
Title: Electric Vehicle Supplier Readiness and Transformation Programme Revenue Funding and Subsidy Scheme

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Directorate: Economic Growth and Regeneration

Portfolio: Home to a Growing and Vibrant Economy

Report Summary

The purpose of this report is to request delegated approval of £417,000 revenue funding from the Trailblazer Fund in order to leverage up to £50m of funding from the Government for the Electric Vehicle Supplier Readiness and Transformation Programme. This report also seeks authority to set up a subsidy control scheme to allow for grants to be given under the Programme in compliance with the Subsidy Control Act 2022.

The Supplier Readiness and Transformation programme is a new opportunity to strengthen and grow the North East Electric Vehicles (EV) Cluster through a c£50m Capital Grants Programme funded by the Department for Business and Trade, with the North East CA acting as accountable body. The revenue funding requested will provide the necessary staffing resource to support the programme to enable the programme to be delivered by the North East CA.

Recommendations

The Chief Executive is recommended to:

- Approve that £417,000 revenue funding is allocated from the Trailblazer Revenue Fund to enable delivery of the EV Supplier Readiness and Transformation Programme; and
- Approve the setting up and creation of a Subsidy Scheme to allow for grants to be given under the SRT Programme up to a maximum sum of £3,000,000 (noting that the decision to award grants under the scheme will be subject to obtaining further delegated decisions) and to delegate to the Director of Finance and Investment the authority to carry out all operational and administrative actions in connection with setting up and operating said Subsidy Scheme.

The Director of Finance and Investment is recommended to:

- Accept the Grant Offer from the Department of Business and Trade for £50,000,000 for the EV Supplier Readiness and Transformation Programme; and
- Sign Memorandums of Understanding with the Department of Business and Trade for each financial year setting out the terms on which the Grant is being made to the North East CA.

A. Summary of Investment Proposal (Context)

The EV Supplier Readiness and Transformation Programme will help create a fully-integrated, sustainable, globally competitive EV cluster in the North East of England – continuing to secure its position as a global leader in EV manufacturing.

This programme is part of the wider national DRIVE 35 (Driving Research and Investment in Vehicle Electrification) Automotive Transformation programme offering £2.5 billion of capital and R&D funding over a 10-year period for projects above £2m. The Supplier Readiness and Transformation Programme will support

projects under £3m and will work closely with a similar initiative in the West Midlands. The two programmes together will help create a wider 'supercluster'.

The NE programme will provide investment, in the form of capital grants, into businesses of varying sizes, aimed at:

- Supporting companies transitioning their offer to the EV supply chain
- Enhancing the competitiveness and growth of companies currently operating in the EV cluster
- Attracting inward investment and reinvestment – strengthening critical mass of the EV cluster.

£50m is to be received from central government to provide capital grants to eligible companies, supporting the above activities. DBT have confirmed that no revenue funding is available.

1. Background

The NE Supplier Readiness and Transformation Fund will build on our existing cluster to strengthen knowledge and innovation, by directly supporting investment and fostering an environment where companies can easily share ideas, technologies and best practices. The programme will help support the transition into, and sustainability of, a locally-integrated automotive EV supply chain by providing a capital investment programme to support growth, productivity, innovation and adoption. DBT intend this programme if successful to act as a model for the development of future industrial clusters in the UK.

By adding to existing activities and expertise our ambition is to further cement the benefits from clusters which include:

- Enhanced efficiency and reduced costs: proximity to suppliers, customers, and other related businesses reduces transportation costs and lead times. This can streamline production processes and improve overall efficiency.
- Supply chain resilience: being part of a cluster can enhance supply chain resilience. Companies can quickly adapt to changes and disruptions by leveraging the close network of suppliers and partners.
- Skilled workforce: clusters attract a skilled workforce, as workers are drawn to areas with abundant job opportunities in their field. This concentration of talent can lead to higher productivity and innovation.
- Knowledge and innovation: clusters foster an environment where knowledge and innovation can thrive. Companies within a cluster can easily share ideas, technologies, and best practices, leading to faster innovation cycles.
- Collaboration and synergy: clusters encourage collaboration between businesses, research institutions, and government bodies. This synergy can lead to the development of new products, services, and technologies.

