Appendix B– Corporate Budget Revisions by Directorate

Proposed Corporate Budget for 2025/26

PROPOSED BUDGET 2025/26	B91001-Operations £m	B91002-Finance & Investment £m	B91004-Economic Growth & Regeneration £m	B91003-Skills, Inclusion & Public Reform £m	B91005-Transport £m	B91000-Chief Executive £m	**Grand Total £m**
Employees	3.436	2.382	2.830	2.939	2.736	1.128	**15.450**
Premises	0.433						**0.433**
Transport					0.008		**0.008**
Supplies and Services	0.642	1.593	1.463	0.007	88.488	0.033	**92.226**
Third Party Payments		0.012			0.387		**0.399**
Central Support and Other Recharges	0.401	10.905			1.780	0.030	**13.116**
Total Expenditure	**4.912**	**14.891**	**4.293**	**2.946**	**93.399**	**1.191**	**121.633**
Contributions Summary	(0.155)	(11.042)	(0.460)	0.090	(92.029)	(0.120)	**(103.715)**
Grant		(0.856)	(2.407)		(0.883)		**(4.146)**
Interest Summary		(1.730)					**(1.730)**
Other Income Summary	(0.149)			(0.090)	(0.595)		**(0.834)**
Recharges					(0.509)		**(0.509)**
Total Funding	**(0.304)**	**(13.628)**	**(2.867)**		**(94.015)**	**(0.120)**	**(110.934)**
Corporate Budgets	**4.609**	**1.263**	**1.426**	**2.946**	**(0.616)**	**1.071**	**10.699**
Funding towards costs from Tyne Tunnel		(9.872)					**(9.872)**
After Correction for Tunnel Funding	**4.609**	**(8.609)**	**1.426**	**2.946**	**(0.616)**	**1.071**	**0.827**
Use of Reserves		(0.827)					**(0.827)**
Net Budget	**4.609**	**(9.436)**	**1.426**	**2.946**	**(0.616)**	**1.071**	**0.000**

NORTH EAST COMBINED AUTHORITY INVESTMENT FRAMEWORK

Draft for Consultation

November 2024

EXECUTIVE SUMMARY

This Investment Framework sets out indicative programmes and outcomes for the North East Combined Authority. It has been designed to enable delivery of the Combined Authority Cabinet's agreed priorities, including the Mayoral Manifesto and priorities associated with the portfolios.

To develop this Framework, the North East CA has engaged directly – supported by Metro Dynamics and the Royal Society of Arts (RSA) – with partners from the voluntary and community sector, business, education, and investment institutions. The Framework is also aligned with the forthcoming Local Growth Plan, which will provide an overall vision and delivery plan for the Combined Authority and form the basis of an agreement with national Government on priorities. It is being shared now to set our direction of travel and confirm the scale of ambition for NECA's investment resources; it is expected that the Investment Framework will be updated in 2025 following finalisation of the Plan.

At the heart of the Combined Authority's approach is to create opportunities for all, with an economy of the future that works for the whole region and delivers sustainable growth for Britain. For too long, this has not been the case; resulting in rates of low-pay and child poverty amongst the highest in the country.

The indicative programmes set out in this Framework are based on a good understanding of what makes the NE unique. Its inspiring and diverse geography, its history of manufacturing excellence and transition to a thriving new economy with low unemployment – alongside a recognition of the region's vibrant and increasingly diverse communities and the North Eastern can-do mentality. The strength of our communities is underpinned by a strong and committed Voluntary, Community and Social Enterprise sector and the passion and pride highlighted during events like the Great North Run. North Easterners are renowned for job loyalty and have a deserved reputation for working hard, for example, helping make Nissan's Sunderland facility the most productive automotive plant in Europe.

The overriding message received from stakeholders during consultation was one of positivity about the region's future – with an opportunity to both address longstanding socioeconomic challenges and seize new opportunities. With a dynamic £40bn economy, and situated at the heart of the UK Union, the North East is well situated to build on its engineering, scientific and creative prowess to thrive in today's innovation economy. Home to world-class businesses in critical sectors, the North East has an internationally-significant manufacturing and automotive cluster; is leading the UK transition to offshore wind and a greener economy; is increasingly becoming recognised as a vibrant cultural powerhouse; is in a prime location for tech and other knowledge-intensive professional services; enjoys a rapidly growing health and life science businesses; benefits from internationally competitive universities and excellence within the local further education system. And all are alongside a strong public sector, foundational economy and active VCSE network.

These growth opportunities will deliver new, good, jobs to benefit residents across the whole region. These will be unlocked by building on existing assets and through a clear focus on transformative and inclusive investment which in all instances must be connected to residents and communities. This also means ensuring that existing businesses – where the majority of job vacancies will be created – have the opportunity to thrive, including from ensuring that they are able to access a strong skills pipeline.

The North East Devolution Deal, and subsequent Deeper Devolution Deal, provide the North East CA with new powers and mechanisms to translate these opportunities into tangible actions.

Funding for the 2025/2026 financial year, as agreed in the annual budget, is in the region of £488m. Around half is allocated for transport, alongside major investment into skills, housing and investment sites. The budget also includes the £48m per annum Investment Fund, providing scope for impact-led investment opportunities. The budget will be refreshed when further details from the Autumn statement are known.

Table 1: The North East CA's Funding for April 2025-March 2026

Theme	Funding
Sustainable Transport	231
Skills	96
Housing	19
Investment Sites	35
Growth of Low Carbon Sectors (Investment Zone)	14
Other programmes including Business, People and Place	50
Tyne Tunnels	43
Total	**488**

The North East CA's Investment Fund is the largest on a per-capita basis agreed to date of any Combined Authority, with significant flexibility for revenue investment supporting the development of holistic interventions. The 30-year Investment Fund itself worth £1.44bn, and over its lifetime is expected to leverage at least £5.1bn in private sector investment and create more than 28,000 jobs.

While resources are significant, they are insufficient on their own to deliver the scale of change which is sought. This puts considerable emphasis on our ability to proactively focus investments to maximise impact. Accelerating productivity and economic growth in a way that benefits all our residents and our environment will mean driving co-investment at an unprecedent scale. Research by the RSA found that closing the investment gap would mean securing £7 of external funding for every £1 spent by the CA; this will take time to achieve but provides a benchmark for the kind of transformational projects and the types of innovative vehicles and partnerships that will be needed.

Coming together as a new Combined Authority, under the strategic leadership of the Mayor and Cabinet, provides the opportunity to strategically invest resources in support of our 5 missions:

1. Home of real opportunity
2. A North East we are proud to call home
3. Home to a growing and vibrant economy for all
4. Home of the green energy revolution
5. A welcoming home to global trade

Good progress is already being made, including through new investments into transport, skills, housing and the North East Investment Zone – alongside work to set up a Child Poverty Unit and to invest into community opportunities.

The region has a well-defined and distinctive offer, and partners throughout the North East are committed to seizing the opportunities to the benefit of the region and the national economy. Strategic investments – enabled by this Framework – over the coming years are set to unlock decades of transformative opportunity.

This document is for consultation and we would particularly welcome comments on the following questions:

1. Does the economic overview capture the high-level areas of economic opportunity and challenge facing the region?

2. Are the economic outcomes the right-ones to be focussing on in delivery of the programmes?
3. Are the indicative programmes the best way to co-ordinate activities to meet the priorities highlighted in this document?

CONTENTS

INTRODUCTION TO THE INVESTMENT FRAMEWORK

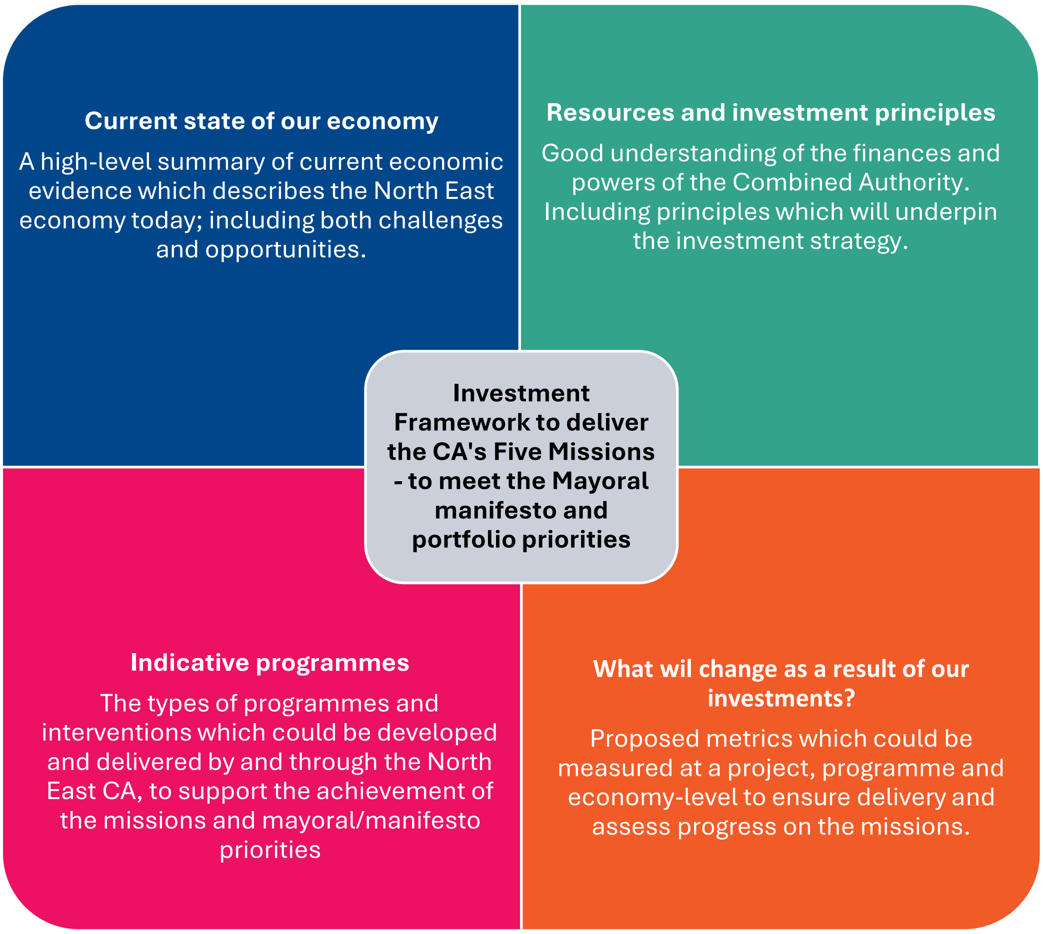
ABOUT THE INVESTMENT FRAMEWORK

The purpose of the Investment Framework is to set out a coherent set of proposals for the delivery of the Mayoral Manifesto and Cabinet Portfolio Priorities, through a focus on the Combined Authority's five missions. The Combined Authority is actively seeking feedback on these proposals, with the Framework to be updated in 2025 to reflect this input, alongside the conclusion of the Local Growth Plan process and finalisation of Government's Comprehensive Spending Review.

It is based on a strong understanding of our region and the Combined Authority's powers and resources as set out in the 2022 devolution deal and subsequent deeper devolution deal.. It provides a forward-looking architecture for delivery over the next five years across all funding streams but will also be used as a starting point for considering the programmes developed using the Investment Fund.

As set out in Figure 1, it is grounded in evidence and an assessment of the North East CA's powers and responsibilities, whilst distilling strategic priorities and long-term desired outcomes for the region. It also includes guiding principles that will shape investments and help leverage wider support. It is intended to act as a guide covering activity over the next five years, with enough flexibility for specific interventions and priorities to evolve over time.

