benefits to South Shields town centre, in addition to just those arising from the college campus alone.

Financial Case - The financial case has been completed comprehensively and reflects the significant work undertaken to obtain a fixed-price quote. A cocktail of funding has been developed to fund the project and its ancillary works, including contributions from the DfE, the land receipt from the sale of the existing site, and the Council. All of this is understood to be in place, but any grant funding agreement will require details of these arrangements as a condition of funding, which will be claimed/released in instalments.

Irrecoverable VAT remains a potential cost variable and therefore a clause should be included within any grant funding agreement to ensure any cost overruns associated with unrecoverable VAT remain the responsibility of the Council.

A detailed risk register has been provided, which sets out a number of financial risks and these appear to adequately reflect the current position of the project.

It is important to note that whilst the financial case appears sound and the risks have been appropriately identified, the rationale for the Combined Authority's involvement arises from budget inflation and cost overruns amounted during the project's development, which began pre-Covid-19.

Commercial case - The commercial case is considered sound and information has been provided on student demand, with forecasts based on the Marine School's past experience and the area's demography. The scale of the Campus has been 'right-sized' to accommodate the courses to be delivered. However it is noted that no specific information has been provided on risks associated with the College not securing the numbers of students required to meet the forecasts provided.

Significant procurement activity has already taken place to get the project to this stage, and assurances provided that this has been completed appropriately using a variety of framework appointments and tender processes.

Management Case - It is noted that the applicant for this funding is South Tyneside Council, who will be the accountable body responsible for claims and monitoring throughout the lifespan of the project. South Tyneside College will be the party responsible for project delivery, and a binding Development Agreement has been agreed by Council Cabinet and the College's Board of Governors. This is to be executed as a deed and sets out the roles and responsibilities of both parties. In brief these include that:

The Council will:

- Provide a cleared campus site for development by the College
- Support the College with all procurement activity
- Sit on the Project Board to provide governance and decision making for the project
- Be responsible for monitoring and reporting for NECA funding

The College will:

- Lead all procurement activity required to deliver the project
- Be the contracting party for all work
- Sit on the Project Board to provide governance and decision making for the project
- Be responsible for monitoring and reporting for DfE funding

A copy of the agreement accompanies the submission.

A Project Board has been established, which meets monthly to provide strategic direction and holds ultimate responsibility for progress of the project, ensuring objectives and milestones are achieved. Board Membership comprises senior representatives of both parties including Council Lead Members and College Governors, with members selected based on their experience of delivering projects of this type and their seniority within their respective organisations.

In recent times, the Council has led on a number of significant investments, including a programme of site assembly, the creation of the National Centre for the Written Word (The Word), the redevelopment of its Market Place, and as such considers itself a sufficiently robust organisation to fully accept the risk of taking the lead on this significant town centre regeneration project, which is a key element in their Town Centre Masterplan Vision. Each party is clear of their commitment and responsibilities and the arrangements set out above are considered sufficiently robust. All other aspects of the Management case are considered sound.

2.5 RAG Assessment

Overall RAG assessment		
Risk Rating	Strategic case	G
	Economic case	A
	Financial case	G
	Commercial case	G
	Management case	G
	Overall rating	G

2.6 Conclusion

It is clear that the project aligns with the Combined Authority's strategic objectives of fostering inclusive economic growth, by ensuring there are opportunities to maintain and grow a pipeline of local skilled workers for the future of our industries. However, the renewal of capital facilities to facilitate such provision is less obviously linked. A convincing case has been made that the College cannot continue to operate in its current form and that there is only a limited window of opportunity to secure its future. Furthermore, there are also far wider-reaching benefits at stake, such as those arising from the relocation of the college into the heart of South Shields Town centre, which will provide a much-needed and significant non-retail anchor, that will drive footfall and bring direct employment benefit from increased revenue into local town centre businesses.

