

Title: 2025-26 Budget and Corporate Plan and the Medium-Term Financial Plan
Report of: Director of Finance and Investment, Director of Operations
Portfolio: All Portfolios

Report Summary

The purpose of this report is to request the Mayor and Cabinet's approval of the initial draft 2025-26 Budget, Medium Term Financial Plan and Draft Corporate Plan for the North East Combined Authority (North East CA).

The North East CA came into being on 7 May 2024 following the Mayoral Election on 2 May 2024. The Devolution deals agreed during 2022 and 2023 provided the framework for the development of the initial budget for 2024-25. Those draft proposals were approved by the decision-making arrangements still in place in January 2024. The Corporate budget and the Investment Programme budget have been reviewed during the period to the end of September 2024 and form the base financial position on which the draft budget for 2025-26 has been developed.

This report includes details of the North East CA's first full draft Corporate Plan, replacing the interim plan created before the election of the first North East Mayor. The Corporate Plan is designed to focus the organisation on impactful delivery on behalf of the region and builds on the work of the seven local authorities, two combined authorities, and partner organisations which together helped unlock the potential of devolution in the North East.

Recommendations

Cabinet is recommended to:

1. Agree the initial draft Corporate Plan as set out in paragraph 1.4 for consultation.
2. Agree the initial draft North East CA Corporate Budget for 2025-26 as set out in section 2 for consultation.
3. Agree the overarching delivery budgets as set out in Section 3 for consultation.
4. Agree the draft Transport Levies as set out in Section 6 for consultation.
5. Note the reserves position as set out in Section 9 which will be kept under review while consideration of additional information becomes available about the financial risks facing the authority and the proposed arrangements for managing those risks.

A. Context

1. Strategic Background and Context

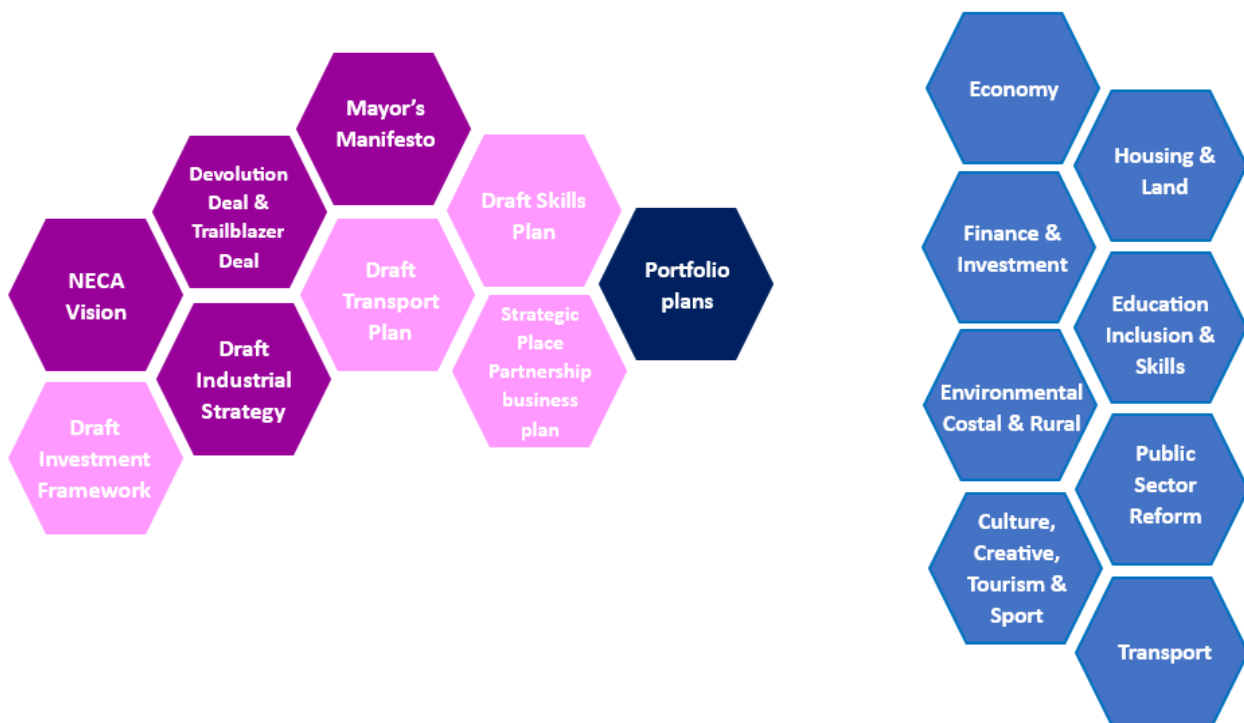
- 1.1 Following the laying of the statutory order (the order) to create the North East CA on 8 February 2024, the Authority came into existence on the 7 May 2024. The order provided for the creation of the North East CA, with the necessary arrangements that the North of Tyne Combined Authority and the former North East CA should approve the first budget and corporate plan prior to its creation on 7 May.
- 1.2 A second Deeper Devolution Deal, announced in the Spring Budget, would deliver around £100m; including:
 - Subject to agreement of business cases with Government, the intention to create a Growth Zone and £25 million capital to support early development of the Sunderland Riverside site,
 - £10m to accelerate a Health Innovation Zone - including the Health Innovation Neighbourhood and Forth Yards sites in Newcastle.

- £2m Revenue support will help to develop regional projects such as the Green Superport, the Culture and Creative Sector Catalyst, and an Inclusive Innovation Deal.

1.3 The election of a new government in July 2024 has seen further developments. A new English Devolution Bill is expected in 2025 along with an agreed approach to developing Local Growth Plans (LGP) for Mayoral Combined Authority (MCA) areas. The intentions of the Growth Plans are to:

- Set out each MCA’s growth and delivery priorities over a 10-year horizon.
- Set out areas of investment opportunity.
- Be a platform for Mayors and MCAs to communicate with government, focusing on opportunities to unlock funding and delivery.
- Guide the implementation of multi-year funding settlements (potential single settlements).
- A vehicle connecting local and national industrial strategies.

1.4 Cabinet have been working through the development of a LGP, building on a set of strategic documents and emerging plans to form the basis of the LGP as illustrated below.



2. Corporate Plan

2.1 The North East Combined Authority’s Corporate Plan creates a delivery framework for the organisation up to 2028. This is the North East CA’s first full Corporate Plan, replacing the interim plan created before the mayoral election. It is designed to focus the organisation on impactful delivery on behalf of the region and builds on the work of the seven local authorities, two combined authorities, and partner organisations which together helped unlock the potential of devolution in the North East.