The programme has been developed with DBT and the West Midlands CA to ensure a consistent approach aligned to local needs. The proposals are in line with the DBT business case for HMT.

The request to accept the funds to deliver EV Supplier Readiness and Transformation programme was included within the draft budget and medium-term financial plan report agreed by Cabinet in December 2025. This Cabinet report delegates authority to the Chief Executive to approve any subsequent commissioning of activity and award of funding contracts for the NE Electric Vehicle Cluster programme, in accordance with procurement regulations and the approval thresholds set out within the North East CA Single Assurance Framework.

2. The Investment Proposal

The Supplier Readiness and Transformation programme is designed to support automotive suppliers in transitioning to EV manufacturing. The Department for Business and Trade has identified the North East, as a priority area, with up to £50m of grant allocated over the next four years. This funding will focus primarily but not exclusively on small and medium enterprises (SMEs), operating within automotive supply chains,

supporting them to pivot their operations or further develop their capability in respect of EV production and helping to secure long-term competitiveness and resilience in the sector.

Without any revenue funding from the Department for Business and Trade, this revenue request of £417,000 is critical in supporting the programme management, project appraisals, grant management and assurance. Without it, the programme outlined below, and its benefits cannot be realised.

The programme will incorporate three primary elements to support a competitive and long-term sustainable EV cluster. Capital funding approved through the program will:

- Enable companies to invest in new equipment which will enable them to be competitive and productive as the EV cluster further develops.
- Increase competitiveness and growth of companies already operating in the EV cluster, whilst also supporting other companies to transition into the EV supply chain.
- Support investment into larger-scale expansion and realignment of facilities and attract inward investment and reinvestment.

2.1 Outputs and Outcomes

The programme will strengthen the EV supply chain in the region and increase its competitiveness through increased productivity. The following programme outputs have been agreed by DBT and reflect the DBT business case. The outputs are in respect of the £50m capital element of the programme rather than the revenue element but the revenue is essential to enable delivery of the capital programme.

Outputs	2025-30
Manufacturing Business Projects Supported	20-50
Jobs created or secured required by programme to achieve BCR	600
Productivity (turnover/employee)	Monitored only no target but positive trajectory expected
Value of private sector match investment (in electrification)	£50m
Number of new firms established	Monitored only no target

2.2 Delivery Arrangements

2.2.1 Key Milestones: High level plan.

The NE Supplier Readiness and Transformation Programme Fund will build on our existing cluster to strengthen knowledge and innovation, by directly supporting investment and fostering an environment where companies can easily share ideas, technologies and best practices. The programme will help support the transition into, and sustainability of, a locally-integrated automotive EV supply chain by providing a capital investment programme to support growth, productivity, innovation and adoption. This programme is intended to act as a model for the development of future industrial clusters in the UK.

By adding to existing activities and expertise our ambition is to further cement the benefits from clusters which include:

- Enhanced efficiency and reduced costs: proximity to suppliers, customers, and other related businesses reduces transportation costs and lead times. This can streamline production processes and improve overall efficiency.
- Supply chain resilience: being part of a cluster can enhance supply chain resilience. Companies can quickly adapt to changes and disruptions by leveraging the close network of suppliers and partners.

- Skilled workforce: clusters attract a skilled workforce, as workers are drawn to areas with abundant job opportunities in their field. This concentration of talent can lead to higher productivity and innovation.
- Knowledge and innovation: clusters foster an environment where knowledge and innovation can thrive. Companies within a cluster can easily share ideas, technologies, and best practices, leading to faster innovation cycles.
- Collaboration and synergy: clusters encourage collaboration between businesses, research institutions, and government bodies. This synergy can lead to the development of new products, services, and technologies.

2.2.2 Funded Projects Delivered

This programme will fund investments into businesses of varying sizes, aimed at:

- Supporting companies transitioning their offer to the EV supply chain
- Enhancing the competitiveness and growth of companies currently operating in the EV cluster
- Attracting inward investment and reinvestment – strengthening critical mass of the EV cluster.