Figure 1: Purpose of Investment Framework



Development of the Framework has benefitted from significant external engagement, including through stakeholder groups, the North East CA's Business Board and Portfolio Working Groups. Through this process, we have heard the views of a range of stakeholders and organisations from across the region and drawn from business, education, public and VCSE sectors. This included a review run by Andy Haldane, Chief Executive of the Royal Society of Arts [RSA], who acted as a critical friend in supporting regional engagement; providing advice; and in testing our ambition with partners, political representatives, and investors. The RSA's conclusions were to:

1) Develop a clear and unique narrative that distinguishes NEMCA from other regions.
2) Choose a small number of economic, social and environmental objectives against which to measure progress.
3) Do fewer things at scale. The Investment Plan should encourage surfacing of a few impactful propositions.
4) Work collaboratively with investors to leverage public funds.
5) Invest in rigorous evidence-gathering and analytical capabilities to identify and develop the most advantageous investment projects.
6) Nurture the collaborative approach of constituent authorities to promote policy coordination.
7) Cultivate a regional coalition consisting of public, private, and third sector representatives.

ALIGNMENT TO THE EMERGING LOCAL GROWTH PLAN

The Investment Framework has been prepared alongside early work on the Local Growth Plan (LGP). This will set out in more detail the political vision of the Mayor and Cabinet, alongside new powers and funding which are negotiated with Government. The Investment Framework is intended to both help articulate the strategic approach to investment priorities which is currently being taken, and to support delivery of the Combined Authority's five missions [figure 2]:

Figure 2: Missions

The next two sections of this report explore the evidence base and then the financial resources and guiding principles for investment. With the final section returning to the missions in more detail, describing a number of indicative programmes and outcomes which can be expected over a 5-10-year time horizon, alongside proposed measures of progress and drawing these programmes together into a simple framework.

THE ECONOMY OF THE NORTH EAST

This section provides a brief overview of our economy; the economic assets, opportunities and barriers which provide the context for our investments. More information can be found in our accompanying strategic evidence base.[1]

OUR REGION

The North East is home to nearly 2 million people, with an economy worth £40.7bn and a proud industrial history which has helped shape the global economy. It covers a vast and diverse economic geography, with three cities, many vibrant towns, extensive rural and coastal communities and shares 60 miles of border with Scotland.

The area has a clear and iconic offer. Significant energy assets place it at the heart of the UK’s east coast renewable energy opportunity. Three World Heritage Sites, a National Park, and the Glasshouse and BALTIC at Gateshead Quays speak to the the significant cultural offer, and the opportunity to expand the visitor economy. The North East’s number of cultural businesses is growing faster than almost any other UK region. The region is renowned for its sporting passion and prowess.

Over 500km of coastline make up a significant natural asset and visitor attraction, as well as hosting major ports that connect the UK to Europe and beyond, and which are on the leading edge of the offshore renewable energy industry. In addition to deep-water ports and riverside assets and infrastructure, the North East has an international airport and other strategic transport connections – like the East Coast mainline; further rail links to Leeds, Manchester, Carlisle and Teesside; trunk roads including the A1, A19 and A69; and the Tyne and Wear Metro. Passenger services on the Northumberland Line will soon reopen for the first time in 60 years, connecting people with key growth opportunities.

BUSINESSES AND SECTORS

The region provides a thriving business environment, with 68,850 businesses providing 887,000 jobs. Proportionately more people in the North East are employed by SMEs than in other parts of England. A high number of people are employed in the foundational economy, providing essential services to residents and visitors.

There is a large and productive advanced manufacturing sector, with an increasing focus on electrification, including at Nissan’s manufacturing plant in Sunderland and its supply chain, including battery production.

The North East hosts an increasingly significant low carbon economy, while CO_2 emissions have halved since 2005. Further innovation and industrial solutions in development will continue the regional journey to Net Zero, as well as help to drive national and international decarbonisation. A recent government study found that aiming for Net Zero by 2050 nationally could create an extra 27,000 jobs in the North East through key opportunities in energy, transport, buildings and carbon capture. The Net Zero sectors already account for around half of new jobs created by Foreign Direct Investment.

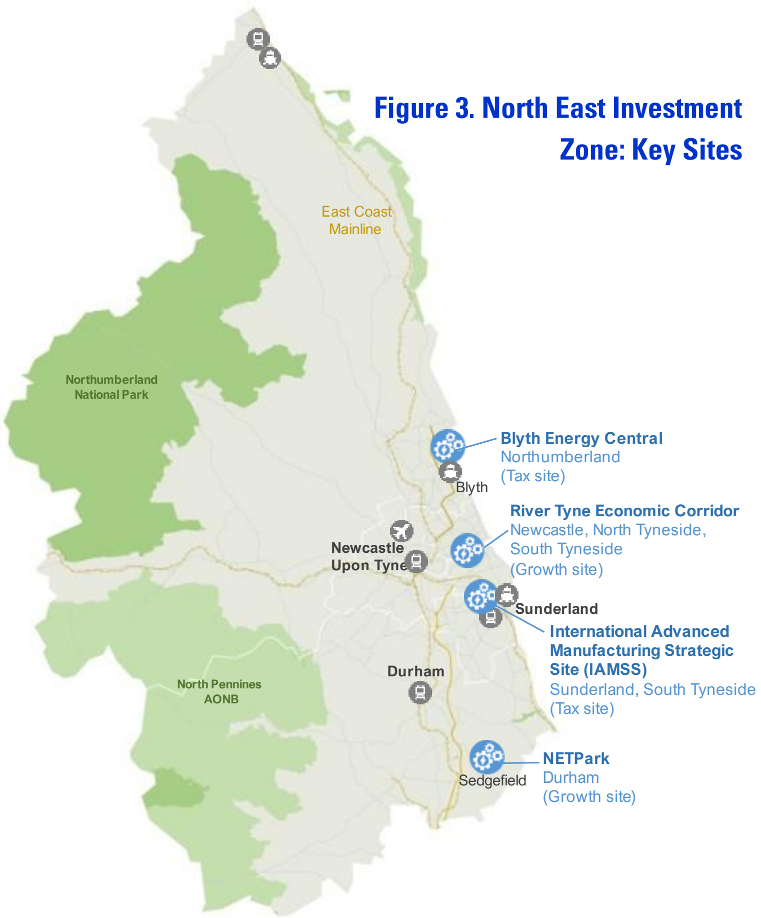
[1] https://evidencehub.northeast-ca.gov.uk/north-east-combined-authority-strategic-evidence-base

The region is adjacent to the world's largest offshore wind farms at Dogger Bank and is located not only at the heart of the UK, but specifically in the middle of an east coast corridor of clean energy production from the Humber to Aberdeen. The growing low carbon economy is vital to the UK's decarbonisation and energy security ambitions, whilst providing high-quality jobs to residents, and presenting a distinctive strength for the region both nationally and internationally. The offshore energy sector includes Equinor's O&M base, JDR's manufacturing of high voltage subsea cables at Blyth and Smulders's capacity for the production of foundations for offshore wind turbines on the Tyne.

The North East Investment Zone is linking up key employment clusters and presenting opportunities to drive transformation in advanced manufacturing and related activities in clean energy and green manufacturing.

It centres on the offshore wind opportunities at Blyth and along the Tyne; the nationally significant automotive cluster around Nissan's advanced manufacturing plant and the International Advanced Manufacturing Strategic Site across Sunderland and South Tyneside, where a new £1bn Electric Vehicle Hub and GigaFactory will create jobs across the supply chain; and the associated advanced low-carbon manufacturing, materials and research at NETPark in County Durham.

Figure 3. North East Investment Zone: Key Sites



A growing expertise in creative content generated is exemplified through the fast-growing film and television specialism, which is being supported by the NE Screen Industries Partnership, which is building creative talent and opportunity in the region, and through the new Studio Development at Sunderland Riverside. While the North East is developing a regional offer around the cultural and visitor economy.

There is a thriving tech sector, including Sage and Atom Bank, and growing opportunities around space and screen industries. Sage, the largest software company in the UK and one of the few FTSE 100 companies based outside of London, Atom Bank, a unicorn fintech company, and other high-tech expertise from consultancy to games production are part of the vibrant start up scene in the region, where tech businesses serve as both a magnet for venture capital investment and talent. Digital industries are worth £1.9bn with specialisms in gaming, software, and manufacture of electrical components. The North East has existing strengths in data infrastructure and capabilities in supercomputing and there are several projects which have the potential to transform the scale of activity and the prominence of these areas in the North East. These include a £10bn investment into a new Hyperscale Data Centre Campus in Northumberland and supercomputing expertise at

Durham University. The North East also has existing strengths in semiconductor manufacturing and innovation that are essential to most of the electronic devices which we rely upon today, while there is a rapidly growing specialism in satellites and other areas of Space Economy,

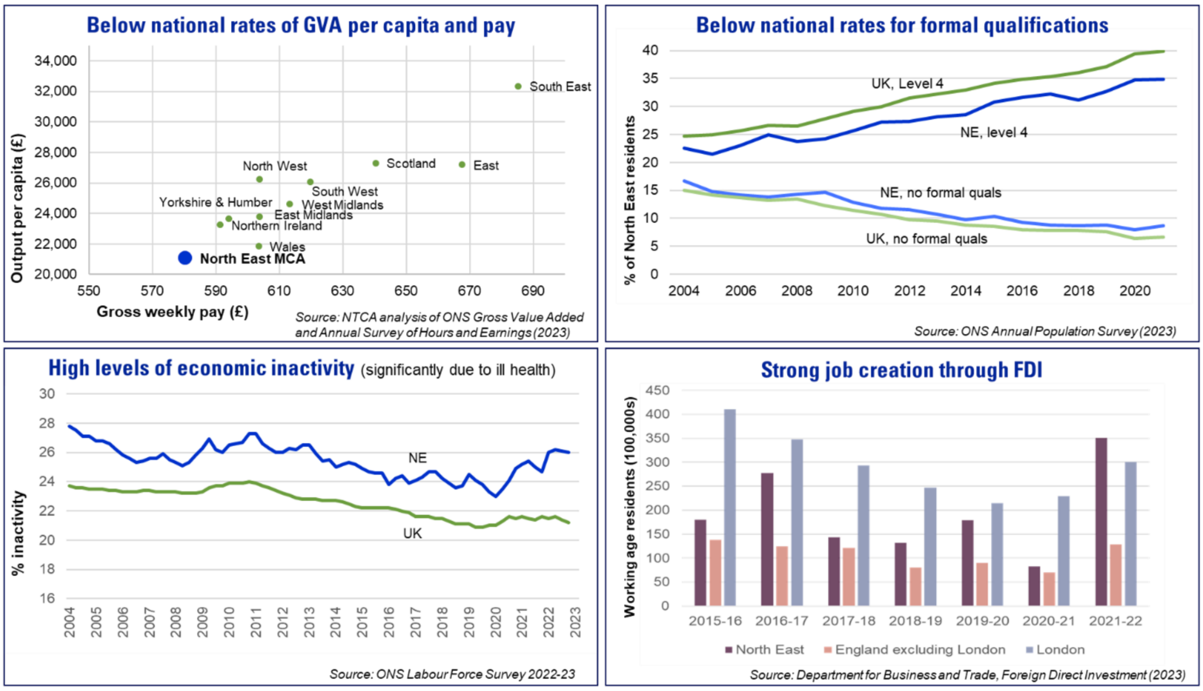
While in 2019, health and life sciences turned over £1.7bn with a high level of productivity per job. The NE has particular specialism in pharmaceutical manufacturing, with 10% of the UK's output.