2.2 To streamline the Combined Authority’s work, including cabinet portfolio plans and mayoral manifesto commitments, and to align with the incoming Local Growth Plan, the organisation’s

priorities are set out in this Corporate Plan as the five key delivery missions of the organisation. These are:

- Home of real opportunity
- A North East we are proud to call home
- Home to a growing and vibrant economy for all
- Home of the green energy revolution
- A welcoming home to global trade and visitors

2.3 These missions set out the North East CA's strategic direction on behalf of the public over the next four years, but included within them are also the short-term deliverables which will help the North East economy grow at all levels.

2.4 The Corporate Plan is supported by directorate delivery plans which will set out how the Combined Authority ensures delivery of the five missions established in the Corporate Plan and allow staff at the Combined Authority to see their role in making a better North East.

2.5 Built into the document are high level measures to show the impact the delivery goals are having on improving the lives of people in the North East and to help monitor the performance of the organisation. The Combined Authority will carry out an annual refresh of the Corporate Plan to ensure this document remains relevant to the needs of the region and best reflects our devolution story to date.

3. Autumn Budget Statement

3.1 The Autumn Budget Statement announced on 30 October 2024 set out key economic data and spending commitments. The statement made specific announcements about the North East, and provided detail on future regional policy and funding issues. A Summary document is included at Appendix H, but in particular details that will impact the North East CA included:

- The UK Shared Prosperity Fund, currently planned to end in March 2025, will continue at a reduced level for a further year with £900m of funding (national budget). Awaiting further details on process and the North East allocation.
- £650m local transport funding. This includes funding to progress transport-related Levelling Up Fund projects from Rounds 1, 2 and 3. The Transport Secretary will set out further detail on how this funding will be allocated in due course.
- Providing an additional £200m for City Region Sustainable Transport Settlements (CRSTS), bringing local transport spending for Metro Mayors in 2025/26 to £1.3 billion. The government will also work with Mayoral Combined Authorities to increase the ambition on housing investment that accompanies expansion of transport links.
- DfT confirmed after the Budget that CRSTS will join the integrated settlement from the 2027/28 financial year i.e. CRSTS2 period.
- Funding for roads network: £500m increase in road maintenance budgets.
- Roads investment in 2025/26 will be funded through an interim roads settlement, and the third Road Investment Strategy will be set out in the next phase of the Spending Review.
- Investing over £200m in 2025/26 to accelerate the rollout of electric vehicle charging infrastructure, including funding to support local authorities to install on-street charging points across England.
- Providing £120m in 2025/26 to support the purchase of new electric vans through the plug-in vehicle grant and to support the manufacture of wheelchair-accessible electric vehicles.
- Bus fare cap continuing to December 2025 but now rising to £3, from £2. The new cap will run from January 2025 to December 2025, and is being funded by £151m from government until the end of 2025. LTAs can choose to maintain the cap at a lower rate using BSIP/local funds.
- The DfT has also confirmed an additional £925 million for the 2025 to 2026 financial year to improve bus services across the country.
- After a review, the Transport Secretary has decided not to progress with dualling the A1 between Morpeth and Ellingham.
- The Budget commits funding for 2025/26 for Growth Hubs in England, and the Help to Grow Management programme across the UK. Funding is also confirmed for the Made Smarter

Adoption programme, which will double to £16m in 2025/26, enabling the programme to be expanded. The Made Smarter Innovation programme will be expanded, with up to £37m funding in 2025/26. Further detail is awaited on NE allocations.

- Alongside the Budget, the government published a discussion paper on future business rates reform, and a Corporate Tax Roadmap setting out plans for Corporation Tax over the duration of this Parliament.
- The government will bring forward a Small Business Strategy Command Paper in 2025. This will set out the government's vision for supporting small businesses, and will complement the forthcoming Industrial Strategy and Trade Strategy.
- Over £2bn over 5 years to support the automotive sector including the zero-emissions vehicle manufacturing sector and supply chain. The North East and West Midlands were identified by the Chancellor in her speech as leaders in these sectors.
- Up to £520m for a new Life Sciences Innovative Manufacturing Fund.
- Tax reliefs for creative industries, which will provide £15bn of support over the next 5 years.
- A 10-year infrastructure strategy will be published in the spring alongside the Spending Review.
- The government confirmed existing allocations of funding for Investment Zones and Freeports across the UK.

3.2 Details on exactly what funding allocations are to be made to the North East CA are expected to become clearer over the coming weeks and will be reflected in the final draft budget report to Cabinet in January.

3.3 A significant part of the Autumn Budget included the clear indication that the North East CA will receive an integrated settlement from the start of the 2026/27 financial year. Preparation for this will require resource and capacity and will have significant implications for the preparation of the 2026-27 budget and Medium Terms financial plan.

4. The Corporate Budget

4.1 The initial draft Corporate Budget has been built following an initial review of the 2024-25 budget, which has included some funding realignments and the recognition of growth in capacity agreed by Cabinet to deliver against its priorities.

4.2 The draft budget as set out in Table 1 below is based on the following approach:

- a) Present a holistic picture of the medium-term revenue requirements for the North East CA based on the commitments made by the Mayor, the Cabinet, and the Devolution deals.
- b) A balanced budget is proposed for the financial year 2025-26 – the full first operating year of the North East CA.
- c) Constituent authorities will see no increase in revenue funding, with contributions remaining at the current 2024-25 funding levels.
- d) Continue with previously agreed principles around income generation through prudent top-slicing of the investment fund and additional income, in line with the approach taken by other Mayoral Combined Authorities.
- e) Balance this with a clear commitment to operational efficiency.
- f) Unlock limited resources specifically in areas of known delivery priorities and where new funding and/or powers require.
- g) Prudent assumption on pay award and the potential increase in employers' national insurance contributions.
- h) Recognise risk and appropriate use of reserves to fund risk.
- i) Prudent assumption on staff turnover of less than 3%. While 2024-25 saw higher rates on average as the new authority "settles", it is anticipated the rate of turnover will slow.
- j) It is reasonable to anticipate upside from higher interest earning reflecting higher cash balances based on cash flow assumptions.

4.3 No Mayoral Precept is proposed for 2025-26.

4.4 At the time of writing this report one of the key issues in the Corporate budget addressing the potential impact of the "fall-out" of grants (i.e. historical grant funding coming to an end), and the funding of associated staff and overheads. This is set out in more detail in Section 5 of this report.

£0.827m is forecast to “fall out” of the budget; this is shown as being funded by the Strategic Capacity reserve while further details of new funding streams are confirmed.