The programme is expected to incorporate three primary elements to support a competitive and long-term sustainable EV cluster, with a focus on delivering impact in the next 3-5 years. Capital funding approved through the program will:

- Enable companies to invest in new equipment which will enable them to be competitive and productive as the EV cluster further develops.
- Increase competitiveness and growth of companies already operating in the EV cluster, whilst also supporting other companies to transition into the EV supply chain.
- Support investment into larger-scale expansion and realignment of facilities and attract inward investment and reinvestment.

The programme is not intended to replicate support which can be provided by the Automotive Transformation Programme or other national funding and initiatives. It could however support projects which, although they are aligned to the objectives of national programmes, do not meet the minimum thresholds and/or all of the national qualifying criteria and are therefore ineligible under the national programmes.

The programme will work in parallel with a range of existing programmes in the North East. These include the new MADE NE initiative, which is set to support skills and industrial innovation, alongside the existing cluster development and promotion activities of the NE Automotive Alliance, and innovation and skills activities and projects run by our Catapults, Universities and Colleges. Businesses will also be encouraged to access other programmes to explore innovation ideas, feasibility and maximise adoption.

Businesses will be able to access up to £3m of capital for investments at an intervention rate based on organisational and project need up to maximum of 50%. The programme will build on the NE Investment Zone, further incentivising business growth and transition.

2.2.3 Qualifying criteria for projects:

Projects must:

- Prioritise industrialisation and focus on one or more of the following (scope detail in appendix):
 - Electric Vehicle Manufacture growth or inward investment
 - Improved Electric Vehicle manufacturing competitiveness
 - Battery and supply chain including recycling
 - Power, Electronics, Machines and Drives (PEMD)
 - Battery and supply chain including recycling
 - Fuel Cells
 - Upstream supply chain for EV specific vehicles and batteries including cells; electric motors and drives; power electronics or fuel cells

- Process Innovation and technologies across EV and component production lines
 - Reuse, recycle and remanufacturing
- Request a minimum of £500,000 of grant funding against the total eligible costs. Eligible costs are costs which can be capitalised as part of the project. The project total cost and project duration must be appropriate and in proportion to the planned objectives and prioritisation of the programme.
 - Grant support should not exceed £3m.
 - Be aligned to the NE Supplier Readiness and Transformation Programme Fund
 - Be supported by an appropriate plan for financing and delivery include deliverables such as time, cost and quality, including risks
 - Complete and claim before March 31st 2030
 - Carry out project work in the NE
 - Have an economic benefit to the NE
 - Be the minimum amount required to ensure sustainability of the investment.
 - Support the industrialisation of a zero emission automotive supply chain
 - Transform the automotive industry through significant business or production expansion
 - Have a product, process or technology that you have already demonstrated and have confirmed as technically and economically feasible

The NE SRTF will prioritise support to projects that:

- can act as anchors to their respective supply chains
- are likely to lead to further investments while creating a sustainable and competitive supply chain for the future

The revenue funding requested will allow the programme to be managed, projects to be appraised and grants to be awarded. Without this enabling funding the programme cannot be delivered.

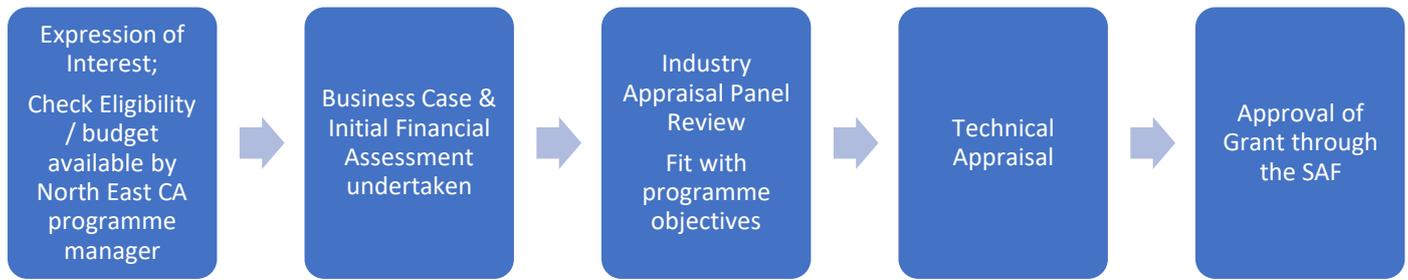
2.3 Governance

The NE Supplier Readiness and Transformation Programme Fund will be supported by a £50m capital intervention programme funded by DBT to support EV businesses and supply chain projects.