Our towns, rural and coastal communities provide employment in a number of established sectors, as well as providing new opportunities, in areas like space and AI. We have incubators alongside rural tourism hubs like The Sill in Northumberland, growth in iconic cultural locations like Beamish and Auckland Castle, and initiatives to foster digital innovation in farming and water delivery, demonstrating opportunities to drive employment across every part of our economy.

ECONOMIC CHALLENGES

To propel the region forward, challenges across several economic indicators must also be addressed (Figure 4). Lagging per capita GVA, insufficient business dynamism, and lower wages all hinder regional prosperity, while skills supply shortages and low qualification levels risk stifling progress in key sectors. Raising skills, entrepreneurship and business growth, including by increasing innovation and raising export potential, alongside attracting more foreign direct investment (FDI) can help combat many of these challenges.

Figure 4. Selected evidence of economic challenges in the North East



Demographic challenges, such as an ageing workforce and an increase in the number of economically inactive people, highlight the importance of addressing higher levels of deprivation, particularly in health. Homeownership is below the national average, with housing unaffordable to many, and housing available not always aligned to occupiers' needs. The North East boasts a relatively high quality living environment, but needs to deliver more housing across a range of types and affordability and support residents to get on the home ownership ladder, as well as help develop approaches to retrofitting existing building stock that is energy inefficient.

SUPPORT FOR DELIVERY

The North East CA is committed to delivering on economic priorities in ways that benefit all our residents across the region. This means considering novel approaches to creating an inclusive economy, using new methods, collaborations, and the best in public, private and third sector delivery to benefit all residents and communities. It will also mean balancing the creation of a high-value innovation economy with inclusive innovation.[2]

The region benefits from a dynamic voluntary, community and social enterprise (VCSE) sector with a strong track record of delivering work to combat social and economic exclusion and addressing many of the challenges highlighted above. These organisations – and their funders – have exemplar networks and assets which reach into all communities. This includes a strong volunteering infrastructure, also providing opportunities for residents to develop skills and strengthen communities. The VCSE sector comprises[3]:

- 6,922 organisations
- 37,300 FTE employees
- £1.65 billion value contribution to NE economy
- 152,100 volunteers working 11 million hours valued at £146m

The region also benefits from four universities, which drive opportunity for residents and make the region a net importer of students. Their international reputation and relationships with key regional businesses are critical to our future growth trajectory. We are also home to an extensive network of high-performing schools and Further Education Institutions, with the college network an increasingly important strategic delivery partner, underpinning the talent pipeline for many of the region's sectoral growth opportunities.

The region also benefits from catapult centres (a Government initiative to spearhead economic growth opportunities), including the Offshore Renewable Energy Catapult, Digital Catapult NE&TV, NE Satellite Applications Centre of Excellence, the High Value Manufacturing Catapult (through CPI), and Compound Semiconductor Catapult. Collaboration between research institutions and industry within the region is driving innovation and future economic opportunities.

The health of our economy is inextricably linked to the wellbeing of our people, places and planet. The extent to which our region and economy can grow and thrive is dependent on access to each of these dimensions – and we know that disparities within the region are greater than between the North East and other parts of the country. The development of an Inclusive Economy Framework could help structure work towards collective wellbeing across a range of factors.

The North East CA will deliver against its vision by building on existing regional strengths, improving public services to mitigate economic challenges, and setting out a clear and shared regional approach to driving investment that delivers above and beyond existing public sector provision. We also have a role to play in addressing barriers to growth, using research and evidence to drive interventions that solve market failures, for instance in skills provision, insufficient public investment and access to finance generally, supporting research and development, and boosting economic activity and inclusion in the labour market.

[2] Inclusive innovation is an approach spun out from inclusive growth theory and practice, focused on enabling as many people as possible to contribute to and participate in the innovation economy and its proceeds, both financially and practically.

[3] Source: https://www.communityfoundation.org.uk/third-sector-trends/. Data also includes Tees Valley.

THE INVESTMENT RESOURCES

At the time of agreeing its draft budget, the North East CA's funding for 25/25 is £488m. In its first 5 years, it will be able to deliver over £1.36bn of investment. There is at least £178m (£71m capital, £107m revenue) available for new investment from the North East CA's Investment Fund in this period. These figures are notwithstanding any additional funding agreed with government or a decision to borrow on future income to accelerate investments.

The Combined Authority has a broad range of funding streams (figure 5), with the first row reflecting programmes initiated prior to the establishment of the organisation, the second includes funding agreed through the Devolution Deal and the third sets out the full range of transport funding.

Figure 5. The North East Combined Authority's funding streams

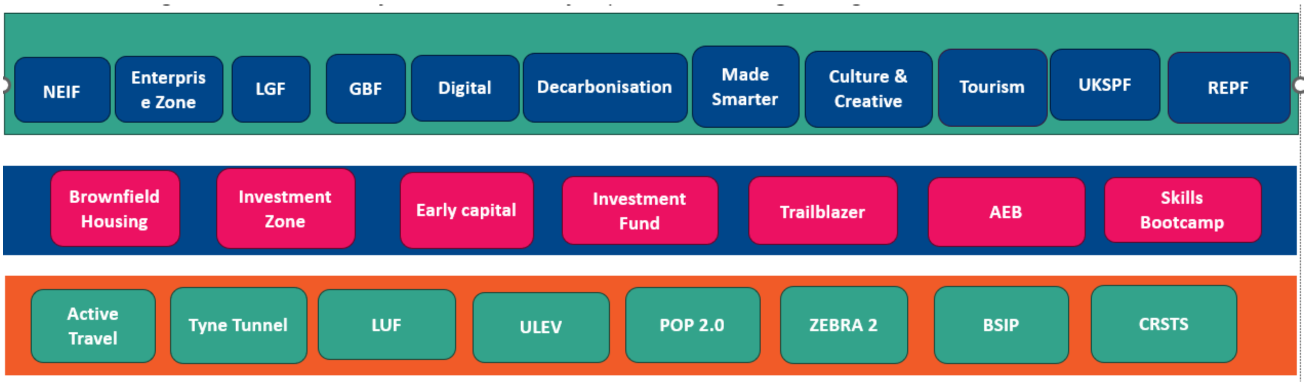


Figure 6. The North East Combined Authority's funding April 2025 to March 2026 (total value: £488m)

Theme	Funding
Sustainable Transport	231
Skills	96
Housing	19
Investment Sites	35
Growth of Low Carbon Sectors (Investment Zone)	14
Other programmes including Business, People and Place	50
Tyne Tunnels	43
Total	**488**

Source: Budget and Financial Plan

Although this document highlights an overall Investment Framework which includes all these funding streams, additional plans and strategies are being developed to support more detailed planning.

NORTH EAST COMBINED AUTHORITY'S INVESTMENT FUND

The 30-year Investment Fund is worth £1.44bn, with an allocation of £48m per annum. With a long-term horizon, and fully devolved decision making, the Investment Fund provides one of the most significant financial tools for delivering on the North East CA's vision because of its flexibility, including up to 70% of funding to be used for revenue purposes. This flexibility means that the North East CA can deliver both short-term, visible projects, whilst also advancing long-term, transformational programmes.

Within the North East, our ambition is to build and leverage relationships with mission-aligned investors to leverage at least £5.1bn of value through the Investment Fund's deployment. This is a minimum rather than a maximum, as we know that to close the investment gap and deliver on our regional vision we will need to unlock co-investment and leverage at nearer a 7:1 basis.

Where there are significant ringfenced funding for specific functions – including transport, skills and housing – the Investment Fund will only be used when these funding streams cannot be used to deliver a particular policy outcome, or where there is the opportunity to unlock wider benefits in line with the agreed vision and missions.

The North East CA will look at opportunities to make investments that deliver returns – for instance through equity, loan funding, or different ownership and delivery vehicles – and therefore present opportunities to recycle funding to activate a greater number and breadth of interventions over time. It will also consider the potential role of borrowing. Borrowing against the Investment Fund will only be pursued for strategic regional investments, with appropriate governance reviews and due diligence in place, and on interventions that meet co-investment and return on investment requirements.

ASSURANCE PROCESS

The North East CA's Single Assurance Framework describes the processes and governance arrangements for the development and delivery of investments. As set out in more detail in Box 1, all investments across all funding streams will be monitored throughout their delivery stages, consistent with the requirements of the Assurance Framework. Projects and programmes funded by the North East CA are required to have a benefits realisation strategy, a clear articulation of how they will improve outcomes for residents and reduce child poverty, as well as monitoring and evaluation plan. These tools will feed into regional assessments of both scheme-specific and programme-level effectiveness and the impact of publicly funded investments, including consideration of the extent to which investments are contributing to the North East CA's strategic commitments, as set out in its long-term vision.

Box 1: The North East CA's Single Assurance Framework

The Assurance Framework sets out a robust process to support decision making. It is a requirement of the devolution deal and has been developed in line with the English Devolution accountability Framework (March 2023) issued by Government.

Specifically, it describes:

- How the 'Seven Principles of Public Life' are embedded within the culture, processes, practices and procedures of the Combined Authority in undertaking its roles and responsibilities in relation to the use and administration of funding. This applies to existing and new funding, and projects that place a financial liability on the Combined Authority.
- The roles and responsibilities of the North East CA to ensure accountable decision making, including our processes around public engagement, probity, transparency, legal compliance and value for money.
- How potential investments will be appraised, funding allocated, and delivery arrangements.
- The process to monitor and evaluate projects and programmes to ensure that they achieve value for money and projected outcomes in accordance with the Mayor and Cabinet's priorities and that risk is effectively managed.

The Assurance Framework ensures that investment decisions are taken in line with the strategic ambitions of the NE, are evidence based, deliverable and provide excellent value for the public purse. It allows for proportionality to be applied in the development of investment proposals enabling a streamlined, agile process which delivers at pace. Collaboration is also embedded within our approach, through stakeholder engagement, partnership working and co-design. This supports integration between projects and programmes and the delivery of shared outcomes.

Good governance and accountability are central to the culture and ways of working within the North East CA; the Assurance Framework has an important role to play in demonstrating our capabilities in this area and support us in securing additional funding for the region.

GUIDING PRINCIPLES FOR INVESTMENT

With this 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 help deliver to ensure all residents have what they need to live well. We need to grow our regional economy as a whole, whilst also reducing economic and social inequalities within the region to benefit all our residents and communities.

We have agreed a set of guiding principles which will help maximise the return on investment:

- *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* – so after 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.

THE INVESTMENT FRAMEWORK: INDICATIVE PROGRAMMES AND OUTCOMES

This final section sets out indicative programmes to deliver in support of the vision set out in the Corporate Plan "*for a North East at the centre of the UK economy, a fairer and greener economy, an economy that enables every child, regardless of their background to thrive. A region where decisions about the region are taken by the people of the region.*"

The Investment Framework is set out according to the five missions, each with a number of indicative programmes which will guide delivery over the next five years. With the activities and outcomes for each mission set out in more detail in the subsequent pages.

The Corporate Plan provides more information on some of the initial priorities for each mission.

Figure 7. Investment Framework Pillars and headline areas of investment

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
• Tackling child poverty • New deal for working people, including: *Skills support *Job creation and good employer campaigns • Public Service Reform • High Streets Commission	• Local Transport Programme implementation • Bus service delivery • Housing investment, including more affordable and social housing • Spatial Development Strategy • Rural and coastal communities • Regional events programme	• Implementation of the Local Growth Plan • Creative industries • Foundational Economy • Business and investment support • Employment sites, including exploring MDCs • Investment Zone • Enterprise Zones	• Offshore wind • Electric vehicles • Decarbonisation and progress to net zero • Environment and nature	• Inward investment • Exporting • Private capital investment and access to finance • Visitor economy and events

HOME OF REAL OPPORTUNITY

This Mayoral Combined Authority will work to create opportunity for all, ensuring inclusive growth and good public services are spread across the North East. Our region is a great place to live and work, but too many people face challenges to success. We will implement polices which help overcome those challenges.