- 4.5 Table 1 sets out an initial Operational Budget for the North East CA. The constituent elements by Directorate are set out in Appendix B to this report.

Table 1 Initial Draft Corporate Budget

Category	Base Budget	Pay award and Inflation	Income Changes	Delivery Growth	Initial Draft Budget
Expenditure	£m	£m	£m	£m	£m
Employees	14.210	0.780		0.460	15.450
Premises	0.433				0.433
Transport	0.008				0.008
Supplies and Services	92.226				92.226
Third Party Payments	0.399				0.399
Central Support and Other Recharges	13.896	(0.780)			13.116
Total Expenditure	121.172	0.000	0.000	0.460	121.632
Income	£m	£m	£m	£m	£m
Contributions Summary	(103.077)		(0.177)	(0.460)	(103.714)
Grant Contributions	(5.150)		1.004		(4.146)
Interest Summary	(1.730)				(1.730)
Other Income Summary	(0.834)				(0.834)
Recharges	(0.509)				(0.509)
Total Income	(111.300)	0.000	0.827	(0.460)	(110.933)
Funding towards costs from Tyne Tunnel	(9.872)	0.000	0.000	0.000	(9.872)
Net Budget	0.000	0.000	0.827	0.000	0.827
Proposed Use of Reserves	0.000	0.000	(0.827)	0.000	(0.827)
Initial Draft Net Budget	0.000	0.000	0.000	0.000	(0.000)

5. Investment Plan for the North East

- 5.1 Alongside the development of the Local Growth Plan (LGP) the authority has been drafting an Investment Framework that sets out the considerations for the future development of the funding streams available to the authority. This is set out in detail at Appendix C.
- 5.2 With the Investment Framework, the North East CA is setting out the scale of its ambition not only for the North East economy, but also for its own performance and the impact it can have in helping to ensure all residents have what they need to live well. The framework demonstrates the approach being taken to grow the regional economy as a whole, whilst also reducing economic and social inequalities to benefit all residents and communities.
- 5.3 The proposed set of guiding principles which will help maximise the return on investment are:
- *Secure strategic and social value aligned to missions* – Focus on strategic priorities and outcomes clearly linked to the missions and corporate priorities. With inclusive economy principles, social value and progress towards net zero factored into programme design and individual investment decisions. All projects will be required to demonstrate how they will help reduce child poverty.
 - *Regional benefit and additionality* – Drive a regional programme of investments that are collectively developed and agreed based on evidence of need and impact. Investments will be in addition to, and not replacing existing funding available at national, regional or local levels.
 - *Tailor investments to the needs and opportunities of individual places* – All parts of the region will benefit from investment driven by NEMCA, but not always through the same funding streams or at the same time.
 - *Value for money and deliverability* – Require strong value-for-money in terms of outputs and outcomes and only invest in projects which will deliver on time and on budget – where CA involvement in the project makes it viable and able to proceed. All projects are taken through a thorough Assurance Process.
 - *Appropriate delivery models* – Consider a range of delivery models and partnerships with private and third sector organisations.
 - *Maximise leverage* – and opportunities for follow-on investment from the private sector, VCSE organisations and national Government. This approach could include the use of tax increment financing, land value capture and recyclable funds.
 - *Grants should only be made if there are no opportunities to recycle funding* – that is, opportunities for loan and equity investment have been discounted. Working collaboratively with private sector investors to increase funding into the region; and with social enterprises and charities to maximise the collective benefit to communities.
 - *Invest in accordance with the principles of good corporate governance* – Accountability, transparency, fairness, responsibility and risk management.
- 5.4 The draft corporate plan sets out some clear priority areas for delivery during 25-26 and into future years and the tables below set out indicative funding streams for 2025/26 and across the next four years of the North East CA that will be used to deliver those priorities. It is reasonable to anticipate some funding streams will grow as the priorities of the new government and alignment with the LGP become clearer over the coming months and the period of the next Spending Review in the Spring of 2025. Current indications are that total Investment activity of in excess of £488m will be delivered during 2025-26.
- 5.5 The tables below illustrate the split between revenue and capital programmes and, where relevant, show the current forecast outturn position for 2024-25 for completeness.

6. Investment Fund

- 6.1 This current financial year has seen the approval of new investments through the approved Single Assurance Framework with over £157m of commitments made to date. Delivery continues of North of Tyne CA investment commitments as shown in Table 2 below. It is important to note that North

East CA officers working with the Mayor and Portfolio leads have continued to develop a pipeline and forward plan of investment activity, so whilst the table below suggests a significant level of reserves being held by 2028-29 it is expected that, as the pipeline is considered more fully over the coming months, the fund will be fully committed with a significant level of overprogramming to be managed in the medium term.

Table 2: Investment Fund Profile of Expenditure and Financing

Investment Fund	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	£m	£m	£m	£m	£m	£m
Revenue funding decisions made 2024-25	2.618	2.270	1.090	0.000	0.000	5.978
2024-25 pending decision commitments	0.075	4.875	4.800	5.500	4.250	19.500
Legacy delivery	42.438	13.612	5.621	2.539	1.470	65.680
Revenue Top slice	3.400	3.400	3.400	3.400	3.400	17.000
Cost of borrowing	0.000	1.125	2.504	2.513	2.532	8.674
Funded by:						
Revenue Funding stream	(34.000)	(34.000)	(34.000)	(34.000)	(34.000)	(170.000)
Investment Fund Reserve-BFwd	(38.340)	(22.809)	(32.527)	(49.112)	(69.160)	(38.340)
Investment Fund Reserve CFwd	(23.809)	(32.527)	(49.112)	(69.160)	(91.508)	(91.508)
Capital top slice	1.400	1.400	1.400	1.400	1.400	7.000
Early Capital match - decision	12.600	1.600	0.000	0.000	0.000	14.200
2024-25 decisions/commitments - forecast expenditure	0.000	20.000	16.000	14.000	10.000	60.000
Capital Funding Stream	(14.000)	(14.000)	(14.000)	(14.000)	(14.000)	(70.000)
Borrowing	0.000	(10.000)	(8.000)	(7.000)	(5.000)	(30.000)
Capital Investment Fund Reserve brought forward	0.000	0.000	1.000	5.600	11.200	0.000
Capital Investment Fund Reserve carried forward	0.000	(1.000)	(5.600)	(11.200)	(18.800)	(18.800)

7. Brownfield Housing Fund

7.1 Strategic Place-based funding: Brownfield Housing Fund (BHF).

7.2 2024-25 was the final year of funding for the North of Tyne CA for the North of Tyne sites bringing the total investment to £31.820m by 31 March 2025. As part of the early priorities in negotiation of the North East CA deal, £17.409m has been secured for Brownfield housing sites across the South of Tyne Local Authorities area. This current financial year has seen sites proposed that are currently progressing through the North East CA Assurance process that will allowed projects to start in 2023-24 and conclude delivery of the expenditure during 2025-26. There is a low level of over-programming built into the projections set out below, but attrition and changes to projects are expected to bring the programme in on budget. Details of future years' BHF are outstanding following the Autumn Budget Statement on 30 October 2024 and the details following the announcement of a further £5bn investment in housing next year.

