

necca

North East Combined Authority

DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

Narrative Report for the Period ended 6 May 2024

1. Introduction

This Narrative Report provides information about the North East Combined Authority (NECA), including the key issues affecting the Authority and its accounts. It provides an explanatory narrative to key elements of the statements and sections in the accounts and also provides a summary of the Authority's financial performance for 2023/24 and its future financial prospects.

This report provides the reader with:

- A guide to the different financial statements within the Statement of Accounts.
- An overview of the activities and significant matters which occurred during the year.
- A summary of the Authority's financial performance during the period ended 6 May 2024 and its financial position at that date.
- A look ahead to 2024/25 and beyond.

The Statement of Accounts sets out the financial performance of the Authority for the period ended 6 May 2024 and its financial position at that date. They have been prepared in accordance with proper practices as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code requires that the accounts give a true and fair view of the financial position of the Authority. In line with the Code, suitable accounting policies have been applied and where necessary prudent judgements and estimates have been made.

The accounts feature four main financial statements:

- Movement in Reserves Statement.
- Comprehensive Income and Expenditure Statement.
- Balance Sheet.
- Cash Flow Statement.

The purpose of each of the above statements is described at the end of this report and the actual statements are contained within the accompanying Statement of Accounts document, which also includes detailed notes providing further information relating to specific amounts and balances.

The main statements are supplemented by a further section which presents the Group Accounts, consolidating the figures of Nexus with those of the Authority.

These statements and accounts collectively provide a comprehensive view of the Authority's financial position during the period to which they relate. The format of the accounts changed in 2018/19 to reflect the impact of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the [Order](#)) which changed the boundaries of NECA on 2 November 2018.

The Authority seeks to make the best possible use of resources available with regard to economy, efficiency, and effectiveness. This is a responsibility shared by Members and Officers of the Authority, with the Chief Finance Officer having a specific role in ensuring the adequacy of resources and proper financial administration. Our budget proposals for 2024/25, available on the new North East Mayoral CA website (www.northeast-ca.gov.uk) sets out how we will do this in future. The Statement of Accounts accompanying this report looks back at our performance over the period from 1 April 2023 to 6 May 2024. Reviewed together they provide the reader with an understanding of the financial position of the Authority.

2. What is the North East Combined Authority?

The North East Combined Authority (NECA) was established in April 2014 as a legal body that brought together the seven councils which serve Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside, and Sunderland. It had transport and economic development powers, and its ambition was to create the best possible conditions for growth in jobs, investment and living standards, making the North East an excellent location for business, and enabling residents to develop high-level skills so they can benefit long into the future.

The North of Tyne authorities secured a devolution deal with devolution funding for the North of Tyne area, which required the establishment of a separate North of Tyne Mayoral Combined Authority during 2018/19. On the 2 November 2018, the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 changed the boundaries of NECA.

As a result of these governance changes, from 2 November 2018 the boundary of NECA covered the Local Authorities of Durham, Gateshead, South Tyneside, and Sunderland. At the same time the North of Tyne Combined Authority was established, and the North East Joint Transport Committee was created, which continued to exercise the Transport functions over the area covered by the two Combined Authorities.

A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area that outlines a framework for collaborative working across the region, the Deed of Cooperation was updated in March 2020.

On 20 November 2018 NECA was formally confirmed as retaining the Accountable Body role for Transport on behalf of the North East Joint Transport Committee.

NECA continued to be the accountable body for the North East Local Enterprise Partnership (North East LEP) until the North of Tyne Mayoral Combined Authority (NTCA) was fully established. The role of accountable body for the North East LEP transferred on 1 April 2020. NECA continued to work closely with other bodies in the region to secure external funding, including funding for transport; infrastructure; economic development; skills and employment activities. NECA worked closely with the North East LEP and the wider business community to deliver the Strategic Economic Plan for the North East and capitalise on these opportunities.

On 28 December 2022, HM Government announced a “minded to” devolution deal with the seven local councils across the North East (i.e. Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland). The “minded to” devolution deal would see a significant shift of powers, funding and responsibility which would enable the Councils to pursue their ambitions for inclusive growth. In total, it is expected to provide £4.2 billion of additional investment to the region over 30 years, including a £1.4 billion investment fund alongside significant funding for transport, education and skills, housing, and regeneration.

The deal required the creation of a new mayoral combined authority for the region. This was dependent on the Secretary of State making a statutory order under the Local Democracy, Economic Development and Construction Act 2009 to deliver the following proposals:

- a. The abolition of the two existing combined authorities, i.e. NECA and NTCA; and
- b. The creation of a new mayoral combined authority which covers the area of all 7 Councils, which will be called the North East Mayoral Combined Authority (NEMCA).

