

A meeting of the: **Overview and Scrutiny Committee**
will be held on: **Tuesday 10 December 2024**
at: **10.00am**
in: **Swan/Parson Room, Civic Centre, Barras Bridge, Newcastle upon Tyne, NE1 8QH**
to consider the following

AGENDA

	Page No
1. Apologies To record any apologies for absence and the attendance of any substitute members.	
2. Declarations of Interest Members of the committee are required to declare any registerable and/or non-registerable interests in matters appearing on the agenda, and the nature of that interest, in accordance with the Authority's Code of Conduct for Members .	
3. Minutes To confirm as a correct record the minutes of the previous meeting held on 5 November 2024.	3 - 6
4. North East Environmental Stewardship, Coast and Rural Growth Investment Plan To examine the North East Environmental Stewardship, Coast and Rural Growth Investment Plan, approved by Cabinet on 26 November 2024.	7 - 60
5. 2024-25 Budget Monitoring Position as at 30 September 2024 To review the revised budget plan for 2024/25, treasury management position and statement of reserves.	61 - 94
6. 2025-26 Budget, Medium Term Financial Plan and Corporate Plan To examine and consider Cabinet's initial proposals and make any comments and/or recommendations to be taken into account in formulating the final proposals.	95 - 187
7. Work Programme To review the Overview and Scrutiny work programme.	188 - 197

8. Date and Time of Next Meeting

To note that the next scheduled meeting will be held on Tuesday 4 February 2025 at 10.00am in the Town Hall, South Shields.

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Overview and Scrutiny Committee

5 November 2024

(10.00am)

Meeting held in: Committee Room 1, City Hall, Sunderland

Minutes

Present: Councillor Colin Ferguson (Chair)
Councillor Rob Crute
Councillor Steve Fairlie
Councillor Brian Gallacher
Councillor Chris Lines
Councillor John McCabe
Councillor Dominic McDonough
Councillor Jim Montague
Councillor Claire Rowntree
Councillor Willie Samuel
Councillor Dawn Welsh

OSC10/11/24 Apologies for Absence and Substitutes

Apologies for absence were received from:

Councillor Richard Dodd.

Councillor Charlie Gray. Councillor Willie Samuel attended the meeting as his substitute.

Councillor Antony Mullen. Councillor Dominic McDonough attended the meeting as his substitute.

Councillor Linda Wright. Councillor Steve Fairlie attended the meeting as her substitute.

OSC11/11/24 Declarations of Interest

Councillor Colin Ferguson declared a Registerable Personal Interest in relation to the Authority's child poverty reduction initiatives (Minute OSC14/11/24) by virtue of his employment with Altitude Foundation.

OSC12/11/24 Minutes

Resolved that the minutes of the previous meeting held on 8 October 2024 be confirmed and signed as a correct record.

OSC13/11/24 Unlocking Finance for North East Businesses to start, and to grow

The Cabinet had approved proposals to create new equity and loan products for regional businesses underserved by the mainstream market. Janice Gillespie, Director of Finance and Investment, and Mark Stamper, Head of Economic Delivery, presented details of the funds.

One fund would respond to the main gap in available finance which would emerge when the current North East Fund ceased investing in December 2024. This fund would be in the region of £90m in size, made up from £60m of Combined Authority investment (borrowing and grant) and £30m of legacy funding to be recycled from previous regional funds). Another fund would target risk tolerant and patient investment at relatively high-risk, high-growth potential early-stage ventures, starting up because of commercialisation of research and innovation activity in our universities, NHS and Catapults. This fund would be in the region of £28m, made up from £10m of North East CA investment and co-investment from regional universities. This fund would provide early-stage funding to turn innovative research and novel technologies into scaling businesses based in the region. The North East Fund Limited, would operate the funds and undertake the role of ‘implementing body’ including the procurement and management of fund managers.

The Committee sought assurances as to how the risks associated with the funds would be managed by the North East Fund, the fund managers and the Authority through its Single Assurance Framework (SAF). The Committee acknowledged the role of the Audit and Standards Committee in reviewing the application of the SAF and its intention to do so at a workshop to be held in November 2024. Members agreed that the Overview and Scrutiny Committee ought to work in conjunction with the Audit and Standards Committee so that it too could be assured of the effectiveness of the SAF and noted that the topic had already been included in the work programme.

The Committee also asked a series of questions when the following aspects of the funds were examined in more detail:

- a) how the funds would form part of a broader range of support offered to local businesses;
- b) how the funds would have a clear focus on supporting businesses with a material interest in the North East area;
- c) how the use of the funds and their impact in terms of economic growth would be spread and evaluated across the 7 constituent council areas;
- d) whether the initial recyclable investment represented value for money;
- e) the benefits of local fund managers being present in the region, understanding local needs and attracting new and additional flows of capital into the region; and
- f) the extent to which the funds would address the long term structural problem of low availability of investment in the region.

It was **agreed** that:

1. the Committee work in conjunction with the Audit and Standards Committee to review the operation of the Authority’s Single Assurance Framework;
2. the Committee receive a progress report in relation to the management of the funds at a future meeting in 12 months time; and
3. a briefing note setting out initial progress be provided to members of the Committee after 6 months.

OSC14/11/24 Child Poverty Reduction

Henry Kippin, Chief Executive, and Jackie Laughton, Director of Operations, attended the meeting to present and discuss details of the Authority’s child poverty reduction initiatives.