Table 3 BHF Spending profile for remaining allocation.

Brownfield Housing Fund	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	£m	£m	£m	£m	£m	£m
NTCA	18.669	2.025	0.000	0.000	0.000	20.690
NECA	4.195	16.662	0.000	0.000	0.000	20.857
Total	22.860	18.680	0.000	0.000	0.000	41.547
Add previous years' actual spend						9.028
Total forecast all years						50.605
Actual Grant receivable						(49.205)
Indicative over-programme						1.400

8. Early Capital funding

8.1 Cabinet is aware that, as part of securing the North East CA devolution deal, an Early Capital programme fund of £20m was secured. In addition, the Trailblazer deal announced in the spring included £35m of Capital Investment funds for specific projects. The majority of the identified projects have progressed through the Single Assurance Framework process with delivery and expenditure spending starting in 2024-25. Table 4 below sets out the current forecast for the final year of the early capital spend and funding alongside the proposed match funding from the Investment Fund.

Table 4 Early Capital Programme

Early Capital Programme	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	£m	£m	£m	£m	£m	£m
Forecast Programme expenditure	47.456	22.149				69.605
Funded by:						
Early Capital Funding	(11.856)	(8.539)	0.000	0.000	0.000	(20.395)
Trailblazer funding	(23.000)	(12.000)	0.000	0.000	0.000	(35.000)
Early Capital match from Investment Fund Capital	(12.600)	(1.610)	0.000	0.000	0.000	(14.210)
Total	(47.456)	(22.149)	0.000	0.000	0.000	(69.605)

9. Investment Zones

9.1 Investment Zones (IZ) are being introduced to accelerate research and development and innovation-led economic growth, through clustering and agglomeration benefits in specific sectors with significant growth potential. The North East, alongside eight other English areas, was invited to bring forward a proposition when the policy was announced in March 2023. The North East IZ will focus on Advanced Manufacturing. In November 2023, the then Government announced that the programme would be extended from five to 10 years, with the total amount of funding available to each Investment Zone increased from £80m to £160m. The £160m is split between cost of tax incentives of £90m and a flexible cash budget of £70m; the latter has a Capital:Revenue split of £42m:£28m.

9.2 The table below sets out the indicative profile of the first five years' Flexible funding of £35m, alongside an indication of the additional flexible fund to be received where the tax site proposed in Blyth is 100Ha as opposed to the maximum 200Ha. This is in line with the over-arching principles and operational model for the Investment Zone agreed with political leaders across the LA7 and Government.

9.3 Proposals have started to progress through the Single Assurance Framework with the implications of the approved project and indicative pipeline set out in Table 5.

Table 5 Investment Zones project delivery plans and associated funding (revenue and capital)

Investment Zones	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	£m	£m	£m	£m	£m	£m
Revenue						
Approved Business Cases up to 26 November	1.370	1.490	1.430	1.280	2.470	8.040
Pending decision commitments	0.000	0.000	0.600	0.400	0.250	1.250
Top slice	0.120	0.120	0.120	0.120	0.120	0.600
Total Expenditure	1.490	1.610	2.150	1.800	2.840	9.890
Funded by:						
Flexible Revenue Funding	(2.000)	(3.000)	(3.000)	(3.000)	(3.000)	(14.000)
Additional Flexible Revenue Funding	0.000	(0.250)	(0.250)	(0.250)	(0.250)	(1.000)
Balance to Reserves	(0.510)	(1.640)	(1.100)	(1.450)	(0.410)	(5.110)
Capital						
Approved business cases to 26 November	1.350	0.000	0.000	0.000	0.000	1.350
Pending decisions commitments approvals	2.807	12.186	0.130	0.130	0.000	15.253
Top slice	0.340	0.340	0.340	0.340	0.340	1.700
Total Expenditure	4.497	12.526	0.470	0.470	0.470	18.903
Flexible Capital Funding	(2.500)	(5.000)	(5.000)	(4.500)	(4.000)	(21.000)
Additional Flexible Capital	(3.000)	(4.750)	(4.750)	(4.750)	(4.250)	(21.500)
Balance to reserves	(1.003)	(2.776)	(9.280)	(8.780)	(7.910)	(24.197)

9.4 The NEIZ (North East Investment Zone) proposition includes two Business Rates Retention (BRR) sites – with approvals sought from Northumberland, Sunderland, and South Tyneside Councils. These sites will deliver financial benefit to the North East CA through the retention of all growth in business rates over the next 25 years – as opposed to the ‘normal’ process of the local authority keeping half the growth until the next business rates reset point. Business rates retention therefore provides the potential for a significant additional revenue source, with an indicative £382m retained business rates becoming available to fund investment over the 25-year period. To maximise its impact, the following reinvestment principles have been developed:

- First, income will be used to meet costs which would otherwise be incurred by the host local authority in enabling growth of the Intervention / Tax / BRR site and ensuring that the benefits associated with delivering against the IZ objectives are maximised and felt by the local community.
- Second, interventions are expected to maximise private sector investment and job creation in clean energy and green manufacturing at the four intervention sites, and to ensure that the benefits of delivering against the Investment Zone objectives are felt across the region as a whole.

- Third, to fund interventions that will support growth of the low carbon economy over a wider geography.

9.5 Currently there are no identified proposals to be funded through borrowing against the BRR. Any sites being brought forward during 2025-26 will progress through the Single Assurance Framework and through to Cabinet for approval. The relevant constituent authorities have submitted the required baseline assessment of Business Rates in the identified sites, in advance of the legislation being amended to include the Business Rates Retention sites in the North East. The change to the legislation took place prior to 31 March 2024.