These changes would also entail the abolition of the Joint Transport Committee as NEMCA will be responsible for the exercise of transport functions across the regions in the future.

As the first stage of the statutory process, the North East Councils undertook a governance review regarding the proposals set out above. The results of the governance review were reported to their respective Cabinets in January 2023. On the basis of the governance review, each Council's Cabinet concluded that the proposals were likely to improve the exercise of statutory functions in accordance with sections 108 and 111 of the 2009 Act. The North East Councils therefore agreed to progress to the next stage of the statutory process by publishing a scheme relating to the proposals and then carrying out a public consultation exercise.

The public consultation began on 26 January 2023 and closed on 23 March 2023. It provided information about how the devolution deal would be implemented and the proposed changes to governance across the region, and allowed residents, businesses, and other stakeholders to comment on these proposals. Opportunities to take part in the consultation included the completion of surveys, attending an event or by submitting written comments. In total, around 3,235 people or organisations took part in the consultation process.

The majority of responses from residents, businesses, the voluntary and community sector, and other key stakeholder groups have been positive, and in agreement with the proposed governance changes as set out in the constitution. In addition, their comments have expressed strong support for the overall aims and objectives of the "minded to" devolution deal. There was particularly strong support for devolution around transport, skills, employment and adult education.

On 12 March 2024, the North East Mayoral Combined Authority (Establishment and Functions) Order 2024 was approved. The Order provides for the establishment on 7 May of the North East Mayoral Combined Authority, and simultaneously abolished the existing NECA and NTCA and the office of the Mayor of North of Tyne. The Order provides appropriate continuity and transitional arrangements so that any acts of the existing combined authorities are to be treated as the acts of the new mayoral combined authority. The Order also provides for the staffing, assets, rights, and liabilities of the existing combined authorities to transfer to the mayoral combined authority. For that reason, the financial statements cover the period from 1 April 2023 to 6 May 2024, the date on which NECA was abolished.

Revenue Financial Summary 2023/24

Revenue expenditure covers the cost of the Authority's day to day operations and contributions to and from reserves. A summary of NECA expenditure against the budget is set out in Table 1 below. Expenditure totalling £168.557m was lower than the revenue budget of £237.678m due to the reprofiling of some Transport North East project based in particular in relation to the Bus Service Improvement Plan where the 2023-24 funding was awarded late in the year. Income received was £177.551m, which resulted in a net transfer to reserves of £8.994m. This has been carried forward to fund expenditure in 2024/25, particularly on the Transport devolution workstreams.

Table 1: Summary of Revenue Expenditure

	2023/24 Revised Budget	2023/24 Actual	Variance
	£000	£000	£000
Expenditure			
Joint Transport Committee			
- Retained Levy Budget	2.297	2.119	0.178
- Grant to Durham	18.310	18.310	-
- Grant to Nexus	71.383	71.383	-
- Grant to Northumberland	6.994	6.994	-
Tyne Tunnels			
- Contract Payments	31.014	32.047	-1.033
- JTC costs	1.197	1.104	0.093
- Financing Costs	7.230	8.461	-1.231
Other Transport Activity			
- Transport North East Core Budget	0.918	1.008	-0.090
- Transport North East Grants/Revenue Projects	97.212	24.296	72.916
Corporate/Central Budget	1.123	2.835	-1.712
Total Expenditure	237.678	168.557	69.121
Income			
Revenue Grants	-95.664	-24.108	-71.556
Transport Levies	-98.984	-98.984	0.000
Tolls Income	-39.234	-40.989	1.755
Interest/Investment Income	-0.344	-12.210	11.866
Contributions from Constituent Authorities	-0.813	-0.813	0.000
Other Income	-0.260	-0.447	0.187
Total Income	-235.299	-177.551	-57.748
Net Revenue Expenditure to fund from Reserves	2.379	-8.994	11.373

This statement provides a comparison of the outturn position with the NECA (including JTC) revised revenue budget for 2023/24, before any allocation of costs and income between the accounts of NECA and NTCA. The purpose of this statement is to give the reader an understanding of overall spending and income for the whole year, in comparison with the revised budget.

Within the accompanying Statement of Accounts document the **Comprehensive Income & Expenditure Statement** (CIES, page 5 of the Statement of Accounts) sets out the Authority's financial position for the year before taking account of statutory adjustments required to be made to the accounts. The figures presented in the accounts can appear different from the budgeted revenue income and expenditure as they include accounting adjustments for costs such as Depreciation,

Revenue Expenditure Funded by Capital Under Statute and certain pensions account adjustments not included in the revenue budget.