The programme's governance will be managed by the North East CA, in line with the HM Government approved SAF (Single Assurance Framework) as shown in the below diagram.

Delivering at pace is important in this programme due to the high levels of business investment and the short time frame to prepare for the 2030 Petrol and Diesel new car sales ban. Businesses within the sector also need the assurance of a fast decision, this will enable opportunities to be maximised within the region and mitigate the risk of activity instead being delivered elsewhere in the UK or abroad. This paper therefore requests within the Governance arrangements a request for Technical Officers Group and Finance and Investment Board to agree to accept proposals for consideration by written procedure.

Project Approval process



Grant administration and project assessments will be conducted in line with our Single Assurance Framework as shown above. Following review and endorsement by the Panel, successful Business cases will progress to the next stage, where a technical appraisal will be undertaken, in line with HM Green Book principles. This may result in the addition of funding conditions to ensure compliance.

Following a successful outcome of the appraisal the grant will progress through the SAF approval process, in accordance with the Cabinet Delegation. Given the need for timely decisions to support business needs, TOG and FIB are requested to agree to consideration of SRT projects by written procedure when the timing does not align.

All decisions will be published on the North East CA Website. Following publication of the delegated decision a Grant Funding Agreement will be prepared by the Programme Assurance Team, reviewed by legal, and issued to the project.

In addition to formal governance, regular discussions will take place with the West Midlands Combined Authority and DBT to improve consistency of approach, share learning and to support the development of the overall UK cluster.

The North East CA will ensure through Grant Funding agreements with projects that it retains the right to publicity around the investment.

2.3.1 Delivery Team

An internal delivery team will also be established to ensure continued oversight of programme delivery. They will meet bi-weekly and report monthly to DBT on programme engagement and project pipeline. The team will comprise of the following members:

- Programme Manager (PT)
- Project Manager (PT)
- Appraisal and Monitoring Officer (PT)
- Finance Officer (PT)
- Business Support Officer (PT)

2.3.2 Industry Appraisal Panel

The industry appraisal panel will meet monthly or less frequent as dictated by the level and timing of project applications. The purpose of the panel is to ensure that funding recommendations, are made fairly, transparently, and in alignment with the Programme's strategic aims. This panel will be chaired by a senior member of the North East Combined Authority and include private sector representation, in line with DBT requirements. This panel will:

- Assess applications against agreed criteria, including strategic fit, value for money, deliverability, and impact.
- Ensure consistency and fairness in the evaluation process, applying a structured scoring framework.
- Provide recommendations on which applications should be funded.
- Identify risks or gaps in proposals and suggest mitigations or conditions for funding where appropriate.

To ensure a balanced and informed appraisal process, the panel should include individuals with:

- Technical expertise relevant to the types of projects being funded (e.g. automotive / manufacturing sector experts, capital infrastructure and innovation projects).
- Sectoral knowledge, particularly in areas targeted by SRTF to ensure strategic fit of successful programmes.
- Financial and commercial insight, to assess viability and value for money, including from an industry perspective.
- Independent perspectives, including representatives from outside the delivery team to maintain objectivity.

Panel members will be drawn from:

- Local academic or research institutions, e.g. CPI, Universities of the North East.
- Industry bodies or sector experts, e.g. SMMT and Make UK.
- Local authorities or combined authorities.
- Members of the region's automotive industry.