10. Enterprise Zones

10.1 The Mayor and Cabinet will be aware of the two existing Enterprise Zones (EZs) across the LA7 geography. The EZs are expected to continue to March 2037 for round 1 sites and 2042 for round 2 sites. The table below gives a broad indication of potential surplus income from the retained business rates (BRGI) for investment into future years. A prudent approach has always been taken as to the timing of decisions on the use of any surplus, with the expectation that it was dependent on "cash" being in the bank. The budget for 2025-26 and forecast into future years will be updated once the year end position for 2024-25 is concluded (early June 2025).

Table 6 Forecast BRGI in the Enterprise Zones

	24/25	25/26	26/27	27/28	28/29
	£m	£m	£m	£m	£m
BRGI Income (excluding Cat 4)	(9.420)	(14.200)	(17.900)	(19.800)	(20.750)
Capital financing costs	5.300	8.700	10.550	10.400	10.700
Net revenue costs/(income)	0.066	0.154	0.070	(0.088)	0.365
Annual surplus	(4.054)	(5.346)	(7.280)	(9.488)	(10.415)
Cumulative surplus brought forward	(9.101)	(2.508)	(3.242)	(6.391)	(11.749)
Agreed performance incentive reward	0.950	0.950	0.950	0.950	0.950
Provision for CPIF incentives		1.000	1.000	1.000	1.000
Funding swap repayments	5.879	1.180	1.181	1.180	0.000
Provision for strategic grants	1.000	1.000	1.000	1.000	1.000
Agreed use of surplus	2.818	0.482	0.000	0.000	0.000
Retained surplus	(2.508)	(3.242)	(6.391)	(11.749)	(19.214)

11. The North East Investment Fund (NEIF)

11.1 The Mayor and Cabinet will be aware that the North East Investment fund (NEIF) has been in operation since March 2013 in the form of recyclable loans fund to support business in the region. The fund was set up with Regional Growth Fund and Growing Places fund as set out in the table 7 below. Investments made and recycled funds have resulted in £79m of loans made to date against an original cash injection of £54m. Repayments into the fund will continue to 2037-38. Currently funds are fully committed to a range of projects. Current agreements indicate funds will become available for future investment in Q4 2026-27, as set out in Table 8.

Table 7 Creation of the NEIF

RGF Grant	£29.3m
GPF Grant	£24.7m
Fund Budget (plus interest)	£54m (+£1.1m)
Total Investment Made to date (No. of projects)	£79m (31)

Table 8 Projected Returns and agreed Investment of the NEIF

Table of Returns and Investments	2024-25	25-26	2026-27	2026-27	2027-28
	£m	£m	£m	£m	£m
Balance Brought forward	(0.000)	(3.328)	(11.327)	(6.071)	(8.928)
Loans repaid	(13.686)	(3.345)	(20.898)	(2.857)	(1.779)
Investments made	10.358	18.000	3.500	0.000	0.000
Balance carried forward	(3.328)	11.327	(6.071)	(8.928)	(10.707)

12. Skills Funding

- 12.1 Table 9 sets out the significant level of funds available to the North East CA to deliver skills and adult education in support of the authority's ambitions for the region. Free Courses for Jobs funding is currently secured on an annual basis with a proposal for 2025-26 currently being considered by the DfE. Bootcamps funding is secured through an annual process with a submission being considered for 2025-26. The Autumn Budget statement in October 2024 included £40m to help deliver new foundation and shorter apprenticeships in key sectors, as part of initial steps towards a reformed Growth and Skills Levy and a further £3m to expand the Creative Careers Programme. The CA's role in respect to these is not yet confirmed.

Table 9 Indicative Overall Skills Funding

Skills Funding	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	Total £m
Adult Education budget (Financial year)	51.422	64.000	64.000	64.000	64.000	306.658
Free Courses for Jobs funding	3.447	4.900	0.000	0.000	0.000	8.347
Bootcamps						
Waves 4 and 5	23.597	0.000	0.000	0.000	0.000	23.597
Wave 6 (indicative)	0.000	27.385	0.000	0.000	0.000	27.385
Total	78.466	96.285	64.000	64.000	64.00	365.987

13. Transport Plans

- 13.1 The draft North East Transport Plan (LTP) as approved by Cabinet on 17 September 2024 sets out the North East CA's transport priorities up until 2040, including plans to deliver the Mayor's manifesto commitments for transport, and sets out a list of proposals to create a fully-integrated, green transport network that works for all.
- 13.2 The LTP will act as an enabler to delivering the North East CA's policy vision and meet all five policy commitments. Delivery of this LTP will benefit our region's economy, environment and health and support delivery of the Mayor's manifesto commitments, including delivering the greenest transport system in the country; and improving safety for women and girls, and other vulnerable groups.
- 13.3 The LTP is a statutory document to be finalised by the Mayor and written in consultation with local stakeholders and following Government guidance. The LTP project brings together a series of workstreams:
- Local Transport Plan (LTP) – a statutory document, setting out in strategic terms what we aspire to achieve through transport provision, and why.
 - Delivery plan – the list of what we will build, introduce, change up to 2040 and what mechanisms we will use to deliver.
 - “Delivering green transport that works for all” – the less-technical, public-facing summary document.
 - Integrated Sustainability Appraisal (ISA) – a mandatory document that allows interested parties to evaluate the impact of the draft LTP on factors such as environment, health, and accessibility.

13.4 The Autumn Statement brought a number of significant announcements in respect of Transport Funding. The Department for Transport's (DfT) settlement provides total DEL funding of £30.0 billion in 2025-26. This delivers a £1.2 billion year-on-year cash increase in 2025-26. In terms of Regional Transport funding this includes:

- £650 million local transport funding. This includes funding to progress transport-related Levelling Up Fund projects from Rounds 1, 2 and 3. The Transport Secretary will set out further detail on how this funding will be allocated in due course.
- Providing an additional £200 million for City Region Sustainable Transport Settlements, bringing local transport spending for Metro Mayors in 2025-26 to £1.3 billion. The government will also work with Mayoral Combined Authorities to increase the ambition on housing investment that accompanies expansion of transport links.
- The government is implementing integrated settlements for Greater Manchester and West Midlands Combined Authorities from the start of the 2025-26 financial year, and for Liverpool City Region Combined Authority and the North East, South Yorkshire and West Yorkshire Mayoral Combined Authorities from the start of the 2026-27 financial year
- DfT confirmed after the Budget that CRSTS will join the integrated settlement from the 2027/28 financial year i.e. CRSTS2 period.
- After a review the Transport Secretary has decided not to progress with a number of "unfunded and unaffordable" road schemes on the strategic road network, including dualling the A1 between Morpeth and Ellingham.
- Funding for roads network, £500m increase in road maintenance budgets. This represents an uplift on the manifesto pledge to fix one million potholes a year.
- Roads investment in 2025/26 will be funded through an interim roads settlement, and the third Road Investment Strategy will be set out in the next phase of the Spending Review.
- Investing over £200m in 2025/26 to accelerate the rollout of electric vehicle charging infrastructure, including funding to support local authorities to install on-street charge points across England.
- Providing £120m in 2025/26 to support the purchase of new electric vans through the plug-in vehicle grant and to support the manufacture of wheelchair-accessible electric vehicles.
- Providing an additional £100m investment in cycling and walking infrastructure in 2025/26, to support Local Authorities to install cycling infrastructure and upgrade pavements and paths. (Active Travel).
- Air Passenger Duty (APD).