The Mayoral Combined Authority will invest in the foundations of the economy and remove barriers that prevent people succeeding. This work will be done in partnership with businesses, local authorities and trade unions, and will be designed around the needs of the people of the North East.

We will help our residents to thrive by providing all-age career support, starting in schools. We'll help people progress by funding skills programmes relevant to our region. Our employment support programmes will support residents with multiple and complex needs at a personal level, with training and help with transport costs.

By investing in our residents we will ensure also that we have a skills base that enables growth in the North East economy, both in terms of our existing sectors and our emerging strengths. But we will also support people at the neighbourhood level. We will see that in action as we explore support for the expansion of Sure Start-style services across the region, improved housing for all, work with schools on education improvement or backing community groups with access to funds. Public service reform will be central to our plans to reduce child poverty and support families.

We'll see this opportunity mission in action at a regional level in our growing cultural and sporting sectors, with Mayoral Combined Authority support to ensure everyone can participate.

Supporting all residents to live well and contribute to the success of the region is vital to making the most of our economic and cultural assets and creating long-term inclusive economic growth: skills and training are at the centre of our approach. This includes reducing child poverty – breaking the cycle of intergenerational deprivation and ensuring that opportunity is genuinely available to all. For too long, child poverty rates have been well above the national average and we will take a holistic and evidence-based approach, considering issues from childcare provision to improving routeways into employment for young people.

As part of a commitment to deliver a New Deal for workers, we will bring together our skills support, job creation and good employer campaigns under one focused brand, supported by our Skills and Employment strategies. We will also consider the relationship between work and health, building on the Marmot principles, and support both wellbeing and economic activity rates as they are intrinsically related. Part of this will mean considering how people are able to shape and access services, opportunities, and amenities, and will entail consideration of digital provision and connectivity, active travel, and affordable public transport provision. The VCSE sector will play an important role in supporting this work.

The NE Combined Authority benefits from considerable devolved resources around skills – including the Adult Education Budget and funding for Skills Bootcamps. These provide the opportunity to upskill residents in basic skills and access to Level 2 and Level 3 vocational training, alongside targeted training focusses on economic growth areas where job vacancies exist. Devolved delivery enables the North East CA to target resources on those areas which will deliver the strongest outcomes, making the best use of our assets, with this approach expected to be extended to a significant employment support programme. This includes working with residents and communities

– improving outcomes across the region and reducing inequalities – by gender, race and disability – and ensuring no one is left behind. We will also focus on delivering skills which create opportunities for residents and the skills pipeline needed for industry. We will draw on enhanced labour market intelligence to improve targeting and delivery of those programmes.

We will explore the potential to enhance collaboration across providers, including further analysis and action to improve public services across the region. We will also consider the role of public procurement in creating direct and indirect benefits within the region.

Across the North East, there are opportunities to invest in supporting our existing assets and creating new ones. This will mean investing in our places, in our city and town centres which are drivers of significant economic opportunity, as well as in strengthening social and economic opportunities in our rural and coastal communities. We will launch a Rural and Coastal Taskforce and a High Streets Commission

Proposed outcomes for this mission include to have:

- Reduce levels of child poverty
- Raise levels of employment
- Close the gap between the North East and national averages around skills.
- Increase recognition of the foundational economy, supporting it to prosper
- Reduce health-related inactivity and to grow participation in sports, physical activity, community involvement & volunteering.
- Increase footfall to High Streets, Towns and City Centres and to have stemmed the increase in long-term vacancies.

Proposed programmes over the next 5 years will include:

- Tackling child poverty
- New deal for working people, including:
    - Skills support
    - Job creation and good employer campaigns
- Public Service Reform
- High Streets Commission

A NORTH EAST WE ARE PROUD TO CALL HOME

Where we live matters. The people of the North East are rightly proud of their local identity and want services and policies that support them to live there. The North East Mayoral Combined Authority delivers the strategies and programmes that help this happen. From better transport to more social housing, from a thriving creative economy to sustainable rural communities, we will deliver in a way which aligns to the priorities of local people.

We will work with partners including local authorities, housing providers and Homes England to deliver more affordable and social housing, ensuring everyone has access to a good home. As part of this, we'll invest in communities and in making our existing housing stock meets the needs of residents, and work to secure more devolved powers to support renters.

The Combined Authority benefits from significant transport funding and powers. The approach will be set out in the Mayor's Local Transport Plan, following extensive public consultation, improving transport for all users. This will include much greater control over the bus network. Wherever possible, we will integrate transport provision within our wider regeneration opportunities, as well as exploring delivery approaches which link together placemaking and connectivity – including by developing proposals for expansion of the Metro system and the Leamside Line.

Digital connectivity is also vital, and we will look to support adoption of digital technologies and new infrastructure across the region as needed, including by working with service infrastructure providers to consider better approaches to boosting connections and delivery speeds. We will also act as a facilitator with other national infrastructure providers, for instance in identifying a solution to barriers to grid connectivity.

We'll invest in communities and in making our housing stock meet the needs of residents. We are already working with Homes England to establish a regional Strategic Place Partnership which will help deliver a high-quality homes across a range of types and affordability, unlock housing-led regeneration, and focus on creating healthy and sustainable places. We will take a renewed focus on affordable and social housing delivery and explore models for community-led housing delivery and ownership. We will also consider housing delivery as a holistic picture alongside other factors impacting housing security, affordability and the quality of the private rented sector. We will also explore programmes and interventions to prevent homelessness and housing insecurity.

We will set out a Spatial Development Strategy for the region, identifying areas for growth and infrastructure needs. It will provide a strategic overview, with matters of detail remaining in Local Plans and planning decision making made at a local authority level.

We will support our coastal and rural communities, including by bringing forward a programme to unlock their new opportunities and to address challenges.

Our visitor economy is vital not only in terms of the direct jobs and investment it supports, but also in terms of boosting our reputation and helping the North East be seen as a desirable landing place for inward investment. In addition, through supporting festivals and events, there is the opportunities to connect our residents across all our communities to cultural experiences.

In the first instance, we will set out a tourism and events programme which brings together regional cultural activities in one shared picture, and we will use this to look for opportunities for collaboration or follow-on events. Strengthening our visitor economy will boost our regional reputation, create new good jobs and inclusive economic growth, and help attract people and further investment to the region.

Proposed outcomes for this mission include to have:

- Created an integrated transport network which spans all areas of the North East including rural, coastal and urban areas, tailored to the diverse needs of our communities for both passengers and freight.
- Expanded the train/metro network
- Better, more sustainable, safer and greener transport options, where a higher proportion of people choose to travel more sustainably, leading to reduced social isolation and improved public health outcomes.
- Increased housing development, including more affordable and social housing, alongside an improvement in housing quality
- Raised rural employment growth

Proposed programmes over the next 5 years will include:

- Local Transport Programme implementation
- Bus service delivery
- Housing investment, including more affordable and social housing
- Spatial Development Strategy
- Rural and coastal communities
- Regional events programme

HOME TO A GROWING AND VIBRANT ECONOMY FOR ALL

This Mayoral Combined Authority will support businesses to create jobs across the North East. We will ensure people have the skills to access work and provide the right conditions for economic growth. We will ensure support and investment in a wide range of economic drivers, from advanced manufacturing to the cultural sector, from skills training to good transport.

This focus will see the Mayoral Combined Authority work with our businesses, universities and the research and innovation catapults to unlock higher levels of R&D and innovation funding, and to ensure we as a region transition to a digitally-enabled economy in way which supports people in employment.

We will ensure economic growth reaches all parts of the North East, with targeted support for rural and costal areas.

It's important that we continue to sell the North East, and we will progress a North East brand that builds on our remarkable creative, cultural and sport and visitor economy assets, aligned to our investment in these areas.

The North East covers a range of economic strengths and opportunities to build from. This mission will have a particular focus on supporting the priorities identified in the Local Growth Plan – which recognises the inter-dependency between a sectoral approach and wider interventions to create a 'growth environment' and create opportunities for all – issues which span all five of the CA's missions.

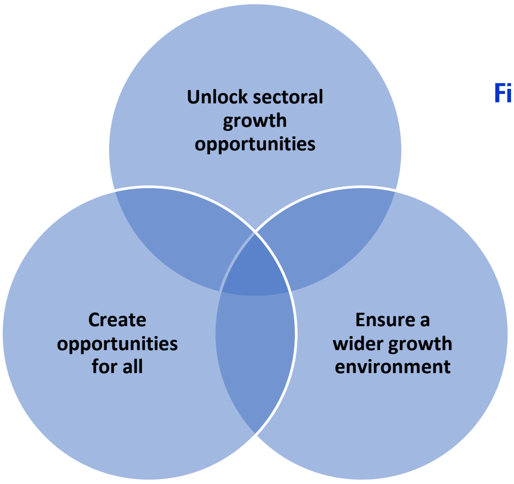


Figure 8. Approach to Growth Mission

The NE region has seen significant growth over the past 10+years, including in screen industries, software development, music and other creative content generation. We will build on existing delivery collaborations around the creative sector, for instance the success of Generator for the music industry and the NE Screen Industries Partnership around film and TV. There is real potential to rapidly scale this further, contributing to more and better jobs, economic impact, regional attraction, and greater regional visibility. Including through the nationally-significant proposal for Crown Works Studios in Sunderland – set to be one of the largest studio complexes in Europe.

The Foundational Economy has an important role to play – providing services and functions which will shape our communities for decades to come whilst also creating large numbers of employment opportunities.

We will continue to support our businesses and emerging enterprise, as well as doing further research and analysis to set out specific sector growth strategies for sectors that have significant employment and/or growth potential. Where we invest in strategic employment sites, we will focus on advancing those which put forward a regional offer for economic growth and employment opportunities, particularly linked to our sector strengths and future economic offering – including through exploring Mayoral Development Corporations and by maximising the impact of the Investment Zone.

Proposed outcomes for this mission include to have:

- Created thousands of new jobs
- Closed the gap on wages and productivity per hour worked between the North East and England excl. London.
- Increased productivity and innovation.
- Increased the number of new businesses

Proposed programmes over the next 5 years include:

- Implementation of the Local Growth Plan
- Creative industries
- Foundational Economy
- Business and investment support
- Employment sites, including exploring MDCs
- Enterprise Zone

HOME OF THE GREEN ENERGY REVOLUTION

We will grasp the opportunity that Net Zero presents to the North East. Not only will we transition to a green economy, creating thousands of jobs and reducing carbon emissions, we'll build the new technologies and solutions needed for the UK to decarbonise too. We will take an active role in regional strategic net zero activity, both in term of our convening powers but also in implementing local green policies that improve the environment and our natural habitat.

We'll ensure we're the natural choice for new industries that need access to clean energy, development land, natural resources and a skilled workforce. The Mayoral Combined Authority will encourage innovation, support green businesses to grow, and ensure residents have the skills to take advantage of the immense jobs potential that the transition brings.

We will take a central role in driving regional net zero activity through convening others and by developing the regional strategy and policy framework that sets our course. We'll provide a compelling Net Zero vision that provides many more jobs and opportunities for our communities, creating better places for people to live, work and play, and which protects and restores our unique North East nature and landscapes.

It is important the transition to a more climate friendly North East is a just transition, one which takes the people of the region with it, and we will ensure there is a route for people to benefit from these economic and social changes.