2.3.3 Programme Delivery Board

Included in the evaluation and monitoring will be oversight from a Programme Delivery Board, this will include representation from DBT and key stakeholders. This will ensure a coordinated approach across stakeholders. The board will provide strategic leadership and oversight for SRTF delivery. It ensures that the Programme remains aligned with regional and national priorities, delivers intended outcomes, and operates with transparency and accountability. The Programme Board will meet on a quarterly basis to:

- Set strategic direction for the Programme, ensuring alignment with regional and national policy objectives.
- Provide assurance to stakeholders and funding bodies on governance, compliance, and risk management.
- Champion the Programme, promoting visibility and stakeholder engagement across the North East.
- Apply best practice in project governance, including planning, risk mitigation, and performance monitoring.
- Review progress reports from the programme manager to maintain oversight of delivery and risks, overseeing implementation.
- Resolve potential conflicts between partners and ensure collaborative working.

The Programme board will include representation from;

- North East CA
- DBT
- Original Equipment Manufacturers (OEMs) and Tier 1 Suppliers
- Industry Bodies
- Small and Medium Enterprises (SMEs)
- Innovation and R&D Institutions
- Economic Development and Public Sector organisations

2.3.4 North East CA Technical Appraisal

This revenue funding will ensure that in line with recognised best practice, a second line of defence, independent assessment and project appraisal will be undertaken for all funding applications, to provide assurance to decision makers that investment proposals meet the agreed standards, including VFM considerations, and compliance requirements.

This may be taken internally by the Programme Assurance Team whose expertise includes assurance and appraisal, or in some cases by an external technical expert appointed by the North East CA. The appraisal will be undertaken in line with HM Green Book principles and include appraisal of shortlisted options including a do minimum option.

Additionally, a robust financial due diligence assessment will be undertaken prior to the drawdown of funding to ensure the financial viability of the delivery organisation. This will be undertaken by an external provider with the cost covered by the grant recipient organisation.

2.4 Timetable for Implementation

Milestone	Forecast Date
Programme announced	16/12/25
Programme approval and section 31 received	1/2/26
Marketing and programme awareness	1/3/26
Governance approved and in place	1/4/26
Additional Staff in place	1/5/26
Applications open	1/4/26
Delivery Complete	31/3/30
Project close	30/5/30

Please note no resources will be committed until we have final confirmation of the programme from DBT.

2.5 Evaluation

The evaluation will be completed and funded by North East CA at the end of the programme. We are currently exploring the most effective approach with the evaluation, data and insights team.

2.6 Appraisal Summary

The appraisal of the business case provided by the applicant has been assessed and is rated GREEN on all aspects.

Readiness and Transformation Programme seeks £417,000 from the North East CA Trailblazer Fund to establish a management team to support the delivery of the £50m Supplier Readiness and Transformation (SRT) programme, funded by the Department for Business and Trade (DBT).

The proposal confirms strong alignment with the North East CA Interim Local Growth Plan and national Zero Emission Vehicle (ZEV) aims. A key priority of Mission 3: A welcoming home to global trade. The project will enable management of the SRT programme, critical for supporting EV supply chain transition and attracting investment. The project supports local employment, supply chains, and carbon reduction, with EIA to be addressed at grant level.

The finance case confirms clear cost breakdown and calculations for the funding request, covering salaries, marketing, and evaluation. The project seeks 100% funding from the North East CA Trailblazer Fund, as DBT provides no revenue support. Governance will follow the North East CA Single Assurance Framework, with oversight from a Programme Delivery Board which will including DBT and key stakeholders.

There are no pre-contract conditions for this proposal.

2.7 RAG Assessment

The assessment follows the HM Treasury Five-Case Model.

Overall RAG assessment		
Risk Rating	Strategic case	Green
	Commercial case	Green

	Economic case	Green
	Financial case	Green
	Management case	Green

B. Potential Impact on North East Combined Authority Objectives

The SRT Programme supports the business growth in the EV automotive and advanced manufacturing sector which is a key pillar of our Local Growth Plan and the Industrial Strategy. It also supports our mission to be the home of green energy revolution.