13.5 Details of what the above announcements mean in terms of allocations of funding to the North East via the North of Tyne CA were not available at the time of writing this report. Table 10 below provides a high-level summary of the current agreed transport funding to be channelled through the North East CA up to 31 March 2027.

Table 10 Transport Programmes Funding and Forecast Expenditure

	2024-25	2025-26	2026-27	Total
Programme	£m	£m	£m	£m
CRSTS Revenue	2.841	4.259	2.980	10.080
CRSTS Capital	2.932	49.087	80.692	132.711
CRSTS Highways Uplift	4.763	4.763	4.763	14.289
Highways Maintenance Block Capital (CRSTS)	52.143	52.143	52.143	156.429
LTP Integrated Transport Block Capital (CRSTS)	14.057	14.057	14.057	42.171
BSIP Revenue (includes "Network North" uplift)	44.146	39.414	0.000	83.560
BSIP Capital	32.776	40.98	0.000	73.756
Active Travel Fund				
Levelling up Fund	16.737	1.481	0.000	18.218
Indicative LEVI Capital	0.877	2.633	12.319	15.829
Total	171.272	208.817	166.954	547.043

14. Bus Service Improvement Fund (BSIP) – post March 2026

- 14.1 A key risk for Cabinet to be aware of is regarding the future of BSIP funding and the uncertainty of future revenue funding in particular. The region was awarded £174m of BSIP funding over 3 years (Apr 22-Mar 25), of which £101m was revenue funding, which is being used to subsidise fares and services. The original announcement of BSIP funding was in April 2022, for the three following financial years 2022/23, 2023/24 and the current year 2024/25. However, no funding was actually paid to the region until March 2023 with the fares and services it underpinned commencing in the months that followed. The full cash grant for BSIP revenue funding in its entirety has now been received by the North East CA.
- 14.2 BSIP revenue funds the £1 single fare for people aged 21 and under, at a cost of approximately £15m per annum. The market for young people's travel has grown by 25%, and the average fare paid by young people has reduced by 86p, a 49% saving on average. BSIP revenue also supports adult multi-modal ticket caps, and BSIP revenue underpins approximately 47% of secured bus mileage in the NE, at a cost of £16 million per annum. This equates to 12% of the total bus network being reliant on BSIP revenue funding.
- 14.3 The delay in payment of BSIP funding meant that in terms of delivery the programme is effectively one year behind the original plans, both in terms of expenditure and in delivering outcomes for bus passengers. Because of this, the North East CA have for some time been asking DfT for agreement to continue the use of funding into next financial year 2025/26. This has now been confirmed by the department in respect of funding to deliver secured bus services. There is also the potential for the use of further residual funds to be extended into 2026/27.
- 14.4 The Autumn Statement confirmed that the national adult bus fare cap will continue to December 2025 but raised to £3, from £2. The new cap will run from January 2025 to December 2025, and is being funded by £151m from government until the end of 2025. The DfT has also confirmed an additional £925 million nationally for the 2025 to 2026 financial year to improve bus services across the country. At the time of writing the North East CA is awaiting confirmation of its allocation from this funding. It is expected that this funding will enable the North East CA to continue to fund BSIP fare schemes, although some adjustment to BSIP fares may be required in response to changes to the national adult fare cap. Officers are working on proposals for future BSIP fares and are in dialogue with the bus operators on the operational implications of any changes. The outcome of this work will be report to Cabinet no later than the meeting on 28 January 2025.
- 14.5 Whilst funding has been confirmed until March 2026, funding from that point onwards is less clear. Although the Spending Review expected next Spring may address the problem, and as noted above there is the potential for further residual funds to be extended into 2026/27, the uncertainty of funding impacts the ability of delivery partners to renew bus contracts that expire between now and March 2026.
- 14.6 On the assumption that a longer-term source of revenue funding for bus services will ultimately be made available and considering the North East CA's objective of growing public transport accessibility, it is clearly undesirable for there to be cuts to secured services to be planned because of funding uncertainty. Network stability is also important in the context of a Franchise Scheme Assessment, where the public and stakeholders will expect the bus network to grow, not contract.
- 14.7 An option for Cabinet to consider is therefore that the North East CA should instruct delivery partners to work on the assumption that revenue funding to continue the support of bus services will continue to be in place in 2026/27 and to plan bus networks accordingly. This would require the North East CA to underwrite the financial risk of national government funding ultimately not being available in 2026/27. The level of this risk is currently considered to be low in light of BSIP funding being potentially available for 2025-26 and 2026-27 to meet that financial ask. This will be clarified as part of the January Budget report to Cabinet
- 14.8 If, following the Spending Review, long-term certainty for bus services has not been achieved, delivery partners will be asked to prepare plans to "taper down" their secured bus networks in the lead-up to, and during, financial year 2026/27.

14.9 Options will be prepared for future funding of fares beyond March 2026, as clarity emerges about the government's intention for future bus funding.

15. New Programmes - Connect to Work

15.1 DWP have recently launched a new Connect to Work Programme, which aims to support 100,000 people with disabilities, health conditions and additional barriers per year across England and Wales to seek sustained employment. In October 2024 additional details of the proposed programme and associate Accountable Body requirements were received by the North East CA and is subject to another report on this Cabinet agenda. The proposed funding of just under £50m will deliver a 3-4 year programme and support approximately 13,500 participants into work or to remain in work. This investment will pass to North East CA via a ring-fenced grant from DWP.

15.2 Connect to Work is a voluntary programme that will be targeted at the right people, at the right time and based on an individual's circumstances. The programme will aim to match participants into open labour market jobs quickly and provide support to the employer, as well as the participant, to enable work to be sustained. A key element of the programme will be supporting local employers to strengthen their inclusive employment practices, or working with employers to understand their recruitment needs and to carve new roles.