There is a dual call to action for Net Zero investment in the North East: an economic opportunity to create good quality jobs through investment across green industries and greening existing industry, as well as the imperative to reach Net Zero to support existing residents' health and wellbeing and to safeguard our environment for future generations. The region is uniquely well placed to create the new technologies and deliver the sustainable energy that will support a just transition regionally, nationally and globally.[4]

Two major job creating opportunities have been identified as priorities in the emerging local growth plan:

- Offshore wind and renewable energy
- Electric vehicles

Developing a skills pipeline will be key to the development of these industries – with the quality of existing and planned provision – including facilities to be supported through the Investment Zone - providing an opportunity of comparative advantage for the region.

In practice, delivering a sustainable future means investment in decarbonisation of our places, in supporting businesses and jobs, and in delivering interventions that benefit our residents. We have the opportunity to contribute to the UK's carbon reduction goals by investing in and adopting low carbon measures in our natural environment, businesses, homes, public buildings, and

[4] A just transition means moving to a sustainable and environmentally regenerative economy in a way that's fair to everyone, using the transition of economic structures as an opportunity to embed more fair and inclusive ways of growing the economy, as well as supporting people who are disadvantaged by the Net Zero shift (e.g. people working in polluting industries) to re-train and access green jobs.

communities, and equipping people and businesses with the skills needed to deliver Net Zero growth.

We will use regional investments to support the clean energy sector as well as the wider low carbon economy. This will include advancing research, development and commercialisation of leading solutions, as well as considering the decarbonisation of existing industries.

Specific action will be needed to explore models for retrofitting buildings, as to date no regional or national model has managed to sufficiently incentivise and support retrofit of either publicly or privately owned building stock. Delivering retrofit requires much more capital than currently available, but we can play a meaningful role in scoping a scalable model that works to support retrofit across our entire economic geography. The same is true for rolling out other decarbonisation interventions, e.g. exploring heat networks or geothermal/mine water energy

The North East landscape shapes who we are as a region, from our urban cores to the productive land that supports farming, food and forestry, to our wild uplands and coasts that have drawn visitors to the region for generations. We benefit from significant rural and coastal assets – including Northumberland National Park, two National Landscape areas in Northumberland Coast and the North Pennines, and over 500km of coastline. We have the opportunity to invest in the region's significant environmental assets and thereby sensitively unlock wider economic and social benefits. This includes through developing a North East Social Carbon Offsetting structure.

Proposed outcomes for this mission include to have:
- Secure thousands of additional jobs in offshore wind and other green jobs
- Support growth of electric vehicles
- Reduce CO2 emissions.
- To have improved the biodiversity of the region.

Proposed programmes over the next 5 years include around:
- Offshore wind
- Electric vehicles
- Decarbonisation and progress to net zero
- Environment and nature

A WELCOMING HOME TO GLOBAL TRADE

The North East is an exporting powerhouse and the Mayoral Combined Authority will build on that global reputation to maximise international opportunity. We will secure more global inward investment and increase our export output, including a focus on our cultural exports.

We will position the region to attract national institutions and refresh our international inward investment and visitor capabilities. This will be seen in our investment in infrastructure and key sites to unlock private sector investment.

The North East has a deserved reputation for being externally facing – as the UK region with the strongest level of exports and consistently the highest attractor of inward investment outside London. But there are significant opportunities to grow our visitor economy and to account for a much greater share of international visitors to the UK. We will expand our relationships with other countries to build links and opportunities for North East businesses.

In addition to supporting our existing business base and high-growth sectors, we will look at building on the strength of our cultural and natural assets to grow our visitor economy.

The role of venture capital and inward investment is key, and we will work with partners and prospective investors to drive capital into research and development, supporting spinouts and scaleups, and increasing our proportion of large businesses by employment and turnover. We will look to draw in social finance and other appropriate forms of investment to support our local SME ecosystem, which is vital to our economy today and to strengthening the businesses of the future and ensuring vibrant rural businesses.

We will also look to link inward investment to growth of key sectors as well as opportunities to leverage social value so that investments benefit residents in all our communities.

And proposed objectives from this programme will include to:

- Increase international trade and FDI
- Attract more businesses through inward investment
- Increase the availability of finance for businesses
- Increased the number of visitors to the region

Proposed programmes over the next 5 years include:

- Inward investment
- Exporting
- Private capital investment and access to finance
- Visitor economy and events

NEXT STEPS AND CONSULTATION QUESTIONS

This Investment Framework has been published in advance of finalisation of the Local Growth Plan. Feedback is requested to support further development of the Plan and an updated Investment Framework. This will be produced in 2025, following publication of Government's Comprehensive Spending Review.

We would particularly welcome comments on the following questions:

1. Does the economic overview capture the high-level areas of economic opportunity and challenge facing the region?
2. Are the economic outcomes the right-ones to be focussing on in delivery of the programmes?
3. Are the indicative programmes the best way to co-ordinate activities to meet the priorities highlighted in this document?

Appendix 1 – Transport Levies

Background to Levy Arrangements

Public transport has traditionally been seen as a county-wide service, due to the wider geographic nature of transport services. County-wide precepts for Transport costs were replaced in 1990 with levying arrangements, reflecting Government decisions about how public transport grant support was to be provided, i.e. within funding paid to metropolitan district councils rather than directly to Passenger Transport Authorities (PTAs). The levying arrangements specified a population apportionment, as set out in the Transport Levying Bodies Regulations 1992. The regulations reflected the principle that all residents in a county area should contribute equally to access to transport services. In recent years, concessionary travel costs have also been classified by DLUCH and DfT as a county-wide level service.

In establishing Combined Authorities with levying powers, Government required population to be used as the basis for levy apportionment. The North East, unlike other Combined Authority areas, includes three county areas with very different levels of cost and funding. The difference in costs relates particularly to the cost of concessionary travel reimbursement, which is considerably higher in Tyne and Wear due to the high levels of travel on an urban transport network, as well as higher levels of historic public transport borrowing costs and services such as the Tyne and Wear Metro and the Shields Ferry. It was not therefore considered appropriate to have a single transport levy covering the whole North East Combined Authority area, and the amended levy arrangements established three separate levies through legislation: one for Durham County Council, one for Northumberland County Council and one for Tyne and Wear.

Apportionment on Population basis in Tyne and Wear

Under the Transport Levying Bodies regulations, the measure of population which must be used to apportion the Tyne and Wear Transport levy between the constituent authorities is the total resident population at the relevant date of the area of each Authority concerned (the relevant date being 30 June in the financial year which commenced prior to the levying year).

For the 2025/26 levy, this is the 2023 Mid-Year estimates published by the Office for National Statistics (ONS). The population estimates for 2022 and 2023 are set out in the table below. The population estimates for all five councils have changed by different proportions. Apportioning the proposed levy of £72.409 million gives the following allocation for each Tyne and Wear council:

	2022 MYE population	2024/25 Levy	2023 MYE population	Proposed 2025/26 Levy	Change %	Change £
Gateshead	197,722	12,173,688	199,139	12,503,734	2.7%	330,045
Newcastle	307,565	18,936,691	311,976	19,588,653	3.4%	651,962
North Tyneside	210,487	12,959,626	211,769	13,296,759	2.6%	337,133
South Tyneside	148,667	9,153,386	149,270	9,372,510	2.4%	219,125

Sunderland	277,354	17,076,608	281,058	17,647,344	3.3%	570,735
Total	**1,141,795**	**70,300,000**	**1,153,212**	**72,409,000**	**3.0%**	**2,109,000**

[Population estimates for England and Wales - Office for National Statistics (ons.gov.uk)]

Appendix E

Nexus Revenue Budget – Extract for NECA Cabinet Report, November 2024

Background

1. If Nexus is to protect services, an increase in the Tyne and Wear transport levy commensurate with that outlined in the budget and Medium-Term Financial Plan (MTFP) report to the Joint Transport Committee (JTC) in January 2024 will be required next year and for the foreseeable future.

2. There are however, additional pressures that Nexus is facing, most notably Metro fare revenue being less than budget and an increase in concessionary fares reimbursement following changes to the Department for Transport (DfT) reimbursement Calculator.

2024/25 Budget and Forecast Outturn

3. At its January 2024 meeting, the Joint Transport Committee (JTC) approved a levy increase of 3.7% (£2.5m) and agreed a contribution of £4.8m from Nexus' reserves in 2024/25. This allowed for a balanced budget and enabled Nexus to protect essential transport services.

4. At this point in the year, Nexus is on target to achieve its financial plan for 2024/25 although as highlighted earlier in the report, Metro fare revenue is less than budget (the current variation is £2.0m). In addition, concessionary fares reimbursement is £3.4m higher than budget (during the preparation of the 2024/25 budget, this was highlighted as a risk, but the extent of the problem could not be accurately assessed until after the new Calculator was introduced by the DfT and subsequent negotiations with bus operators had concluded, which was some time after the budget had been agreed).

5. In the case of Metro fare revenue, this adverse variance is being offset by an increase in investment income and a one-off, in-year reduction in the cost of maintaining the existing fleet of Metro cars.

6. In terms of concessionary fares, a technical adjustment has been made to the bus secured services budget to fund this pressure. This means Bus Services Improvement Plan (BSIP) funding is being used to both maintain the bus secured services network, as well as securing additional services and enhancing frequencies on key routes. It should be noted however, that this is a short-term solution only, given BSIP funding is currently expected to expire at the end of 2025/26.

7. As previously explained, Nexus' underlying deficit was addressed and eliminated during the Covid pandemic.

8. One-off grant funding provided by central government during Covid was used to address the re-emergence of the deficit, caused by the cost of living and energy crises, where base income (in the form of grants from the JTC and DfT, together with fare and

commercial revenues generated in the provision of services) has not kept pace with inflation.

9. The financial plan that the JTC agreed in January 2024 is that reserves will be applied across the medium term, to allow the time that's needed to address the deficit from the beginning of 2027/28.

Budget Preparation 2025/26 to 2027/28

10. During budget setting for 2024/25, it was highlighted that it would be necessary to increase the Tyne and Wear Transport Levy in 2025/26 by 3.0% (£2.1m in terms of the grant passed to Nexus).

11. The table below outlines how the budget for 2025/26 is taking shape (Nexus is currently finalising its detailed budget estimates). This demonstrates that after various interventions, it is still necessary to increase the Tyne and Wear transport levy to enable services to be maintained:

	£m	£m
Base Deficit		7.6
Pressures		
Inflationary pressures	1.4	
Concessionary Fares	3.4	
Metro Fares (net)	1.6	6.4
Efficiencies/Income		
Fare revenue (Secured bus and ferry)	(1.0)	
Interest on balances	(0.8)	
HV Power	(1.6)	
Metro Rail Grant	(0.3)	
BSIP Grant	(3.4)	
Levy increase	(2.1)	(9.2)
		4.8
Nexus House lease (one-off cost)		0.7
		5.5
Use of reserves		(5.5)
Surplus/Deficit		**-**

12. In terms of cost pressures:
    i. Inflationary pressures mainly relate to contractual price adjustments and employee costs;
    ii. Concessionary fares and the relationship with the bus secured services budget and BSIP funding is explained earlier in the report;
    iii. Metro fare revenue is also highlighted earlier in the report. The net pressure includes a correction to the base budget of £2.0m, together with the impact of delays in the fleet replacement programme, and after assuming an inflationary increase in fares (subject to Cabinet's agreement); and

iv. The relocation of the headquarters building during 2025 will lead to a one-off cost as the new lease will run coterminous with lease at Nexus House which expires in December 2025.