The **Movement in Reserves Statement** (MIRS, page 4 of the Statement of Accounts) reflects these statutory adjustments and shows how the financial performance for the period has impacted on the Authority's reserves. There has been a decrease in reserves from £217.837m at 31 March 2023 to £190.139m at 31 March 2024, mainly due to a decrease in the capital grants unapplied reserve and earmarked reserves holding revenue grants, following the application of arising from a significant amount of grants being received during 2022-23 being applied to fund transport activity.

The gross cost of services during the year including capital grants to third parties as well as revenue expenditure was £131,857m (£108.318m in 2022/23). This includes a significant amount of 'Revenue Expenditure Funded by Capital Under Statute' – representing investment in capital assets owned by third parties, not by the Authority itself.

After deducting specific grants and income from fees and charges, the net cost of services was a £80.870m deficit (£15.554m surplus in 2022/23). Expenditure was funded from sources including the Transport Levy, other contributions from Constituent Authorities and Government Grants and was a surplus position due to specific capital and revenue grants being credited to the CIES where conditions are met but where they have not yet been applied to fund expenditure, in line with accounting requirements for grants and contributions.

Usable reserves totalled £126.260m on 6 May 2024, which included £51.903m earmarked reserves (including earmarked revenue grants) and £63.025m capital grants unapplied, representing funds committed to meet expenditure requirements in future years.

3. Treasury Management

The Balance Sheet on page 7 of the accounts shows total external borrowing of £82.730m at the end of the year, which is split between short term borrowing (£1.0760m) and long-term borrowing (£81.654m), after the allocation of part of the transport borrowing to NTCA accounts. This is a decrease compared to the total external borrowing of £94.069m the previous year due to repayments made on Equal Instalment of Principal (EIP) loans during the year. The average rate of interest on external borrowing for the year was 4.25%, which is comparable with the previous year.

The Balance Sheet also shows short-term external investments of £161.478m in the NECA Group accounts at the end of the year compared to £152.694m at the end of the previous year. The total of investments included £51.628m of investments held on behalf of Nexus. A further £18.674m cash equivalents were held on behalf of Nexus. The increase compared to the previous year is due to NECA receiving transport grants during the year which have not yet been applied to fund capital expenditure on projects, particularly in relation to the Bus Service Improvement Plan (BSIP) but also the Transforming Cities Fund and Active Travel Fund programmes.

4. Debtors

The Balance Sheet on page 6 of the accounts shows a short-term debtor's balance on 31 March 2023 of £27.161m (£3.277m on 31 March 2023). This relates mainly to interest income due on short term investments (which has increased significantly during this financial year as interest rates have increased) and interest and principal repayments due within 12 months on borrowing by Nexus and is analysed in more detail in Note 14.

5. Creditors

Short term creditors on 6 May 2024 were £109.304m (£66.212m on 31 March 2022). These balances are analysed in more detail in Note 17. This includes a creditor for balances owed to Nexus for short term investments and cash equivalents placed on their behalf (£137.188m total creditor of which £75.349m is shown in the NECA accounts) and has increased during the year due to a higher value of Quarter 4 claims submitted by project sponsors as part of the Transforming Cities Fund programme where the majority of schemes are now in delivery.

6. Pensions Costs

The Authority is an employer in the Tyne and Wear Pension Fund (the pension fund), which is part of the Local Government Pension Scheme (LGPS), which provides defined benefits based on members' final pensionable salary and years of service. In accordance with IAS19, the Authority is required to value all pension liabilities that have accumulated at the end of the year consisting of:

- Pension benefits that are being paid out to former employees who have retired.
- Pension benefits earned to date by current employees but not yet paid out.

IAS19 also requires the Authority to value all investments held by the pension fund at market value at the end of the year.

When assets and liabilities at year-end are compared this results in a surplus or deficit.

NECA has two types of pension liabilities – described as funded and unfunded. Funded pension liabilities are within the LGPS and are backed by assets attributable to the Authority. For the funded element of the scheme, the NECA pension fund is in a notional surplus position amounting to £2.880m on 6 May 2024, compared with £12.460m on 31 March 2023. The reduction in the net surplus is primarily due to an adjustment to the recognition of the surplus where an asset ceiling has been applied to the value of the surplus in accordance with IAS 19.

Unfunded or discretionary benefits (such as early retirement awards) sit outside the Authority's funded part of the scheme and are therefore not backed by assets and must be paid as incurred on a monthly basis. These costs relate to former Tyne Tunnels employees and are paid from the Tyne Tunnels revenue account, at a cost of approximately £50,000 in 2023/24. At the end of the year there was an unfunded liability of £0.520m (£0.570m on 31 March 2023).