15.3 As the Accountable Body (AB) for Connect to Work, responsibilities will include:

- Commissioning or establishing a Universal Support service using both models of IPS and LSE for eligible and suitable participants.
- Establishing Universal Support governance arrangements.
- Leading the development of our delivery plan.
- The day-to-day management of the programme, overall accountability for the funding and how the grant operates.

15.4 The grant and technical guidance have been received and the North East CA will be required to submit documents to DWP that set out its readiness conditions, including:

- Delivery Plan. This plan will include details of how we will deliver Connect to Work and contain key information, including governance arrangements, commissioning strategy, planned delivery model (in-house, contracted, or mixed), and the design of the service. The plan will also include details of the new activities North East CA are developing to support the implementation of this programme including an Employment Commissioning Framework and a new CRM system.
- Grant Cost Register. This is the financial model that DWP requires the North East CA to complete and outlines our response to a request for the costings and assumptions made for the grant. The Grant Cost Register will also allow us to provide any supporting information regarding assumptions made in calculating the costs included.

15.5 DWP will undertake an appraisal of the contents of both documents and have appointed several specialists to support mayoral CAs with this activity. DWP have also confirmed that the management costs associated with Connect to Work are uncapped but will be evidence-based and that we will be able to access an implementation grant of up to 5% of the total award.

15.6 The Autumn Budget statement also set out that the Get Britain Working White Paper (to be published "shortly") will:

- Establish eight trailblazer areas across England and Wales that bring together health, employment, and skills services to improve the support available to those who are inactive due to ill health and help them return to work. This will include NHS England Health and Growth Accelerators in at least three Integrated Care Systems to develop evidence of the impact of targeted action on the top health conditions driving economic inactivity.
- Establish eight Youth Guarantee Trailblazers areas to test new ways of supporting young people into employment or training, by bringing together and enhancing existing programmes in partnership with local areas.

15.7 Details are yet to be published of which CAs will be part of these trailblazers.

16. Funding Streams at Risk

16.1 There are a number of funding streams that are uncertain for 2025-26 and beyond, with implications for the North East CA and indeed the region.

16.2 At this stage, the UKSPF and Multiply are the most material in value, where across the period 2022-2025 for the NTCA a fund of £47.085m is expected to be delivered. Across the region as a whole the fund amounts to £113m, with significant investment in Business Support Programmes, Community Support Programmes, and People and Skills programmes.

16.3 The Autumn Statement announced that the UK Shared Prosperity Fund, currently planned to end in March 2025, will continue at a reduced level for a further year with £900m of funding (national budget). This is seen as a transitional arrangement intended to provide as much stability as possible in advance of wider local growth funding reforms. The North of Tyne CA officers are working with their constituent Local Authority colleagues implications and options for delivery while awaiting further details on process and the North East allocation.

16.4 Careers and Enterprise funding – Careers provision in schools confirmed to August 2025 with £0.439m full year effect.

17. Transport Levies and Grants

17.1 The North East CA levies its constituent local authorities for funding to deliver the transport objectives of the CA, primarily through the provision of revenue grants to Durham and Northumberland councils and Nexus, for the delivery of public transport services. The transport levying bodies regulations set out that the levies must be agreed by 14 February prior to the financial year to which they relate.

17.2 Budget estimates which will inform the levies and transport grants for Durham County Council and Northumberland County Council are currently being worked on by these councils and will be reported to Cabinet in January.

17.3 For Tyne and Wear, a proportion of the levy is retained to meet historical costs relating to the former Tyne and Wear Integrated Transport Authority (TWITA), which primarily relate to historical debt charges. There is also a contribution to the costs of the Transport Directorate of the North East CA. This amount is currently £2.1 million, and it is proposed this be maintained at the current level for 2025/26 and future years.

17.4 The remainder of the Tyne and Wear levy funds the grant to Nexus, the Tyne and Wear Passenger Transport Executive. In 2024/25 this grant was set at £68.200 million of a total levy of £70.300 million. In line with estimates provided to the Joint Transport Committee in January 2024, it will be necessary to increase the Tyne and Wear transport levy in 2025/26, alongside reliance on reserves, to balance the Nexus budget and maintain services. The required increase is 3.0% (£2.1 million).

Table 11 Proposed Changes to the Tyne and Wear Levy

	2024/25 Levy (before population change) £m	Proposed Increase (+3.0% and incl population change £m	2025/26 Proposed Levy £m
Gateshead	12.174	0.330	12.504
Newcastle	18.936	0.652	19.588
North Tyneside	12.960	0.337	13.297
South Tyneside	9.153	0.219	9.372
Sunderland	17.077	0.570	17.647

Total	70.300	2.109	72.409
Proposed Contribution to:-			
Nexus			70.246
North East CA			2.163
Total			72.409

17.5 Details of the indicative Nexus revenue budget and medium-term financial plan are set out in Appendix F. The Appendix highlights key areas of risks associated with the development of the Nexus budget and medium-term financial plan (MTFP), in particular the Metro Fares Revenue which is less than budget in this current financial year. The subsequent “correction” to the base budget has been included which impacts across the MTFP. There are growth targets associated with the annual fares review and the delivery of key interventions such as the new fleet being fully operational included in the MTFP. The uncertainty around BSIP funding highlighted earlier in this report could also impact negatively on secured bus services.

18. Tyne Tunnels

18.1 The North East CA owns the Tyne Tunnels, comprising the two vehicle tunnels and the pedestrian and cyclist tunnels. The Tyne Tunnels receive no central government funding nor any local subsidy, with all operational costs and debt financing costs being met from the tolls charged to users of the vehicle tunnels. The toll charges are necessary to meet operational costs as well as the financing costs of the North East CA and the tunnels operator, TT2 Limited, which were incurred in the construction of the second vehicle tunnel which opened in 2011.

18.2 The tolls charged to users of the vehicle tunnels may be increased in line with the Retail Prices Index (RPI) measure of inflation. The shadow toll paid to TT2 will increase on 1 January 2025 in line with RPI, so to set a break-even budget for the Tyne Tunnels, an increase of 10p in the tolls charged to Class 2 vehicles (cars) and 20p in the tolls charged to Class 3 vehicles (HGVs) will be recommended for approval in January 2025. This increase would come into effect no earlier than 1 May 2025.