13. In terms of efficiencies/income:

i. Growth in secured bus and ferry services revenue is expected to continue (this also assumes an inflationary increase in fares, which will be subject to Cabinet's agreement);

ii. Interest on balances will accrue at a higher rate, due to interest rates being maintained at current levels, together with projected cash balances;

iii. HV power costs are expected to reduce next year (although it should be emphasised that at £12.5m, this budget is still around 50% higher than before the energy crisis);

iv. Metro Rail Grant is expected to increase in line with inflation (although this is subject to confirmation from DfT); and

v. BSIP funding will continue to be used to address the technical adjustment to the bus secured services budget to offset the increase in concessionary fares reimbursement.

14. Taking all of this into account means that after a levy increase of 3.0%, the deficit for 2024/25 is forecast at £5.5m, which is in line with previous expectations.

Impact on Tyne and Wear Councils in 2024/25

15. The table below shows the impact on Tyne and Wear Councils from a proposed 3.0% increase in the levy (Nexus element only):

	2024/25 Levy (before population change) £m	**Proposed Increase (+3.0% and incl population change £m**	**2025/26 Proposed Levy £m**
Gateshead	11.810	0.320	12.130
Newcastle	18.371	0.632	19.003
North Tyneside	12.573	0.327	12.900
South Tyneside	8.880	0.213	9.093
Sunderland	16.566	0.554	17.120
Total	**68.200**	**2.046**	**70.246**

16. Further work is being undertaken in relation to the development of budget estimates for 2026/27 and 2027/28 to better inform the MTFP and these will be brought to Cabinet in January 2025 (as well as the budget for 2025/26, once this has been finalised).

Key Risks

17. There are several risks associated with Nexus' MTFP, not least of which is the levy itself. As paragraph 1 points out, if Nexus is to protect services, an increase in the Tyne and Wear transport levy will be required for the foreseeable future.

18. Other key risks relate to the following:

    i. Fare Revenue – which as paragraphs 2 and 12 highlight, is less than budget in the current year, and the 'correction' to the base budget that is necessary impacts across the whole of the MTFP. In addition, there are growth targets associated with annual fares reviews and the delivery of key interventions, for example when the new fleet of Metro cars is fully operational;
    ii. Metro Rail Grant – which is assumed to increase in line with inflation;
    iii. Inflation – which despite reducing since the height of the cost-of-living crisis, remains volatile and is a key risk considering Nexus has a range of key contracts that are governed by inflationary uplifts;
    iv. High Voltage Power – which remains volatile, and whilst Nexus benefits from participation in the NEPO Consortium that procures energy on behalf of local authorities in the region, the scale of Metro's consumption both in absolute terms and as a proportion of the overall budget means any adverse variation in cost is much more pronounced for Nexus; and
    v. BSIP funding – the planned withdrawal of BSIP funding from April 2026 will crystalise the adverse impact on the bus secured services budget.

Nexus Services and Deliverables

19. Nexus services and deliverables that its MTFP provides are detailed below:

    i. **Metro** - comprising the operation and maintenance of the Tyne and Wear Metro.

       Patronage is currently estimated at 31 million journeys per annum and revenue that is generated is estimated to be £46 million. On a typical weekday, the Metro delivers over 91% of scheduled journeys which amounts to over 13,000 kilometres operated per day, on average.

       Maintenance activities cover all assets that comprise the system e.g. the fleet of Metrocars, track, overhead line, stations, embankments, bridges, viaducts, tunnels, communications systems, fare collection systems, lifts and escalators.

       Metro connects the key centres of population in Tyne and Wear. Many employment sites are accessible by Metro, either directly or via interchange.

Universities and Further Education Colleges can be easily accessed by Metro, along with many retail facilities, hospitals, GP surgeries and clinics. Metro is readily accessible (defined as those who live within 800m of a Metro Station) to 350,000 individuals. Customer surveys suggest that approximately one quarter of the Tyne and Wear population uses Metro, with many Metro stations serving as interchanges with other modes of public transport, mainly local bus services but also taxi, national and local rail services as well as air transportation.

Research Nexus previously commissioned shows that Metro plays a critical role as an economic enabler:

- Metro contributes up to £224 million of Gross Value Added (GVA) to the North East economy each year;
- In a wider measure of GDP and welfare benefits, the overall contribution increases to up to £437million per annum; and
- The current network delivers an economic value of £11.80 per passenger.

ii. **Statutory Concessions** - comprising the net cost of the English National Concessionary Travel Scheme (ENCTS) in Tyne and Wear which is a statutory obligation placed upon Nexus as the Travel Concession Authority (TCA). Expenditure is dependent upon the numbers of passengers using the Scheme, the fare that would have been paid (to the bus operator) if the Scheme did not exist and an estimate of the additional costs of meeting the increased demand caused by the existence of the Scheme. TCA's and bus operators utilise DfT guidance in determining the value of payments due but in essence, Nexus has virtually no control over this sizeable burden on its NECA grant funded expenditure.

iii. **Discretionary Concessions** - comprising the discretionary add-ons to the ENCTS (the companion pass, post 2300 hour boardings, and pre 0930 hour boardings for the purposes of attending medical appointments), the Metro Gold Card Scheme, the Under 16 Scheme and Teen Travel. It might be possible to reduce expenditure on these discretions if the fare that is charged were to be increased, for example the price of the Under 16 All Day Ticket (which currently retails at £1.10 for use on any mode and any operator's services).

iv. **The Shields Ferry** - is the only cross-Tyne ferry operating in the region, providing a vital link between North and South Tyneside for leisure, commuting, tourism, and education, offering a sustainable alternative to the Tyne Tunnel. Nexus currently operates two vessels on the crossing, The Pride of the Tyne built in 1993 and the Spirit of the Tyne, built in 2007. Both the ferries and landings are owned by Nexus. The costs to deliver the service comprise staffing, fuel, maintenance, cleaning and security.

v. **Bus Services** – these are typically socially necessary services that Nexus secures when commercial operators do not consider routes to be profitable. Typically, such services include the following types of provision:-

- All day services;
- Scholars services;
- Works / Early Morning services;
- Evenings and weekend extensions;
- Route diversions; and
- Taxibus and Community Transport.

vi. **Bus Infrastructure** - comprising staffing, cleaning, maintenance and security of bus interchanges, stations and shelters.

vii. **Public Transport Information** - comprising website design and maintenance, printed material including Bus, Metro and Ferry timetables (including bus stop liners), call handling and the provision of electronic information for journey planning.

Appendix F

Nexus Capital Programme 2025/26 to 2027/28

Extract for NECA Cabinet Report, November 2024

2024/25 Forecast

1. At its January 2024 meeting, the Joint Transport Committee (JTC) approved Nexus' Capital Programme for 2024/25 to 2026/27. The approved Capital Programme had a total value of £199.680 as shown in the table below:

	2024/25 £m	2025/26 £m	2026/27 £m
Metro Asset Renewal Programme	47.191	43.941	21.816
Fleet Replacement Programme	50.579	32.352	0.822
Metro Flow	1.553	-	-
Other	1.266	0.100	0.060
	100.589	**76.393**	**22.698**

2. Since then, taking account of the 2023/24 outturn together with an updated assessment of Programme deliverables and to ensure there is sufficient over-programming to maximise external grant support from the Department for Transport (DfT), Nexus' Senior Leadership Team (SLT) has approved amendments to the Programme, which now has a value of £109.442m for 2024/25.

3. The main additions to the Programme were in respect of:

   - Track Renewals (Chillingham Road to Howdon)
   - Power Supply Systems (upgrades to complement new fleet)
   - Whitley Bay station (additional works including footbridge refurbishment)
   - Felling station (footbridge refurbishment)
   - Estate-wide condition surveys
   - Nexus Places (refurbishment of the Nexus estate and improvements to welfare facilities)

4. At the end of Period 5 (to 17 August 2024), total programme expenditure was £29.416m, with the forecast outturn standing at £92.157m. Whilst this represents a forecast underspend of £17.285m in-year, Cabinet should be assured that the available grant provided by DfT will be claimed in its entirety. Progress is shown in the table below:

	Original Budget £m	Revised Budget £m	Actual / Forecast £m	Variance £m
Cumulative to Period 5				
Metro Asset Renewal Programme	11.653	11.653	11.389	(0.264)
Fleet Replacement Programme	15.516	15.516	15.747	0.231
Other Capital Projects	0.260	0.260	0.329	0.069
Metro Flow	2.079	2.079	1.951	(0.128)

	29.508	**29.508**	**29.416**	**(0.092)**
Forecast Outturn				
Metro Asset Renewal Programme	47.604	48.826	42.257	(6.569)
Fleet Replacement Programme	50.579	51.669	43.057	(8.612)
Other Capital Projects	1.696	6.223	4.170	(2.053)
Metro Flow	1.553	2.724	2.673	(0.051)
	101.432	**109.442**	**92.157**	**(17.285)**

5. In terms of the Metro Asset Renewal Programme, the main reasons for the variance in the outturn forecast include:

   - Overhead Line replacement – works previously intended during a major line closure in the Spring have been rescheduled, with works now being undertaken during times of planned access.
   - Asset Management Software replacement – deployment has been pushed back owing to the receipt of non-compliant tenders.
   - Escalator replacements – these are now being combined with the Lift Replacement project, which is seen as more efficient and likely to deliver savings against the original estimate.
   - Risk contingency – several projects are forecasting a reduction in the use of their allocated contingency provision.

6. In terms of the Fleet Replacement Programme, the forecast outturn reflects delays in the delivery of the new fleet, which is based on the latest revised delivery programme.

7. In respect of other capital projects, the forecast outturn relates to the reprofiling of expenditure in relation to Nexus office accommodation and essential maintenance at both Ferry landings.

Budget Preparation 2025/26 to 2027/28

8. Having reviewed and refreshed the 2024/25 to 2026/27 Capital Programme, (paragraph 2 refers) the Programme for 2027/28 is under development. The Programme will be based upon Asset Management Plans for asset renewals, together with emerging priorities and potential funding.

9. In terms of the Metro Asset Renewal Programme, it is expected that from 2027/28, grant funding will be provided by the Combined Authority, as opposed to DfT. This reflects the North East Devolution Deal which previously confirmed that funding for the Metro essential renewals, would be provided from the City Region Sustainable Transport Settlement (CRSTS) Round 2.

10. Whilst the amount of grant support being made available from CRSTS2 is still to be quantified, based on the need to renew assets to ensure the Metro network remains safe and fit for purpose from an operational perspective, it is anticipated that the investment required in 2027/28 will be in the region of £40 million, with an

understanding and acceptance that if this quantum of funding cannot be provided, the Programme will need to flex as appropriate.

11. Given overprogramming levels between 2024/25 and 2026/27, it is anticipated that the Metro Asset Renewal Programme for 2027/28 is unlikely to feature that many projects. The emerging programme does however, include:

    - Finalisation of the renewal of the Supervisory Control and Data Acquisition (SCADA) system, necessary for the remote monitoring and management of a range of key assets e.g. lifts and escalators, fire alarms, tunnel lighting etc
    - Continuation of the track and overhead line replacement programmes
    - The refurbishment of Howdon Viaduct
    - The refurbishment of multi-storey car parks
    - The replacement of lifts and escalators
    - The replacement of the Asset Management Software
    - The development and implementation of Track Safety works

12. The Fleet Replacement Programme will be in its final year by 2027/28.

13. Other projects that are already funded or that will be added to the capital programme as and when funding is approved, include CRSTS Round 1 projects e.g. additional gate lines at Metro stations, the Smart Ticketing Enhancement Programme (to simplify, improve and digitise Nexus' ticketing arrangements), a programme of works that will improve and rationalise Nexus' estate, the relocation of the North Shields Ferry Landing, the construction of a new station at Murton Gap and the initial phases of the replacement signalling programme. Funding for this investment will come from a combination of internal reserves, CRSTS1, the Bus Service Improvement Plan (BSIP), the Transforming Cities Fund and developer contributions.