Note 19 to the accounts provides further analysis and detailed disclosures in relation to Pension liabilities.

7. Net Assets

Net assets in the NECA accounts have decreased from £217.837m on 31 March 2023 to £190,130m on 6 May 2024. The decrease is due to mainly to an increase in short term creditors arising for grnt payment due.

Group Results

The Group Accounts included as part of the Statement of Accounts fully incorporate the results of Nexus (The Tyne and Wear Passenger Transport Executive). More details can be found in Group Note G01 on page 82.

The Nexus accounts are apportioned between NTCA and NECA accounts (after elimination of intra-Group transactions), with the balance sheet information allocated between the two Combined

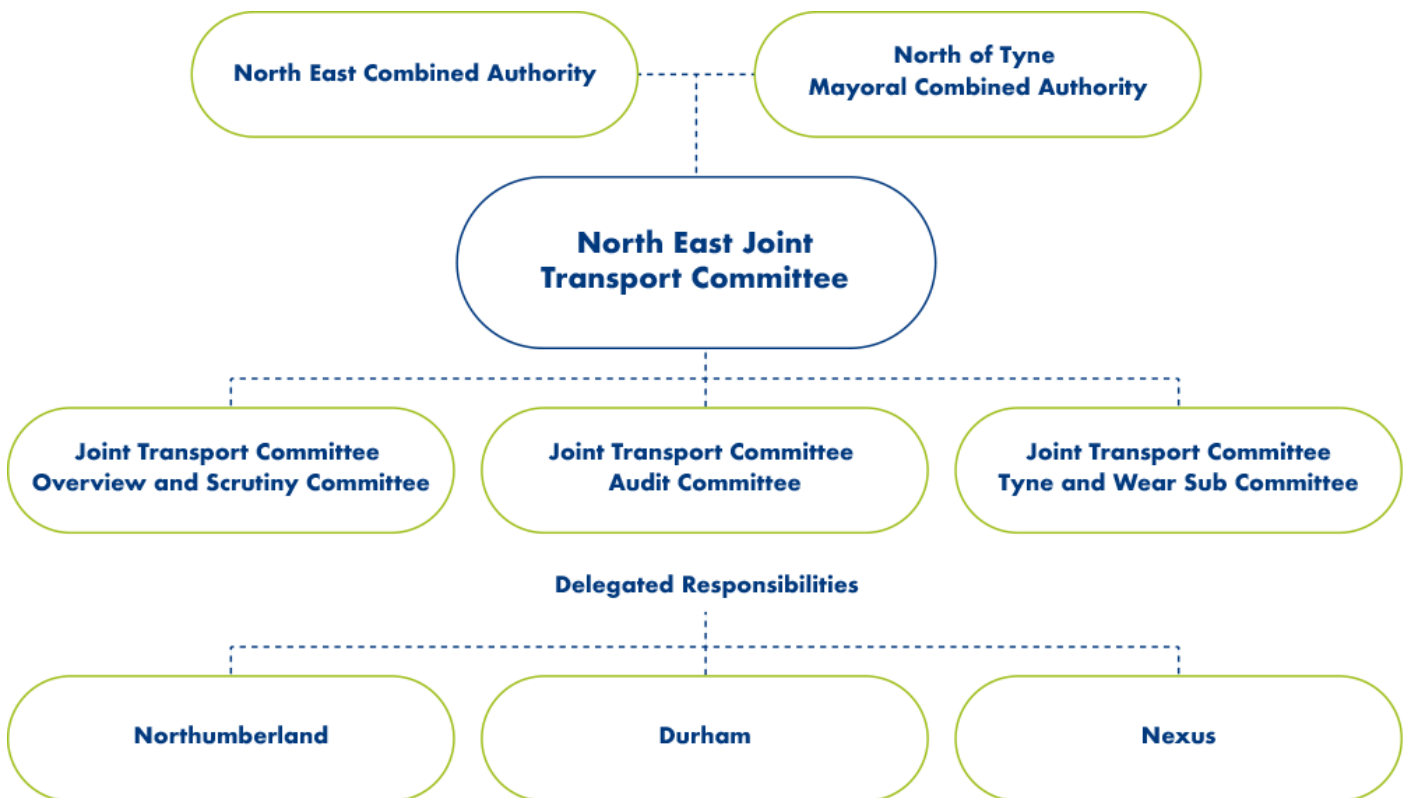
Authorities in proportion to their relative share of Tyne and Wear Population as set out in table 2. The full accounts for the Nexus Group and more information about their activity and performance can be obtained from the Nexus website at <https://www.nexus.org.uk>.

