

Title: UKSPF MCA Capital 2025-26
Report of: Rob Hamilton, Assistant Director Economic 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 Sunderland and Northumberland (total value £4,541,000 UKSPF).

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

Recommendations

The Chief Executive is recommended to:

- i. Approve an award of £2,405,000 UKSPF MCA Capital to Sunderland City Council for the Sunnyside Creative Hub – Glassworks and £2,136,000 UKSPF MCA Capital to Northumberland County Council for the High Voltage Cable Infrastructure Development in Blyth, Northumberland.

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 is attended by 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 31 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. The final investment decision is being taken in line with the Single Assurance Framework. This report is in respect of approval of funds for two of these schemes - Sunnyside Creative Hub and High Voltage Cable Infrastructure Development.

2. The Investment Proposal

The tables below outline the proposed investment for both projects included within this report. The grants represent 46% of the full amount of UKSPF MCA Capital funding available (£9,873,123) to the North East CA. Previous approval of Transforming Gateshead Town Centre and the North Shields Masterplan under the fund amounted to £3,925,000 (39.8%) of the total UKSPF MCA budget, leaving a remainder of £1,407,123 (14.2%) in the budget.

Project Outline	
Proposal Name	UKSPF MCA Capital Call 2025-26 – Sunnyside Creative Hub – Glassworks
Lead Organisations	Sunderland City Council
Delivery Areas	Sunderland City Council
Start Date	1 April 2025
Financial End Date	31 March 2026
Practical completion date (all outputs/outcomes reported)	30 September 2026
Total Project Value	£7,500,000 (for this phase of development)
UKSPF Grant Amount Requested	£2,405,000
Budget Implications	The above grant represents 24.36% 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 – High Voltage Cable Infrastructure Development
Lead Organisations	Northumberland County Council/OREC
Delivery Areas	Northumberland County Council
Start Date	1 April 2025
Financial End Date	31 March 2026
Practical completion date (all outputs/outcomes reported)	30 September 2026
Total Project Value	£3,296,000 (includes in-kind match from OREC)
UKSPF Grant Amount Requested	£2,136,000
Budget Implications	The above grant represents 21.63% of the full amount of UKSPF MCA Capital funding available (£9,873,123) to the North East CA.

2.1 Sunnyside Creative Hub – Glassworks (Sunderland City Council)

The Glassworks project aims to bring a dilapidated heritage building in Sunnyside, Sunderland, back into productive use through a sustainability-led redevelopment. This first-phase UKSPF proposal focuses on essential enabling works to prepare the site for future cultural investment, including a £5m Cultural Development Fund grant, administered by Arts Council England for which Glassworks is a priority project.

The current SPF-funded phase will cover:

- Professional fees and surveys
- RIBA Stage 3 design development
- Roof, window, masonry, and drainage repairs
- Site clearance and external works

These works are intended to de-risk the scheme and enable a second-phase investment focused on delivering a sustainable glassmaking facility with high environmental standards, showcasing sustainable raw material and energy use. The award of Arts Council Funding is dependent on the progression to RIBA stage 3 and completion of urgent enabling works to secure the property's structural integrity.

Outputs

Outputs	Total
OP1 - Amount of commercial space completed or improved (m2)	2,400m ² of improved commercial floorspace by March 2026 (Phase 1)
OP5 - Number of amenities/facilities created or improved (number of amenities and facilities).	1
Temporary construction jobs supported during phase 1	22
Temporary construction jobs supported during phase 2	28

Appraisal summary

The proposal is strongly aligned with the Sunderland City Strategy, the regeneration of Sunnyside, and UK SPF priorities. It fits moderately with NECA’s broader economic and skills objectives and clearly supports the North East CA’s ambition for growth in the creative industries.

The project’s standalone economic impact is modest, focused as it is on safeguarding a deteriorating council-owned asset. However, it plays a key enabling role in facilitating substantial future benefits in employment, skills, and the creative economy. Due to lack of direct outputs, the economic case was rated Amber, however it is understood that future phases will lead to wider economic benefits.

The project addresses the need for a modern facility and evidence supports continued demand for creative workspace in glass production.

A well-developed cost plan is in place, with no material weaknesses identified. Sunderland City Council is not contributing match funding, although a £5m Cultural Development Grant has been awarded by ACE. The overall project’s success depends on securing and delivering the second phase on time and within budget.

The project will be delivered by an experienced team within the council. Governance structures and risk management are clearly defined, and the programme aligns with UKSPF requirements. Subsidy control position has been presented as no subsidy at this stage as the activity is purely preparatory and therefore not conferring an advantage. This is reasonable but should be conditional upon the applicant agreeing to ensure subsidy regulations are abided by during any onward transfer of the asset - i.e. leasing the property to Sunderland Culture.