C. Key risks

Risk	Impact	Mitigating Actions
Agreeing annual budget commitment and defrayal ahead of pipeline engagement.	Loss of annual underspend from the total programme budget.	DBT are considering a Section 31 that commits annually to an amount over the 26/30 year period. For example, £7.55m to be offered in year 1 but defrayed over years 1-4. Following years will be forecast from the project pipeline.
Delay to programme confirmation	NE companies would be unable to proceed with plans for growth.	The multiyear section 31 removes the finance hard year end and the risk that any funds not defrayed in year will be lost and cannot be carried over to the following year. This increases the success of delivering the full programme budget and reduces the potential liability to the CA.
CA resources/capacity to deliver the programme	Slower delivery delaying NE companies plans for growth.	Revenue funding from Trailblazer programme will allow for recruitment needed. A business case is in development to secure this funding.
Lack of demand for programme	Loss of annual underspend from the total programme budget and programme cancelled.	Our soft testing of the programme has been positively received. DBT are aware this is a pilot programme and have agreed to review the success and outcomes achieved at the end of each year.
Risk of duplication with ATF or similar programmes	Breach of subsidy rules.	This has been reviewed in line with Drive 35 and will be covered in our subsidy scheme for awards under £3m.

D. Financial and other resources implications

The financial profile for the project/programme is included below:

Cost	Comment	26/27	27/28	28/29	29/30	Total
Project Manager/ Appraisal officer	1 FTE	£60k	£60k	£60k	£60k	£240k
Project support / admin	0.5 FTE	£20k	£20k	£20k	£20k	£80k
Marketing	Comms LinkedIn Paid, launch event	£10k	£5k	£5k	£0k	£20k
Internal Post Project Monitoring	0.25 FTE	£13k	£13k	£13k	£13k	£52k

Evaluation procured internally					£25k	£25k
Total (417k)		£103k	£98k	£98k	£118k	£417k

Funding source	2026/27	2027/28	2028/29	2029/30	Total
<i>Trailblazer Fund</i>	£103k	£98k	£98k	£118k	£417k

E. Legal implications

The comments of the Monitoring Officer have been included in this report.

As a public authority, North East CA is required to comply with the Subsidy Control Act 2022 (the 2022 Act) when issuing grants to recipients. Due to the nature of the business which will receive grants under the SRT Programme, being business involved in or to be involved in the supply of parts and accessories to electric vehicle manufacturers, it is likely that the SRT Programme grants will constitute subsidies as defined by the Act 2022. To ensure compliance with the 2022 Act, the North East CA is required to ensure that the grants (and therefore the subsidies) comply with the seven principles listed at Schedule 1 of the 2022 Act. To streamline this process and reduce the level of administration that will be involved in the day-to-day delivery of the grants, it is recommended that the North East CA creates a subsidy scheme which will allow for 2022 Act compliant grants to be given when the grant meets the criteria established by the subsidy scheme.

Following legal advice, we are in the process of establishing a small awards subsidy scheme which will allow the North East CA make to grant awards of up to £3,000,000. This scheme will cover the West Midlands and North East delivery of the SRT Programme and will allow for both North East CA and West Midlands CA to utilise the subsidy scheme. Ward Hadaway LLP has been engaged to advise and prepare the scheme for both Combined Authorities.

Following a decision to establish the subsidy scheme, the North East CA will be required to publish the scheme conditions on the National Transparency Database which, thereafter, opens a window for any challenge proceedings to be brought against the North East CA where the scheme is not in compliance with the 2022 Act and principles. In addition, each time a grant exceeding £100,000 is awarded by the North East CA under the scheme, the North East CA is required to publish information on the grant on the National Transparency Database.

The CA will use its approved Single Assurance Framework and procurement processes to ensure effective management, delivery and value for money under the Programme.

F. Equalities implications

None.

G. Consultation and engagement

Preliminary work has been undertaken with Sunderland City Council, Nissan and the North East Automotive Alliance to ensure the programme scope agreed with DBT and the West Midlands is in line with our region's needs.

Engagement has also taken place internally with Legal, PAT and finance to ensure the programme will be delivered within our processes.

H. Contact officers

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