14. In addition, the capital programme could include other investment if separate bids to CRSTS2 are successful.

Reserves	Balance on Reserves at 06/05/2024	Forecast Movement (to)/from Reserves	Forecast Balance at 31 March 2025
	£m	£m	£m
Earmarked – Tyne Tunnels	(9.626)	(0.184)	(9.810)
Earmarked – Local Rail Studies	(0.988)	0.000	(0.988)
Earmarked – Nexus POP 2.0	(0.461)	0.461	0.000
Earmarked – Transport Devolution	(2.175)	0.000	(2.175)
Earmarked – Metro Asset Renewal Plan	(8.680)	0.000	(8.680)
Earmarked – Metro Fleet Replacement	(10.883)	0.000	(10.883)
Earmarked – Transport Interest reserve	(10.992)	0.000	(10.992)
Earmarked – Capital Grants Unapplied	(110.607)	73.895	(36.712)
Earmarked – Revenue Grants Unapplied	(64.512)	30.987	(33.525)
Strategic Reserve	(0.200)	(0.800)	(1.000)
Investment Fund Reserve	(38.340)	38.340	0.000
Preparing to exit	(0.051)	0.051	(0.000)
North East Investment Fund (NEIF) (LEP)	(1.595)	1.595	(0.000)
Enterprize Zone (LEP)	(9.101)	6.593	(2.508)
Tyne Tunnel (LEP)	(0.350)	0.350	0.000
LGF Swap Reserve	0.350	(0.350)	0.000
LEP General Reserves	(0.397)	0.397	0.000
Energy Programme Reserve	(0.045)	0.000	(0.045)
Election Fund Reserve	0.000	(3.000)	(3.000)
Adult Education Budget Grant	(12.791)	12.791	0.000
Brownfield Housing Revenue Reserve	(0.275)	0.275	0.000
Digital Connectivity Infrastructure	(0.013)	0.013	0.000
Dept Environment Food and Rural	(0.010)	0.010	(0.000)
NTCA Management Information System	(0.009)	0.009	0.000
DLUHC Capital Grant	(0.614)	0.614	(0.000)
Create Growth Programme	(0.004)	0.004	(0.000)
United Kingdom Social Prosperity Fund	(7.766)	7.766	0.000
Multiply	(0.246)	0.246	(0.000)
Strategic Capacity Reserve	(5.762)	1.944	(3.818)
Net Zero North East England	(0.101)	0.000	(0.101)
DLUHC Capacity Funding	(0.125)	0.125	0.000
North East Fund Revenue (NEMCA)	(16.000)	13.591	(2.409)
LEP General Reserves (9851)	(1.459)	1.459	0.000

Reserves	Balance on Reserves at 06/05/2024	Forecast Movement (to)/from Reserves	Forecast Balance at 31 March 2025
	£m	£m	£m
Capital Grants Unapplied (9844)			
North East Flexible Pot (NEMCA)	(20.000)	11.856	(8.144)
Brownfield Housing Fund	(23.397)	22.860	(0.537)
United Kingdom Social Prosperity Fund Capital	(1.323)	1.323	(0.000)
Rural England Prosperity Fund	(0.519)	0.519	0.000
North East Flexible Capital Grant	(24.000)	19.000	(5.000)
Total Reserves	**(383.066)**	**242.740**	**(140.326)**

Appendix H

Autumn Budget 2024: Briefing note

Prepared by North East Combined Authority

Background

The Chancellor of the Exchequer, Rt Hon Rachel Reeves MP, presented the Autumn Budget to the House of Commons on 30 October 2024. This briefing summarises the key economic data and spending commitments, identifies specific announcements about the North East area and provides detail on future regional policy and funding issues.

Economic Context

	Percentage change on a year earlier, unless otherwise stated						
	Outturn	Forecast					
	2023	2024	2025	2026	2027	2028	2029
UK economy							
Gross domestic product (GDP)	0.1	1.1	2.0	1.8	1.5	1.5	1.6
GDP per capita	-0.8	0.2	1.4	1.3	1.0	1.0	1.1
GDP level (2019=100)	101.8	102.9	104.9	106.9	108.5	110.2	111.9
Nominal GDP	7.2	4.0	4.6	3.9	3.5	3.5	3.6
Output gap (per cent of potential output)	0.2	-0.2	0.1	0.4	0.3	0.1	0.0
Expenditure components of GDP							
Domestic demand	0.0	1.3	1.5	1.9	1.8	1.7	1.7
Household consumption[1]	0.3	0.4	1.7	1.9	1.7	1.7	1.7
General government consumption	0.5	3.0	4.0	1.6	1.6	1.8	1.8
Fixed investment *of which:*	2.2	-0.3	-1.7	2.6	2.3	1.5	1.8
Business	5.5	-0.4	-1.2	0.5	1.2	1.4	1.9
General government	7.7	2.0	-0.7	6.1	1.1	-1.3	-1.4
Private dwellings[2]	-7.6	-1.6	-3.3	4.8	5.5	3.8	3.7
Change in inventories[3]	-0.9	-0.1	0.2	0.0	0.0	0.0	0.0
Exports of goods and services	-0.5	-1.1	0.6	0.5	0.4	0.5	0.7
Imports of goods and services	-1.5	-0.6	-0.8	0.7	1.1	1.0	1.1
Balance of payments current account							
Per cent of GDP	-3.3	-3.4	-3.0	-3.2	-3.3	-3.3	-3.4
Inflation							
CPI	7.3	2.5	2.6	2.3	2.1	2.1	2.0
RPI	9.7	3.6	3.5	3.3	3.1	2.9	2.9
GDP deflator at market prices	7.1	2.8	2.5	2.0	2.0	2.0	2.0
Labour market							
Employment (million)	33.2	33.1	33.4	33.7	33.9	34.1	34.3
Productivity per hour	0.0	0.0	1.0	1.2	1.1	1.1	1.1
Wages and salaries	8.1	4.7	4.5	2.6	2.5	2.7	3.0
Average earnings[4]	7.6	4.7	3.6	2.1	2.0	2.3	2.5
LFS unemployment rate (per cent)	4.0	4.3	4.1	4.0	4.1	4.1	4.1
Unemployment (million)	1.4	1.5	1.4	1.4	1.4	1.5	1.5
Household sector							
Real household disposable income[1]	2.2	2.4	2.1	0.6	0.2	1.0	1.2
Saving ratio (per cent)[1]	9.7	11.5	11.8	10.6	9.3	8.6	8.1
House prices	0.3	1.7	1.1	1.8	2.7	2.9	3.0

The table above, produced by the Office for Budget Responsibility (OBR), provides an overview of the economic forecast for the UK over the next five years. The key points to note are:

- CPI inflation is forecast to fall to the BoE target of 2% in 2029
- GDP growth will increase to 2% in 2025, but falls back over the 5-year forecast to 1.6% in 2029. GDP forecasts for 2026-2028 have been revised down since the March budget
- Productivity growth remains flat over the forecast period

Positioning of the statement

The Chancellor positioned the Budget measures as necessary to restore financial stability, fix the foundations of the economy, and deliver economic growth through increased investment.

Top lines:

- The Treasury has published an audit of the £22bn of additional in-year pressures on departmental budgets for 2024-25. Link
- The Budget increases the revenue raised by taxes by £40bn
- The Budget provides departmental spending settlements for 2025/26. The Spending Review in Spring 2025 will set out funding allocations for the following 3 years.

New fiscal rules

- Stability rule: to move the current budget into balance, so day-to-day spending is met by revenues, and the government will only borrow for investment.
- Investment rule: to reduce net financial debt (public sector net financial liabilities) as a proportion of GDP. This rule keeps debt on a sustainable path while allowing the step change needed in investment, by capturing not just the debt that government owes, but also financial assets that are expected to generate future returns.

This is the last year that the fiscal rules will target the fifth and final year of the forecast. The rules must be met by 2029/30 at this Budget, and until 2029/30 becomes the third year of the forecast, at which point both rules will target the third year of the rolling forecast period.

In future, there will be one fiscal event each year, in the Autumn.

- According to the OBR forecast, the current budget is in surplus by £9.9bn in the target year, 2029/30, and the stability rule is met two years early. Net financial debt falls in the final year of the forecast with a £15.7bn buffer, and the investment rule is also met two years early.
- Public sector net investment will average 2.6% of GDP over the Parliament, with over £100bn of additional capital investment over the next five years.
- Capital investment will increase by £13bn next year, taking total departmental capital spending to £131bn in 2025/26. Taken together, the government will invest over £35bn in economic infrastructure in 2025/26.

North East announcements

- The Budget confirms £25m for the North East MCA to remediate the Crown Works Studio site. This will support the North East's creative industries and is expected to lead to around 8,000 new jobs in the region.
- The North East MCA will receive an integrated settlement from the start of the 2026/27 financial year.

- 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 NE allocation.
- After a review the Transport Secretary has decided not to progress with dualling the A1 between Morpeth and Ellingham.

Business and Economy

- The government will increase the rate of employer National Insurance Contributions (NICs) from 13.8% to 15%, and the per-employee threshold at which employers start to pay NICS will be reduced from £9,100 per year to £5,000 per year from 6 April 2025.
- The current Employment Allowance gives employers with NICs bills of £100,000 or less a discount of £5,000 on their employer NICs bill. The government will increase the Employment Allowance to £10,500 next year, and remove the £100,000 eligibility threshold, so that all eligible employers now benefit.
- For 2025/26, eligible retail, hospitality and leisure (RHL) properties in England will receive 40% relief on their business rates liability, up to a cash cap of £110,000 per business.
    - Permanently lower multipliers for RHL properties will be introduced from 2026-27, paid for by a higher multiplier for properties with Rateable Values above £500,000.
- 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.
- Alongside the Budget, the government published a discussion paper on future business rates reform (Link), and a Corporate Tax Roadmap (Link) 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.

Industrial Strategy

The Budget confirms allocations of long-term funding for growth sectors ahead of the publication of the full Industrial Strategy next year, including:

- £975m for the aerospace sector over 5 years
- 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.

Devolution

- The UK Shared Prosperity Fund will continue at a reduced level for a further year with £900m funding; this transitional arrangement is intended to provide as much stability as possible in advance of wider local growth funding reforms.
- The Long-Term Plan for Towns will be retained and reformed into a new regeneration programme.
- The Budget introduces the first integrated settlements for the West Midlands and Greater Manchester Combined Authorities from 2025/26. Link to MoU
- Four further MCAs will receive integrated settlements from 2026/27 – the North East, South Yorkshire, West Yorkshire and Liverpool City Region. Further details of the integrated settlement for 2026/27, including the functional responsibilities, scope, formula and allocated amounts, will be confirmed at the Spending Review.
- The government also commits to reform of the local growth funding landscape at the Spending Review in spring 2025: rationalising the number of funds, moving away from competitions, and better supporting local leaders to drive growth.
- The upcoming English Devolution White Paper will set out more detail on the government's devolution plans, including on working with councils to move to simpler structures that make sense for their local areas.

Local Government

- The government will support local authority services through a real terms increase in core local government spending power of around 3.2%, including at least £600m of new grant funding to support social care.

Transport

DfT funding

- The Department for Transport's (DfT) settlement provides total DEL funding of £30.0bn in 2025-26. This delivers a £1.2bn year-on-year cash increase in 2025/26.
- The audit of public spending in July, identified £3.5bn of unfunded pressures related to transport in 2024/25, and over £800m unfunded capital commitments in 2025/26. This led to the cancellation of projects such as 'Restoring Your Railways'.