Clearly, the project represents a once in a generation opportunity for the college and residents of South Tyneside and if approved, the Combined Authority's contribution would provide the final piece in the funding jigsaw, delivering the type of transformational change sought by the North East High Streets Commission. Whilst the appraisal of the business case has raised queries around the approach taken, a pragmatic view has to fully consider the wider and far-reaching positive impacts that the project will bring. It is therefore recommended that the funding should be awarded, **subject to the following proposed funding conditions:**

2.7 Recommended Conditions of Funding

No.	Condition
1	Final contractual documentation provided on funding from DfE (grant and loan); Local Authority contribution, agreed land sale and MHCLG contribution.
2	Signed copy provided of the finalised Development Agreement
3	Acknowledgement from South Tyneside Council through the signature of the GFA that they have contractual responsibility for the outputs and any overspend on the project (irrespective of their intent to recharge any liability to South Tyneside College).
4	A final instalment of grant is linked to the completion of the wider project including student residential accommodation, College offices, and automotive skills workshops.
5	A clawback arrangement remains in place if the College outputs are not achieved and maintained for a suitable period of time post completion.

B. Impact on North East Combined Authority Objectives

All funded activity will contribute to progressing the Mayor's and Cabinet's priorities to support integrated place-based growth which have been set out in the Mayoral Manifesto and the North East CA Corporate Plan and devolution deals.

C. Key risks

Principal risks associated with the activity have been set out in the report. A project risk register has been provided as part of the business case, which will be subject to a robust assessment including the subsidy control position prior to any formal award of funding in line with the Single Assurance Framework.

D. Financial and other resources implications

The overall spend profile for the project is set out below. Combined Authority funding of up to £18,204,912 will be claimed from the North East CA in instalments from the Early Capital Fund (£2,500,000) and the North East CA Investment Fund (£15,704,912).

	2024/25	2025/26	2026/27	2027/28	Total
North East CA			£15,899,693	£2,305,219	£18,204,912
Other Capital Match	£5,500,000	£32,927,304	£17,424,017	£4,428,135	£60,279,456
Total Capital	£5,500,000	£32,927,304	£33,323,710	£6,733,354	£78,484,368

E. Legal implications

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

F. Equalities Implications

The North East CA complies with the Public Sector Equality duty and is conscious of the need to achieve the objectives set out under s149 of the Equality Act 2010. In June 2024 the North East CA adopted equality objectives to reflect the different roles of the Combined Authority as an employer, a commissioner and deliverer of services, and a civic leader.

Equality implications will be considered as part of the Assurance Process, with impact assessments undertaken as part of specific policy and project areas or as individual business cases come forward.

G. Consultation and engagement

As evidenced in the report, significant engagement and consultation has taken place with residents and stakeholders throughout the development of Town Centre Masterplan Vision. The Highstreets Commission will continue to be engaged as its programme of work develops in 2025.

H. Appendices (Links)

- South Tyneside Council Consultation/engagement <https://www.ourconversation.co.uk/>
- [South Shields Town Centre Vision Masterplan Vision Document](#)
- [ST/0534/23/FUL - Plans for new ST College Campus](#)
- [ST/076/23/FUL - Housing on ST College site](#)

I. Background papers

[28 January 2025 Cabinet Papers – item 8 – Housing, land and place regeneration early priorities – Establishing the North East High Streets Commission](#)

[26 September 2023 North of Tyne CA Cabinet paper – Item 6 - Investment Fund Update and Funding Approvals - North East CA Early Capital Funding](#)

J. Contact officer(s)

Name: Heather Orton
Title: Principal Manager, Housing and Infrastructure
Email address: Heather.Orton@northeast-ca.gov.uk

Name: Jamie Reed
Title: Project Manager, Economic Delivery
Email address: Jamie.reed@northeast-ca.gov.uk

K. Glossary

North East CA
DfE

North East Combined Authority
Department for Education

L. Sign-off

1) Cabinet Member Yes	2) Director Yes	3) Director of Finance and Investment: Yes	4) Monitoring Officer: Yes
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