8. Accounting for the North East Joint Transport Committee

The North East Joint Transport Committee brings together a total of seven members from each of the Constituent Authorities of the region; four Members from the North East Combined Authority and three Members from the North of Tyne Combined Authority in accordance with the Order and was created on the 2nd November 2018.

Transport is of strategic importance to the North East, and the collaborative working of both Combined Authorities allows effective decision making across the region, which ensures that the local needs and priorities are delivered.

The structure for Transport that was established in November 2018 is shown in the diagram below.



Under the CIPFA Code, the JTC meets the definition of a ‘joint operation,’ which determines its accounting treatment. Where a Joint Committee is accounted for as a Joint Arrangement each Joint Operator (in this case NECA and NTCA) must account for their own share of the assets, liabilities, revenues, and expenses held or incurred jointly in their own financial statements. In order to comply with the CIPFA Code, NECA must:

1. Split revenue between that which relates to NECA and NTCA. In this case, the constitution of the JTC and its funding arrangements suggests that, in the first instance, the revenues should be divisible into that which relates to Northumberland (allocated wholly to NTCA), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and NTCA).

- The revenues which relate to Tyne and Wear must be divided into that which relates wholly to the NECA or NTCA area and that which relates to activities now wholly attributable under the preceding two points which requires apportionment.

The Order gives no clear instruction on the basis of division of revenues, but the Deed of Cooperation made on 4 July 2018 between the seven local authorities in the area indicates that resident populations shall be used as a basis of apportionment.

For the 2023/24 accounts the mid-year estimated population published by the Office of National Statistics as of June 2021 is used, which is the basis on which the Transport Levy payments for the year are required to be calculated. The calculation of the proportion used to allocate the figures in the accounts on 6 May 2024 is shown in Table 2 below.

Table 2 - Population used to allocate Transport Assets/Liabilities between NECA and NTCA

	Mid-Year 2021 Population	Proportion
	People	Proportion
NECA		
- Gateshead	196,154	
- South Tyneside	147,915	
- Sunderland	274,211	
	618,280	0.54924
NTCA		
- Newcastle	298,264	
- North Tyneside	209,151	
	507,415	0.45076
Tyne and Wear Total	1,125,695	

9. The Statement of Accounts

The Statement of Accounts is set out in the accompanying document, they consist of the following statements that are required to be prepared under the Code of Practice:

Movement in Reserves Statement (Statement of Accounts page 4)

This statement shows the movement in the year on the different reserves held by the Authority, analysed into Usable Reserves (i.e. those which can be applied to fund expenditure) and Unusable Reserves (which cannot). The surplus or deficit on the provision of services line shows the economic cost in accounting terms of providing NECA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for the purposes of setting the levy. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Comprehensive Income and Expenditure Statement (Statement of Accounts page 5)

The Comprehensive Income and Expenditure Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from the levy and other sources of income, which is set out in the MiRS, as described above.

Balance Sheet (Statement of Accounts page 6)

The Balance Sheet summarises the Authority's financial position at the end of each accounting period. The net assets of the Authority (total assets less total liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories, Usable and Unusable as described above. Unusable Reserves include those which hold unrealised gains and losses (e.g. the Revaluation Reserve) where amounts only become available to provide services if the related assets are sold; and reserves that hold timing differences shown in the MiRS line "adjustments between accounting basis and funding basis under regulations."

Cash Flow Statement (Statement of Accounts page 7)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows from operating, investing, and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Expenditure and Funding Analysis (Statement of Accounts page 9)

The objective of the expenditure and funding analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, levies, contributions) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The expenditure and funding analysis also shows how this expenditure is allocated for decision making purposes between the authority's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Group Financial Statements and Notes (Statement of Accounts page 77 onwards)

Reports the financial picture of all activities conducted by the Authority, including those delivered through partnership and separate undertakings controlled by the Authority.

10. Annual Governance Statement

To accompany the Narrative Report and Statement of Accounts, the leadership of the Authority prepares an Annual Governance Statement that sets out the principal arrangements that operate to ensure proper governance of the Authority's affairs and the stewardship of resources at its disposal. It also outlines the principal arrangements that are in place to ensure that a sound system of internal control is maintained.

11. Non-Financial Performance

The Statement of Accounts is focused on the financial performance of the Authority. NECA also reports non-financial Performance through thematic updates on Economic Development and Digital, Transport, and Finance, Skills & Employability.