Regional transport funding

- £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.

Rail

- Securing delivery of Trans Pennine route upgrade.
- Government is committing the funding for tunnelling from Old Oak Common to Euston for HS2.
- Since the pandemic, the government subsidy for passenger services has increased to meet a shortfall in revenue as travel patterns have changed, in addition to the

funding it provides to operate and maintain the rail network. The government will look to recover this shortfall to support services and ensure the railway is able to operate effectively.
- Annual regulated rail fares cap will rise by 4.6% on 2 March 2025, one percentage point above RPI. This will be the lowest absolute increase in three years. Subject to an industry proposal, the government will also agree a £5 increase to the price of most rail cards (except the disabled person's rail card). On average rail card holders save up to £158 per year.
- The government is in the early stages of agreeing a rolling stock strategy that will bring stability to the sector.

Roads / cars / ZEVs

- 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.
- The government will freeze fuel duty rates for 2025/26, and the temporary 5p cut in fuel duty rates will be extended by 12 months and will expire on 22 March 2026.
- 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.

Buses

- 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. LTA's 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.

Active travel

- 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.

Air Passenger Duty (APD)

- For 2026/27, the government will increase rates of APD. This equates to £1 more for those taking domestic flights in economy class, £2 more for those flying to short-haul destinations in economy class, £12 for long-haul destinations, and relatively more for premium economy and business class passengers.

- The higher rate of APD, which currently applies to larger private jets, will rise by a further 50% in 2026/27. From 2027/28 onwards, all rates will be uprated by forecast RPI and rounded to the nearest penny.

People and Workforce – impact of changes to tax, pensions and benefits

Tax

- Inheritance tax – the current thresholds will be extended until 2030. IHT will apply to inherent pensions, agricultural and business assets over £1m.
- The non - domiciled tax regime will be abolished and will be replaced by a simpler and internationally competitive residence-based regime, which will take effect from 6 April 2025. That will end the use of offshore trusts to shelter assets from IHT, and scrap the planned 50% reduction in foreign income subject to tax in the first year of the new regime.
- Vaping duty - From 1 Oct 2026, introducing a vaping duty for the first time at £2.20 per 10ml of liquid. Plus a one-off tobacco duty rise to keep the incentive to choose refillable vaping over smoking.
- The government will not extend the freeze to income tax and National Insurance contributions thresholds. From April 2028, these personal tax thresholds will be uprated in line with inflation.
- Capital Gains Tax (CGT) is paid on the increase in value of an asset when it is disposed of. The main rates of CGT are currently charged at a lower rate of 10% and a higher rate of 20%, and these will be increased to 18% and 24% respectively from 30 October 2024. These new rates will match the residential property rates, which are not changing.
    - Business Asset Disposal Relief (BADR), and Investors' Relief (IR) provide access to a lower rate of CGT. The BADR and IR rates will rise to 14% from 6 April 2025, and will match the main lower rate of 18% from 6 April 2026.

Wages

- National Living Wage will increase by 6.7% to £12.21 per hour (boosting the annual earnings of full-time workers by £1,400).
- National Minimum Wage for 18-20 year-olds will increase by 16.3% to £10 per hour, representing the largest ever increase in both cash and percentage terms. This will boost young people's annual earnings by £2,500. Government's future plan is to create a single adult wage rate.

Universal Credit

- The creation of a new Fair Repayment Rate will cap UC repayments at 15% of the standard allowance, allowing 1.2 million households to keep more of their Universal Credit award.
- Universal Credit surplus earnings threshold will be kept at £2,500 until March 2026.
- An additional £90 million is allocated to accelerate the move of Employment and Support Allowance claimants onto Universal Credit, which will now start from September 2024.

Other benefits and cost of living support

- Childcare support - continue the expansion of government funded childcare through an additional £1.8 bn.

- Carers allowance weekly earnings limit will be raised, supporting them into work or to work more hours.
- Households Support Fund - The government will provide £1 billion in 2025-26, including Barnett impact, to extend both the Household Support Fund (HSF) in England, and Discretionary Housing Payments (DHPs) in England and Wales.
- Extension of the current Help to Save scheme until April 2027. With effect from April 2025, eligibility will be extended to all UC claimants who are in work.

Welfare reforms

- Welfare cap will be reset for 2029/30 using the OBR's latest forecast for the benefits in scope.
- Crackdown on fraud in the welfare system with a package of measures that will save £4.3bn in the next five years.

Pensions

- The government will maintain the State Pension Triple Lock for the duration of this Parliament. The basic and new State Pension will increase by 4.1% in 2025/26, in line with earnings growth, meaning over 12 million pensioners will receive up to £470 per year.
- The Pension Credit Standard Minimum Guarantee will also increase by 4.1% from April 2025.
- As announced in July 2024, the Winter Fuel Payment will be targeted to those in receipt of Pension Credit or certain other income-related benefits from winter 2024/25, saving an average £1.5bn per year.

Work and health

- Employment Rights Bill – will make flexible working the default, establishing a new right to bereavement leave, and making paternity and parental leave available from day 1 of starting a new job.

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.

Supporting people with disabilities or health conditions into work

- The government will invest £115m in 2025/26 to deliver Connect to Work, a new supported employment programme matching people with disabilities or health conditions into vacancies and supporting them to succeed in their roles. From 2026/27, this will support nearly 100,000 people a year. Local authorities will be able to tailor their delivery of Connect to Work in ways that meet their local needs.

- The government will set out reforms to the health and disability benefits system early in 2025 to ensure the system supports people who can work to remain in or start work.

Housing and Land

Owner Occupation

- Stamp duty on second homes to increase by 2% to 5% from 31 October 2024
- The government will engage with industry over the coming months on the Mortgage guarantee scheme (MGS) to develop plans to make MGS permanently available to support lending at 95% loan to value.
- Proposed changes to the National Planning Policy Framework, which are not captured in the forecast, "may enable greater delivery of new housing."
- Action to ensure that the planning system supports public and private investment. This includes allocating £70m in 2025/26 to support infrastructure and housing development while boosting nature's recovery.
- Views being sought on a 'brownfield passport' to ensure that suitable projects get a swift and straightforward approval for development.
- The Budget also confirms £47m of funding to support the delivery of up to 28,000 homes that would otherwise be stalled due to nutrient neutrality in affected catchments.
- DPM powers to take decision-making responsibility for appeals below the threshold for Nationally Significant Infrastructure Projects. This includes three large housing development sites – one in Durham.

Social and Affordable Housing

- Reducing discounts on the Right to Buy scheme and enabling councils in England to keep all the receipts generated by sales
- Extending the discounted Public Works Loan Board Housing Revenue Account lending rate until March 2026. This will support local authority financing of capital expenditure on social housing in their Housing Revenue Account.
- A consultation on a new long-term social housing rent settlement of CPI+1% for 5 years (including the potential to extend this for another 5 years)
- Greater investment in new affordable housing from social housing providers following phase two of the spending review.
- Housing – additional £5bn investment housing next year. A £500m boost to the Affordable Homes Programme to build up to 5,000 additional affordable homes bringing the total to £3.1bn
- Remediation of homes £1bn - dangerous cladding

Private Rented Sector

- £3bn of additional support for SMEs and the Build to Rent sector, in the form of housing guarantee schemes, to support the private housing market.

Homelessness

- £1bn, to extend the Household Support Fund and Discretionary Housing Payments (DHPs) in 2025/26. DHPs are administered by Local Authorities and will continue to support vulnerable and low-income claimants to meet additional housing costs or temporarily cover rent

- £233m of additional spending in 2025/26 on homelessness. This will help to prevent increases in the number of families in temporary accommodation and help to prevent rough sleeping.

Planning

- £46m of additional funding to support recruitment and training of 300 graduates and apprentices into local planning authorities,

Energy, Utilities and Net Zero

- From 1 November 2024, the Energy Profits Levy (EPL) rate will rise by 3 percentage points to 38%, the investment allowance will be abolished, and the rate of the decarbonisation allowance will be set at 66% so its cash value is maintained. To provide certainty and to support a stable energy transition, the government will make no additional changes to tax relief available within EPL. The levy will end on 31 March 2030.

The Budget confirms:

- £125 million for Great British Energy in 2025/26, which will be headquartered in Aberdeen.
- Support for two electrolytic hydrogen projects in Scotland, in Cromarthy and Whitellee, and two in Wales, in Milford Haven and Bridgend, to support low carbon hydrogen production.
- £3.9 billion of funding in 2025/26 for Carbon Capture, Usage and Storage Track-1 projects
- As the first step towards the Warm Homes Plan, the settlement provides over £1 billion next year, and to provide supply chain certainty now, a guarantee of investment of an initial £3.4 billion towards heat decarbonisation and household energy efficiency between 2025/26 and 2027/28. Further funding over this period will be considered as part of the Spending Review.
- The government will provide support for the first round of electrolytic hydrogen production contracts.
- £134 million to support the delivery of port infrastructure to facilitate floating offshore wind.
- £163 million to continue the Industrial Energy Transformation Fund over 2025/26 to 2027/28.
- Great British Nuclear's Small Modular Reactor competition is ongoing and has entered the negotiation phase with shortlisted vendors. Final decisions will be taken in the spring.

Education & Skills

- From 1 January 2025, all education services and vocational training provided by a private school in the UK for a charge will be subject to VAT at the standard rate of 20%.
- The core schools budget will be increased by £2.3bn, increasing per pupil funding in real terms. £1bn of this funding will go towards supporting the special educational needs and disabilities (SEND) system.
- The government is also providing £6.7bn of capital funding in 2025/26 for education in England, a real terms increase of 19% from 2024/25.

    - This includes £1.4bn for the school rebuilding programme, an increase of £550m on this year. The settlement also invests over £2bn into maintenance for schools and £950m for skills capital.
- Spending on early years and family services will increase to over £8bn in 2025/26. This includes:
    - an additional £1.8bn to continue the expansion of government-funded childcare
    - investing over £30m in the rollout of free breakfast clubs next year
    - £69m to continue delivery of a network of Family Hubs
- The Budget settlement includes £300m for Further Education, and an additional £40m to help deliver new foundation and shorter apprenticeships in key sectors, as part of initial steps towards a reformed Growth and Skills Levy
- £3m to expand the Creative Careers Programme, giving school children the opportunity to learn more about career routes and directly engage with the workplace.
- The government will deliver the Lifelong Learning Entitlement (LLE), but will postpone its launch by one year. The LLE will launch in September 2026 for learners studying courses starting on or after 1 January 2027.

Departmental Spending & Public Services

- The Budget confirms £1.8bn compensation for victims of the Horizon IT scandal, and £11.8bn for compensation payments to victims of the Infected Blood scandal.
- Departmental revenue spending will increase at an average of 2% per year in real terms between 2023/24 and 2029/30
- The Budget sets a 2% productivity, efficiencies and savings target for government departments
- The Budget announces a new Public Sector Reform and Innovation Fund, to support the development of a new approach to improving public services. Over the next three years, £100m of this will be used to deliver innovative projects, partnering with Mayors and local leaders, and developing new approaches to public service reform with a focus on experimentation and learning.
- A new Office for Value for Money will advise the Chancellor on the Spending Review, and develop recommendations for system reform

Health and Social Care

- Revenue funding for the Department of Health and Social Care will increase by £22.6bn in 2025/26 compared to 2023/24, and capital funding will increase by £3bn
- The government will publish a 10 Year Health Plan for the NHS in Spring 2025

Defence

- Government will set out a path to spending 2.5% of GDP on Defence “at a future fiscal event”. The Ministry of Defence’s budget will increase by £2.9bn in 2025/26.