Table 12 Estimated Movement in Tyne Tunnel Reserves

	2024-25	2025-26	2026-27	2027-28	2028-29	All years
Reserve B Fwd	(9.626)	(9.810)	(9.809)	(9.809)	(9.809)	9.626
Income	(36.963)	(42.792)	(44.952)	(46.685)	(48.757)	(220.149)
Capital charges	7.722	8.960	9.527	9.556	11.470	47.235
Contract payments	28.281	32.969	34.543	35.989	36.128	167.910
Other Tunnels costs	0.776	0.864	0.882	1.140	1.160	4.822
Reserve C Fwd	(9.810)	(9.809)	(9.809)	(9.809)	(9.808)	9.444

19. Approach to borrowing and estimated borrowing cap

19.1 As part of the devolution deal, it was always envisaged that the North East CA would have borrowing powers to support its functions. Borrowing powers for the North East CA’s transport functions were included in the 2024 order which created the North East CA. However, central government’s legislative procedures mean that the borrowing powers for other functions must be conferred on the North East CA by a separate statutory instrument (referred to hereafter as the Regulations). The North East CA and the constituent councils must provide their consent before the Regulations can be made. The Regulations will be in a standard format.

19.2 In addition to giving its consent to the making of the Regulations, the North East CA must also agree a debt cap with HM Treasury to limit the amount of borrowing which the North East CA can undertake in 2024/25 and to give an outline of the type of activity which the North East CA may want to use its borrowing powers to support. Initial work has been completed to agree the debt cap for 2024-25.

19.3 In January 2024 both the North of Tyne Combined Authority and the non-Mayoral North East Combined Authority agreed in principle a draft 2024-25 budget for the North East CA which included

an indicative borrowing for the North East CA of £50 million together with a set of financial principles, including the following for capital projects:

- Co-investment and leverage – investments will be made in ways that maximise private sector leverage, either through up-front co-investment commitments, or through additional investment unlocked by funding.
- Recyclability – the expectation will be that, where returns on investment are collected, they will be used first to service any debt accrued in financing the upfront investment, and then will be recycled into the regional investment fund for re-investment.
- Borrowing – borrowing against the investment fund will only be pursued for strategic regional investments with substantial co-investment of and expected returns on investment as set out in the forthcoming Investment Strategy.

19.4 Consideration of current investment decisions and a projected forward look has resulted in a submission in respect of the non-transport debt cap for 2024-25 through to 2026-27, and the cap of £10.500m has been agreed for 2024-25. The authority is required to agree the cap for 2025-26 in advance of the financial year 2025-26 starting. The current estimates for the debt cap for the two years following 2024-25 for non- transport activity are: 2025-26 £68.500m and 2026-27 £110.000m.

20. Reserves and Risk

20.1 The current forecast of reserves to be held on 31 March 2025 is set out in Appendix G, and this will be reviewed and updated as the 2024-25 year end approaches.

20.2 Many of the reserves held by the authority are earmarked for specific programmes and grant activity (i.e. ringfenced reserves) but there are a number of “un-ringfenced” reserves, and the out-turn report for 2023-24 set a proposed approach to the realignment of reserves. This has been included on the Budget Monitoring Report to Cabinet on this Agenda today. This change included: the creation of an Election Reserve reducing an in-year requirement budget contribution until the next Mayoral election; an increase to the Strategic Reserve of £1m whilst a full financial risk assessment of the North East CA is undertaken during 2024-25; and the creation of a Strategic Capacity Reserve.

20.3 The Strategic Capacity Reserve will provide for the ongoing costs of the transition period in early 2024-25, and to create a financial resource available for development work in respect of the aspects of the Corporate Plan, the Local Growth Plan and Portfolio plans. This reserve will also be used to manage resources currently funded through grants where continuation of those funding programmes is not confirmed beyond March 2025, but where there will be “tail end” activity to close out those programmes (for example, UKSPF funded programmes). The estimated full year cost of staff and overhead associated with those programmes at risk is an estimated £0.827m, which would be contained within the Strategic Capacity Reserves. This position will be updated following the Autumn Statement announcement and a clearer picture of changes to programme funding are more certain.

20.4 Key financial risks have been highlighted in the body of this report and are in line with the Strategic Risks previously identified and reported to Cabinet 17 September 2024.

B. Impact on North East Combined Authority Objectives

The North East CA Corporate Plan sets out the strategic objectives of the Authority. This budget will enable the North East CA to properly discharge its functions and assist in delivering the Authority’s vision, policies, and priorities.

C. Key risks

Are as highlighted in the report and will be reviewed and updated regularly as part of the Financial Management process within the Risk Management Framework.

D. Financial and other resources implications

This is a financial report with associated implications set out in the detail of the report.

E. Legal implications

The Authority is required to agree a balanced budget annually and to monitor that budget throughout the year. The Authority must also make provision for an adequate level of unearmarked reserves. It is also required that good financial governance arrangements are in place.

F. Equalities Implications

In developing these proposals, authority has taken account of their obligations under section 149 of the Equality Act 2010 (i.e. the public sector equality duty). It is not expected that the proposals described in this report will have any adverse impacts on people with protected characteristics. Any future investment decisions will be underpinned by an Equality Impact Assessment.

G. Consultation and engagement

The overall devolution proposals were developed from close collaborative working across the local authorities and specifically the LA7 Chief Executives, Finance Directors and Economic Development Directors and a wide range of stakeholders and the public. Further joint working has been undertaken since the Mayor was elected on the development of the Local Growth plan. The draft Corporate plan which includes details on the budget proposals will be shared directly with key Stakeholders. Engagement continues among key stakeholders across the region with specific engagement events for the Business Board and the Community and Voluntary Sector.

H. Appendices

Appendix A – Draft Corporate Plan
Appendix B – Draft Budget by Directorate
Appendix C – Investment Framework
Appendix D – Transport Levies
Appendix E – Nexus Revenue Budget
Appendix F – Nexus Capital Programme
Appendix G – Reserves
Appendix H – Autumn Budget details

I. Background papers

[30 January Report to the North Of Tyne Cabinet : North East Mayoral Combined Authority 2025-2029 Draft Corporate Plan, Draft Budget and Medium Term Financial Plan Proposals .](#)

[23 January Report to the former North East Combined Authority : North East Mayoral Combined Authority 2025-2029 Draft Corporate Plan, Draft Budget and Medium Term Financial Plan Proposals.](#)

17 September 2024 Report to Cabinet: The North East Combined Authority Risk Management Framework and Strategic Risk Management.

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K. Glossary

ATF – Active Travel Fund

BSIP – Bus Service Improvement Plan

CRSTS – City Region Sustainable Transport Settlement

MHCLG– Ministry for Housing Communities and Local Government

DfE – Department for Education

DfT – Department for Transport

JTC – Joint Transport Committee

LGP – Local Growth Plan

NECA – North East Combined Authority (former)

NTCA – North of Tyne Combined Authority