Transport

Since the formation of the North East Joint Transport Committee, the LA7 Authorities have been working together on shared transport priorities. During 2023/24 progress has been made in delivering the key priorities detailed in the North East Transport Plan, including:

- **Bus Service Improvement Plan (BSIP)** – Since 2023 the North East has been awarded £198.4m of capital and revenue funding to implement a variety of measures to improve bus services by making them cheaper, faster, and more reliable. Revenue funding has been used to stabilise the bus network by maintaining services that are no longer commercially viable, as well as delivering service enhancements through new provision and increased frequencies. Funding has also been used to implement a variety of fares initiatives including a £1 single for those under 22, as well as capped adult day tickets in Durham, Northumberland, Tyne and Wear in addition to a regionwide scheme. To date, over 25 million journeys have been undertaken on subsidised products with clear evidence of new users being attracted to bus services through reduced fares. BSIP capital funding is being used to deliver interventions to make journeys quicker and more attractive for bus users, including bus priority infrastructure which will unlock pinch points and increase bus reliability and punctuality, in addition to a series of safety and accessibility upgrades to regional bus stations and bus stops.
- **Active Travel Fund** – the majority of the £9.049m Active Travel Fund Round 2 programme is now delivered, with just one scheme left to complete. An additional £17.9m was secured through the Active Travel Fund Round 3 and a further £17.4m through Active Travel Fund Round 4, with delivery of schemes within these funding rounds now underway. In February 2024, the region was awarded a further £5.1m through Active Travel Fund Round 4E. This takes the total funding secured by the region through successive rounds of the Active Travel Fund to £49.5m since March 2020.
- **Capability Fund (Active Travel)** - In total the region has been awarded £5.68m through the Active Travel Capability Fund which has been used to deliver activities such as behaviour change initiatives, provision of training to officers and members, and support for the development and design of active travel schemes. Of the £5.68m secured to date, £0.71m was awarded to the region in September 2023, and a further £1.41m in March 2024.
- **Transforming Cities Fund (TCF)** – At the end of Quarter 2 2024/25 £171.3m of the region's £198.4m Transforming Cities Fund programme had been spent, with a number of projects having completed or nearing the end of their programmes of delivery. This includes the Metro Flow project, which completed in December 2022, in addition to a further seven schemes including Durham Bus Station, the North Shields Transport Hub and the Sunderland Central Station entrance. In July 2024, the North East CA Cabinet re-allocated £4.58m of Transforming Cities Funding underspend from the Metro Flow project, to progress the North Shields Ferry Landing scheme.
- **Levelling Up Fund** – In January 2023, the region secured an award of £19.5m from the Levelling Up Fund, to deliver up to 92 new Electric Vehicle (EV) chargers at Park and Ride locations and other key destinations, in addition, to 52 new high-quality zero emission buses

and supporting infrastructure, which will operate on eight of the highest frequency bus routes across the North East. The delivery of the region's Levelling up Fund programme is progressing well and is on target for completion by March 2026. The first buses are expected to be operational in Sunderland and South Tyneside by the end of 2024 and the first electric vehicle chargers are now operational in Northumberland.

- Zero Emission Buses Regional Areas (ZEBRA) 2 Fund:** In April 2023, the region received £7.4m from the Zero Emission Buses Regional Areas Round 2 fund to further support the delivery of high-quality zero emission buses and associated charging infrastructure. The funding will enable the delivery of a further 43 zero emission buses operating across eight different routes, including three routes which are classified as rural. Delivery of the programme is progressing well and is on target for completion by March 2026. Vehicle orders are anticipated to be placed by the end of January 2025.
- Leamside Line:** The North East CA continues to champion the full reopening of the Leamside Line, a critical infrastructure project for national rail capacity and the North East's economic future. In January 2023, the Strategic Outline Business Case (SOBC) for bringing the Metro to Washington was submitted to the Department for Transport. In June 2024, the North East CA Cabinet allocated £8.6m to further advance both the bringing the Metro to Washington project and the Leamside South project. The Metro to Washington project, led by North East CA and commissioned to Nexus, is currently at the Outline Business Case stage, whilst a Technical and Operational Feasibility Study has recently gone out to tender for The Leamside South project, fully led by North East CA.
- Tyne Tunnels –** Record traffic levels were observed at the Tyne Tunnels in 2023-24, continuing the upward trend in vehicular flows since the implementation of the 'Tyne Pass' scheme for barrierless open road tolling in November 2021. There were approximately 1 million additional journeys recorded in 2023/24 compared with 2022/23. Although a small proportion of the growth amongst certain customer profiles could be due to the displacement of traffic as a result of the implementation of Newcastle's Clean Air Zone in January 2023, this is expected to be marginal. The tunnel operators, TT2 Limited, have implemented several initiatives and improvements to encourage use of this route, such as the introduction of Google Pay and Apple Pay to the customer payment systems.
- Table 3 – Tyne Tunnel Traffic Flow data**

