

Title: UKSPF MCA Capital 2025-26
Report of: Rob Hamilton, Head of Innovation and Strategy
Portfolio: Finance and Investment

A. Summary

The purpose of this report is to allocate part of the UK Shared Prosperity Fund (UKSPF) £9,873,123 MCA Capital allocation and seek approval of funding for two projects in Gateshead and North Tyneside (total value £3.93 m UKSPF).

The programme of activity will be delivered on award of contract and up to 31st March 2026 when UKSPF ends.

Recommendations

The Chief Executive is recommended to:

- i. Approve an award of £2.5m UKSPF MCA Capital to Transforming Gateshead Town Centre and £1.425m UKSPF MCA Capital to the North Shields Masterplan.

1. Background

Following the UK Budget on 30 October 2024, Government confirmed in December 2024 a regional allocation of £54.7m (£16.7m Capital; £38m Revenue) for a UKSPF 'transitional year' in 2025/26 (year 4). This included a 22%, £9.8m top-up for MCAs paid entirely in capital.

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. It was agreed that the CA would remain accountable body for the £9.8m MCA top-up, with an approach to delivery to be developed collaboratively with local authorities.

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 Director of Finance and Investment, Heads of Service, Finance and Comms and Theme Lead officers for UKSPF.

In February 2025, the North East Combined Authority (North East CA) Finance and Investment Board endorsed that an EOI process should be used to identify suitable projects for the ringfenced additional MCA Capital allocation confirmed by Government in December, and that this process should prioritise impact and deliverability.

Through this EOI process Local Authorities were asked to identify suitable projects. Government guidance stressed that the UKSPF MCA Capital allocation should be used to support the early development of Local Growth Plans and local priority investments – whilst fitting with wider government guidance for UKSPF priorities and uses.

The Local Authorities were asked to submit expressions of interest for eligible projects, with the following points to note:

- A maximum of two applications per authority.

- Each application should amount to a grant request of no more than £2.5m.
- UKSPF Capital can be included as a part of a larger project if the larger project meets the deliverability and value for money expectations and UKSPF is defrayed within the eligible time frame.
- All funding to be defrayed in line with Government requirements and underwritten by the applicant if delayed defrayal means funding cannot be claimed from Government or is recovered by Government in normal closure of the programme. Current government guidance is that funding should be defrayed on activity taking place before 31st March 2026.

Funding as a result of this EoI process prioritised projects which meet or contribute to the North East CA's missions as set out in the interim Local Growth Plan.

Through this process, the North East CA aimed to support projects that demonstrably build on best practice and help to move the regional offer forward, by supporting capital projects that are distinctive and of high-quality and rooted in the culture of the area.

The EOI process identified five high priority projects to progress to the next stage, submission of a full business case by 23 April 2025. A final investment decision will be taken in line with the Single Assurance Framework. This report is in respect of approval of funds for two of these schemes Transforming Gateshead Town Centre and the North Shields Masterplan.

2. The Investment Proposal

The tables below outline the proposed investment for both projects included within this report. The grants represent 39.8% of the full amount of UKSPF MCA Capital funding available (£9,873,123) to the North East CA. The remainder are currently in appraisal and will be shared with Finance and Investment Board for consideration prior to final consideration of the investment ask for these projects

Project Outline	
Proposal Name	UKSPF MCA Capital Call 2025-26 – Transforming Gateshead Town Centre (Phase 1) Demolition of Gateshead Flyover
Lead Organisations	Gateshead Metropolitan Borough Council
Delivery Areas	Gateshead Metropolitan Borough Council
Start Date	1 st April 2025
Financial End Date	31 st March 2026
Practical completion date (all outputs/outcomes reported)	30 th September 2026
Total Project Value	£14,832,321
UKSPF Grant Amount Requested	£2,500,000
Budget Implications	The above grant represents 25.3% of the full amount of UKSPF MCA Capital funding available (£9,873,123) to the North East CA.