While this enabling phase delivers limited direct impact, it is essential infrastructure for a high-potential cultural regeneration project. It is strategically aligned, well-prepared, and appropriately structured for SPF support.

RAG Assessment

Overall RAG assessment		
Risk Rating	The Strategic Case	GREEN
	The Economic Case	AMBER
	The Commercial Case	GREEN
	The Financial Case	GREEN
	The Management Case	GREEN
	Overall Rating	GREEN

Recommended Conditions of Funding

No.	Condition
1.	Sunderland City Council will underwrite any cost overruns that would prevent meeting the conditions of Arts Council funding in respect of addressing the building repairs and achieving RIBA stage 3.
2.	Applicant agrees to ensure that future leasing arrangements following completion of works are undertaken in line with Subsidy Control Regulations.

2.2 High Voltage Cable Infrastructure Development (Northumberland County Council/OREC)

This project will establish a high voltage cable testing facility at the Offshore Renewable Energy Catapult (OREC) site in Blyth. The facility is designed to support the pre-qualification process for subsea cables used in the offshore wind sector, a critical requirement for market readiness. The facility is expected to be operational in 2026.

The project has strong alignment with regional and national priorities around renewable energy, green manufacturing, and the net zero transition. It supports the growth of a strategic industry cluster in the North East and is directly linked to the mobilisation of JDR Cables' new Blyth manufacturing plant, a major inward investment in the region.

The scope of work includes refurbishment of an existing building and external area at OREC, procurement and installation of key technical infrastructure including a new transformer and heating blocks and Integration with existing OREC high-voltage (HV) rig infrastructure.

Outputs

Outputs	Total
OP4 - Amount of rehabilitated Land (Rehabilitated means remediated to a point of beneficial use – m2).	6000
OP5 - Number of amenities/facilities created or improved (number of amenities and facilities).	1

Appraisal Summary

The proposed project aligns strategically with several key policy frameworks, including the UK Government's Mission 2 to become a clean energy superpower, the UK Shared Prosperity Fund's theme of Supporting Local Business, and the North East Combined Authority's Interim Local Growth Plan. It also supports RenewableUK's Offshore Wind Industrial Growth Plan, which prioritises investment in cables and electrical systems.

The project contributes directly to the UK's energy security, clean energy transition and net zero goals by establishing the North East as a global hub for offshore wind infrastructure. It has secured strong industry backing, with anticipated use from major firms such as JDR Cables, Sumitomo, XLCC, LS Cables, and SSE. Importantly, the facility fills a critical market gap, as no comparable domestic testing capability currently exists.

The initiative will create two direct full-time roles at OREC and enable the creation of 20 indirect jobs at JDR Cables, driven by improved access to local high-voltage cable testing. Based on the 2022 regional average GVA per job (£51,361), the total annual gross GVA impact is estimated at £1.13 million.

The funding model demonstrates strong value for public investment, leveraging significant private sector in-kind contributions. The project is not viable without NECA support. While the benefit-cost ratio is modest (as is typical for innovation infrastructure) the broader strategic, economic, and environmental benefits justify the investment.

This project represents a high-impact opportunity for NECA to address market failure, catalyse private investment, and support a nationally significant growth sector.

Outstanding queries around subsidy control have now been addressed by the applicant, with external advice issued and confirming eligibility.

Whilst the HV transformer can be procured and paid for by March 2026 (before the UKSPF spend date), OREC will not take delivery until August 2026 because this specialist equipment involves long lead times for manufacture. This presents a financial risk to the project as all UKSPF funding will be defrayed by the end of March 2026 in advance of delivery and installation of the HV transformer equipment (see condition 1, below).

RAG Assessment

Overall RAG assessment		
Risk Rating	The Strategic Case	GREEN
	The Economic Case	GREEN

	The Commercial Case	GREEN
	The Financial Case	GREEN
	The Management Case	AMBER
	Overall Rating	GREEN

Conclusion

The project is recommended for approval.

Recommended Conditions of Funding

No.	Condition
1.	Applicant agrees to repay funding related to the HV transformer in the event the equipment is not delivered.

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 support 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 aimed to 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 in the project descriptions relate directly to the two projects recommended for support.

4.0 Timetable for Implementation

Start Date	1 April 2025
Financial End Date	31 March 2026
Practical completion date (all outputs/outcomes reported)	30 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 Sunnyside Creative Hub - Glassworks and High Voltage Cable Infrastructure Development projects is as follows:

Local Authority	UKSPF Total	Match Total	Total Project Costs
Sunderland Council	£2,405,000	£5,095,000	£7,500,000
Northumberland Council	£2,136,000	£1,160,000	£3,296,000
TOTALS	£4,541,000	£6,255,000	£10,796,000

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
OREC – Offshore Renewable Energy Catapult
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