	Class 1	Class 2	Class 3	Exempt	Total
2023/24	80,180	17,567,673	1,080,024	630,356	19,358,233
2022/23	80,736	16,848,793	1,054,301	508,011	18,491,841
2021/22	102,536	14,371,810	931,608	472,178	15,878,132
2020/21	99,990	10,441,472	775,745	423,317	11,740,524
2019/20	153,474	14,928,809	824,798	648,435	16,555,516
2018/19	171,626	14,839,928	823,469	631,444	16,466,467
2017/18	172,655	14,802,233	855,656	584,809	16,415,353
2016/17	197,688	15,705,319	951,785	605,670	17,460,462
2015/16	204,751	16,218,493	989,451	581,377	17,994,072
2014/15	195,798	15,265,379	873,270	508,444	16,842,891
2013/14	185,471	13,970,360	804,147	464,529	15,424,507

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Class 1 = Motorcycles; Class 2 = Car, Van or Bus less than 3.5 tonnes; Class 3 = LGV, Van or Bus more than 3.5 tonnes Exempt = emergency vehicles and blue badge holders

The tolls were increased in line with inflation on 11 April 2022 from £3.70 to £3.90 for Class 3 vehicles. There was no increase for Class 2 vehicles during the 2022/23 financial year.

Tyne and Wear Passenger Transport Executive – Nexus

During 2023-24 the North East Joint Transport Committee continued to set public transport policy for the region, which in Tyne and Wear is delivered operationally by Nexus. The following performance indicators describe the general performance of public transport in Tyne and Wear during 2023/24.

- The number of passenger journeys across all modes within Tyne and Wear in 2023/24 was 124.1 million, a 0.57% increase when compared to 123.4 million in the previous year:
- Bus patronage was 90.6 million in 2023/24, a 1.6% decrease when compared to 92.1 million in the previous year.
- Metro patronage was 31.1 million in 2023/24; a 6.1% increase when compared to 29.3 million in the previous year.
- Ferry patronage was 0.380 million passengers in 2023/24; an 0.75% decrease when compared to 0.383 million journeys in the previous year.
- Rail patronage was 2.025 million journeys in 2023/24; a 19.5% increase when compared to 1.695 million journeys in the previous year.

Metro Performance 2023/24

- Metro reliability (operated mileage) was 91.8% during 2023/24, a decrease of 2.8 percentage points versus the figure of 94.6% achieved in the previous year.
- Metro reliability (Charter punctuality) was 75.9% during 2023/24, a decrease of 5.8 percentage points on the 81.7% achieved in the previous year.

NECA Staffing

- During 2023-24 NECA continued to adapt and change to meet the requirements of the area, while keeping costs to a minimum. Many services are provided through Service Level Agreements with constituent local authorities.
- The majority of NECA employees work on behalf of Transport North East with numbers growing in 2023/24 as the responsibilities of the team increase following successful bids for grant funding.

Table 4 – Change in Staffing numbers since 2015/16

	Total NECA Employees at the year end	Employed on behalf of North East LEP
2023/24	43	0
2022/23	30	0
2021/22	26	0

2020/21	16	0
2019/20	63	56
2018/19	43	39
2017/18	29	21
2016/17	21	18
2015/16	15	11

12. Looking Ahead

As set out in section 2, the Government and the seven North East Councils agreed a “minded to” devolution deal during the 2022/23 year. The governance review carried out by the North East Councils concluded that the creation of a new mayoral combined authority would meet the necessary statutory criteria under the Local Democracy, Economic Development and Construction Act 2009, namely that it would improve the exercise of statutory functions across the region.

On 12 March 2024, the North East Mayoral Combined Authority (Establishment and Functions) Order 2024 was approved. The Order provides for the establishment on 7 May of the North East Mayoral Combined Authority, and simultaneously abolishes the existing NECA and NTCA and the office of the Mayor of North of Tyne. The Order provides appropriate continuity and transitional arrangements so that any acts of the existing combined authorities are to be treated as the acts of the new mayoral combined authority. The Order also provides for the staffing, assets, rights, and liabilities of the existing combined authorities to transfer to the mayoral combined authority.

This will ensure that the regional transport arrangements which are currently overseen by the Joint Transport Committee (and the existing funding programmes of NTCA) are maintained by the NEMCA without interruption. For this reason, it is considered appropriate, in line with the Code of Practice on Local Authority Accounting, for these accounts to be prepared on a going concern basis. Officers from both combined authorities and the local authorities are liaising on the operational requirements of the transition.