Project Outline	
Proposal Name	UKSPF MCA Capital Call 2025-26 – North Shields Masterplan
Lead Organisations	North Tyneside Council
Delivery Areas	North Tyneside Council

Start Date	1 st April 2025
Financial End Date	31 st March 2026
Practical completion date (all outputs/outcomes reported)	30 th September 2026
Total Projects Value	£1,425,000
UKSPF Grant Amounts Requested	£1,425,000
Budget Implications	The above grant represents 14.4% of the full amount of UKSPF MCA Capital funding available (£9,873,123) to the North East CA.

2.1 Transforming Gateshead Town Centre (Gateshead Metropolitan Borough Council)

The project comprises the removal of a structurally compromised flyover in the town centre, currently closed for safety reasons. This demolition is a critical enabler for a broader regeneration masterplan, aimed at improving connectivity and the urban environment. While the wider redevelopment requires future funding, the current project lays the groundwork for long-term transformation. The initiative aligns with the North East Strategic Economic Plan, particularly supporting Mission 5: “A North East we are proud to call home,” by enhancing transport resilience and public safety.

The economic case for the project has strengthened through the appraisal process, with a revised Benefit-Cost Ratio (BCR) of 1.9, indicating good value for money. However, final costs are pending procurement outcomes, which could affect the BCR. It is recommended that North East Combined Authority (CA) cap its contribution at £2.5 million.

The financial case remains under development, with the Council’s approval contingent on detailed costings and project plans. Match funding reliability is currently uncertain and will require confirmation once final costs are known. Procurement is well advanced, with BAM identified as the preferred contractor through an established civil engineering framework. This indicates that the commercial case is progressing appropriately, although further refinement is needed as the project moves toward implementation.

The management case is still evolving, with detailed delivery milestones yet to be finalised. A key risk involves securing approvals from Nexus, which could impact the project timeline. While this risk has been acknowledged and factored into the current schedule, it remains significant. Given the requirement to spend UK Shared Prosperity Fund (UKSPF) allocations by March 2026, it is advised that North East CA consider front-loading this funding to mitigate timing risks and ensure compliance with spending deadlines.

RAG Assessment

Overall RAG assessment		
Risk Rating	Strategic case	GREEN
	Economic case	GREEN
	Financial case	AMBER
	Commercial case	GREEN
	Management case	GREEN
	Overall rating	GREEN

Conclusion

The project is recommended for approval subject to the following conditions.

Recommended Conditions of Funding

No.	Condition
1.	Confirmation of match funding and finalised costs to be provided prior to finalisation of Grant Funding Agreement.
2.	Applicant agrees to cover any cost overruns

2.2 North Shields Masterplan

The North Shields Masterplan aims to revitalise the town centre and Fish Quay through a coordinated programme of development works, with a focus on enhancing connectivity between the two areas. The initiative supports broader ambitions to make North Shields and North Tyneside more attractive places to live, work, and visit. The proposal aligns with regional economic priorities and the North East Combined Authority's (NECA) Mission 5: "A North East we are Proud to Call Home," and fits within the UK Shared Prosperity Fund (UKSPF) High Streets delivery theme.

The economic case is sound, with a Benefit-Cost Ratio (BCR) of 1.6 for this specific element and a higher BCR of 3.9 for the overall masterplan. While some minor clarifications are pending regarding output definitions, these are not expected to significantly affect the appraisal. Financially, the costs are well justified, though further clarification is needed on whether match funding from the broader programme is included. Financial risks have been identified and mitigated appropriately.

The project is underpinned by a strategic masterplan that demonstrates clear demand and a vision for transforming North Shields into a more vibrant, accessible, and family-friendly destination. Delivery is supported by a long-standing 15-year partnership between the Council and Capita, ensuring that the necessary resources and expertise are in place to meet project timelines.

Governance arrangements are robust, with appropriate management structures and resources in place. The subsidy control position is clearly articulated, with most of the funding falling under a no-subsidy classification. However, a portion of the funding will be passed to a beneficiary (owner of the Beacon Centre) and must be reported via the transparency database. A condition will be included to ensure North Tyneside Council notifies NECA once this subsidy is issued.

Suppliers will be compliantly procured so there will be no subsidy to providers. Gateshead Council are operating within their public remit and so the transfer of funds is not considered a subsidy to them.

RAG Assessment

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

Conclusion

The project is recommended for approval.