NECA continues to focus on working with delivery partners on its thematic areas of Transport, Economic Development and Digital, and Finance, Skills, and Employability. Key areas of focus for the year ahead are detailed below.

Transport

- **Bus Reform:** In July 2024, the Mayor and Cabinet approved a project to undertake a Franchising Scheme Assessment (FSA). The Bus Reform project has been established to consider possible options for bus reform in the North East and will be delivered collaboratively with partners. A budget of £8.5m has been approved for this phase of the project. Following completion of the FSA, audit, and consultation a preferred operational model for the North East bus industry is expected to be confirmed in early 2027. The FSA process will also identify further investment requirements for transitioning to and implementing the preferred model.
- **North East Local Transport Plan (LTP):** Over the course of 2023/24 development of the Local Transport Plan took place. The Local Transport Plan sets out the North East CA’s transport priorities up until 2040, setting out proposals to create a fully integrated green transport network that works for all. In September 2024, the Mayor and Cabinet endorsed a

consultation draft of the Local Transport Plan. Public consultation launched in early November 2024 and will run until 26 January 2025. Consultation feedback will be analysed, and the Local Transport Plan and its accompanying Delivery Plan will be updated as required. In line with the North East Devolution Deal, once consultation is complete and feedback has been incorporated, the Mayor will finalise the Local Transport Plan and accompanying documents in consultation with the Portfolio Holder for Transport, presenting them to Cabinet for review and final sign off in March 2025.

- **Enhanced Partnership:** During 2023/24, the Enhanced Partnership signed with regional bus operators to begin delivering fares initiatives and capital infrastructure with the aim of making bus travel cheaper, faster, and more reliable. This continues into 2024-25 with further work in progress following the recent announcements of the change of the Adult Bus fare cap rising to £3 from 1 January 2025.
- **Transforming Cities Fund:** During the course of 2023/24 the Transforming Cities Fund Programme was integrated into the City Region Sustainable Transport Settlement, allowing underspend to be re-allocated to the North Shields Ferry Landing scheme. It is anticipated that Transforming Cities Fund expenditure will therefore carry into 2025/26, however, upon completion the programme will have delivered over £252m of investment in sustainable transport when local and private contributions are taken into account.
- **Active Travel Fund:** In 2024/25 NECA will continue to deliver improvements to the region's walking and cycling network with the continuation of Active Travel Fund Round 3 (£17.9m), Round 4 (£17.4m) and the commencement of the delivery of Round 4E (£5.1m).
- **Local Electric Vehicle Infrastructure:** The Local Electric Vehicle Infrastructure fund (LEVI) aims to deliver public electric vehicle Charge Points, primarily aimed at benefiting residents who do not have off street parking. In 2024/25 the region secured an additional £50k of capability funding in addition to submitting an application requesting our full indicative allocation of £15.8m from the capital fund.
- **City Region Sustainable Transport Settlement:** A Business Case detailing the region's £563m City Region Sustainable Transport Settlement (CRSTS) programme was submitted to the Department for Transport and HM Treasury for approval in October 2024, following Cabinet approval in July 2024. It is anticipated that funding will be released to the region in the final quarter of 2024/2025 and capital delivery will commence thereafter.

Economic Development and Digital

The economic picture across the North East CA region continues to be challenging, as businesses continue to recover from the impact of the pandemic and are now being buffeted by skills shortages, inflation, and increased employment costs.

Invest North East England has a healthy project and visit pipeline in which it hopes to secure investment into 2025/26. Key areas of focus include electrification projects, renewables, digital technology, and advanced manufacturing.

Finance, Skills and Employability

Employment and Skills issue and the opportunities for development remain under development through meetings of the Skills and Employment Portfolio Working Group. Early Plans include the delivery of the region-wide Adult Education budget and a further programme of Boot Camps across the region.

Activity continues to progress across all aspects of the Finance, Skills and Employment needs and opportunities across NECA. The UK Shared Prosperity Fund (UKSPF) provided £2.6bn of funding for local investment by March 2025. Every place in the UK was allocated a share of the UKSPF. In order to access UKSPF funding, lead local authorities were asked to complete an investment plan, setting out how they intended to use and deliver the funding, in conjunction with local stakeholders. In October 2024, Government announced a one year transition period for UK SPF for 2025/26, with total UK-wide funding of £900m. In addition, delivery of Trailblazer Funded deals in respect of Capital Investment and the early delivery in the Investment Zones is well underway.

13. Further Information Available

Access to this report, the accounts and the Annual Governance Statement will be made available to the public via the Authority's website. If this information is needed in another format or language, please use the contact below.

If you have any problems understanding this publication, any general enquiries on the accounts or have any suggestions on how it may be improved, please contact:

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