Recommended Conditions of Funding

No.	Condition
1.	Applicant to notify North East CA of MFA subsidy award to beneficiary once complete to enable the subsidy to be reported on the Subsidy Transparency Database.

3.0 Outputs and Outcomes

The UKSPF MCA Capital funding is allocated to the North East CA specifically to support investment aligned to the Local Growth Plan, which will contribute towards driving economic growth that delivers for all our residents, including supporting our public services and strengthening our foundational economy. We can help drive the UK's growth mission, unlocking the potential of our people through increased productivity, earnings, and employment, and better health outcomes.

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.

Funding as a result of this call will prioritise projects which meet or contribute to our clear, long-term, goals that contribute to a bold vision of change.

Through UKSPF MCA Capital the North East CA aims to support projects that demonstrably build on best practice and help to move the regional offer forward, by supporting capital projects that are distinctive and of high-quality and rooted in the culture of the area. We want to see 'impactful' projects that make a very positive or powerful effect or impression for our residents and visitors to our region.

Total Outputs and Outcomes listed below relate to the two projects recommended for support.

Transforming Gateshead Town Centre (Gateshead Metropolitan Borough Council)

Outputs	2025/26	Total
OP4 - Amount of rehabilitated Land (Rehabilitated means remediated to a point of beneficial use – m2).	12,500m ²	12,500m ²

North Shields Masterplan (North Tyneside Council)

Outputs	2025/26	Total
OP1 - Amount of commercial space completed or improved (m2)	399m ²	399m ²
OP3 - Amount of public realm created or improved (m2)	3,088m ²	3,088m ²

Other key outcomes include:

- Temporary construction jobs supported
- New direct jobs created
- Existing and new creative businesses benefiting from using facilities
- New visitors attracted and increased footfall
- Follow-on investment
- High street regeneration
- Local supply chain stimulation through procurement of services and goods.

4.0 Timetable for Implementation

Start Date	1 st April 2025
Financial End Date	31 st March 2026
Practical completion date (all outputs/outcomes reported)	30 th September 2026

B. Key risks

Deliverability is the sole key risk currently. UKSPF must be fully spent by 31st March 2026. Delays in launching a call are reducing the timescales for delivery and the overall impact a programme could deliver.

Project level risks have been included within submissions and will be monitored by the North East CA through delivery.

C. Financial and other resources implications

The financial ask for the Transforming Gateshead Town Centre and North Shields Masterplan projects is as follows:

Local Authority	UKSPF Total	Match Total	Total Project Costs
Gateshead Council	£2,500,000	£14,832,319	£17,332,319
North Tyneside Council	£1,425,000	£0	£1,425,000
TOTALS	£3,925,000	£14,832,319	£18,757,319

Status of match funding:

Public Sector leverage from Local Authorities and Arm's Length Bodies supporting individual projects has been confirmed or is subject to confirmation by individual Local Authorities.

Private sector leverage supporting individual projects has been confirmed or is subject to confirmation via individual Local Authorities

Individual grant funding agreement letters to respective Local Authorities will be issued on the basis of confirmation of match funding.

D. Legal implications

The Monitoring Officer has been consulted on this report.

E. Equalities implications

The North East CA follows 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.

An Equalities Impact Assessment has been undertaken and the implications of this will be considered in the project mobilisation and delivery stages.

The programme level evaluation will include an assessment and review of equalities impact arising from the delivery of the projects included in this report.

F. Consultation and engagement

Officers have worked closely with officers from all seven North East CA constituent authorities to operationalise the UKSPF MCA 2025/26 programme. This engagement will be ongoing to ensure the opportunity of UKSPF investment is maximised in the region. The Mayor's Office has also been consulted on the approach, the call specification, and the applications received.

G. Appendices

No appendices

H. Background papers

No background papers

I. Contact officers

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J. Glossary

EOI – Expression of Interest
MCA – Mayoral Combined Authority
North East CA – North East Combined Authority
RIBA – Royal Institute of British Architects
SAF – Single Assurance Framework
UKSPF – UK Shared Prosperity Fund

K. Consultees

Cabinet Member:	Director/Head of Service:	Director of Finance and Investment:	Monitoring Officer:
Yes	Yes	Yes	Yes