An allocation of £2.7m from the Investment Fund had been approved to extend child poverty reduction work in schools, workplaces and families across the North East area during the 2024/25 academic year. The Cabinet had also recently agreed to establish a Child Poverty Reduction Unit. The purpose of the Unit would be to create a convening and delivery function which could marshal evidence, bring partners together, accelerate work with central government and influence how the Authority’s investment in areas like job creation, skills, transport and housing would directly impact on the people who need it the most.

The Committee asked a series of questions and made comments in relation to the initiatives when the following issues were discussed in more detail:

- a) how the programmes would engage with hard to reach children who may not be attending school;
- b) whether the £0.5m to be invested in the establishment of the Child Poverty Reduction Unit would be better spent supporting existing child poverty prevention initiatives. In response the Chief Executive set out the aim of the unit in terms of building a strategic long term and collaborative approach to child poverty reduction in the region, building on existing initiatives and sharing best practice;
- c) the opportunity for the child poverty initiatives to facilitate minor adjustments in how services are delivered depending on the local situation so everyone felt included and the role of the Authority in normalising those messages and approach at a strategic level;
- d) the Authority's intention to draw together the two different approaches to the child poverty reduction work in schools in the northern and southern parts of the region into a single unified programme which would still recognise and support local needs; and
- e) the scale of the challenge in tackling child poverty and the connections between the Authority's regional approach and the impact of national policies.

The Chair thanked officers for their presentation and for answering members questions and he indicated that the Committee were likely to return to the topic at a future meeting.

OSC15/11/24 Mayor's Opportunity Fund

The Committee met with Henry Kippin, Chief Executive, and Jackie Laughton, Director of Operations, to examine proposals to establish a Mayor's Opportunity Fund. The Fund would involve an investment of £1million in a community grants programme supporting activities delivered by small charities and grassroots community groups. To be eligible applicants would have to be based and working within the region, have an annual income of less than £500,000 per year, have at least two board or committee members who were not related and have a bank account in the organisation's name. Four rounds of funding would be allocated over a two-year period with the first funding round due to be launched in November 2024, would seek to invest £225,000 in activity that supports cohesion, inclusion and resilience in some of the most socially and economically deprived areas. Grants would range from £1,000 to £10,000.

The Committee welcomed the fund as it provided much needed investment in small and grassroots groups who were well placed to make a positive impact in their communities. Members also commented on the scale and delivery of the Fund. In particular, the Committee:

- a) highlighted the relatively small amount of investment (£1m over two years) compared to the amounts already being invested by constituent councils to support community groups;
- b) queried the need to appoint an external delivery partner when constituent councils had existing mechanisms in place to administer the promotion, awarding, monitoring and evaluation of grants. Systems such as the Area Action Partnerships in Durham and those developed by town and parish councils had built up a wealth of knowledge and experience and members urged the Authority to consider utilising existing mechanisms to effectively deliver its grants;
- c) asked whether support could be offered to community groups on how to apply for the grants;
- d) suggested that priority be given to applications from those organisations who have not previously been in receipt of grant funding so that the Fund could act to plug gaps in the sector;
- e) stated that some organisations required very small amounts of funding and whether there was a possibility of offering grants of less than £1000; and
- f) emphasised the importance of engaging and empowering grassroots organisations in communities to help tackle the issues of poverty and deprivation.

It was **agreed** that the comments set out above be referred to relevant officers to be considered as part of the mobilisation of the Mayor's Opportunity Fund.

OSC16/11/24 Overview and Scrutiny Work Programme

The Committee considered a revised work programme following work with the Chair and Deputy Chair to reflect on comments and suggestions made by members at its previous meeting. It was suggested that the Committee should consider housing issues as part of its work programme, including details of new housing bills, the private rentals sector and new homes building.

It was **agreed** that:

1. the revised Overview and Scrutiny Work Programme be approved;
2. the Chair and Vice Chair be authorised to continually review and revise the work programme as necessary so that the Committee can react to changes within the Authority and so scrutiny can be undertaken on policy development as it evolves; and
3. the work programme be included as a standing item on the agenda of future Committee meetings to provide an opportunity for members to review the work programme, suggest items for inclusion and agree any changes.

10 December 2024

Title: North East Environmental Stewardship, Coast, and Rural Growth Investment Plan

Report of: Michael Robson, Senior Governance Officer and Scrutiny Officer

1. Report Summary

1.1 The purpose of this report is to present background information to enable the Committee to review and scrutinise the North East Environmental Stewardship Coast and Rural Growth Investment Plan.

2. Recommendations

2.1 The Overview and Scrutiny Committee is invited to review the North East Environmental Stewardship Coast and Rural Growth Investment Plan, ask question of officers and provide any feedback on any key issues or the approach set out.

3. Context

3.1 In September 2024 members of the Committee met informally with Councillor Glen Sanderson, Cabinet Member for Environment Coast and Rural, when he explained that the Cabinet were due to consider proposals for a North East Environmental Stewardship, Coast, and Rural Growth Investment Plan. Having discussed the formulation of the Plan with Councillor Sanderson, the Committee agreed to include within its work programme a more detailed examination of the Plan.

3.2 On 26 November 2024, Cabinet approved the North East Environmental Stewardship, Coast, and Rural Growth Investment Plan and agreed to:

- a) an indicative budget allocation of £15.75m to facilitate the delivery of the Investment Plan, focussed on the following two priority areas: a. £7.25m for the Environment and Nature investment priority b. £8.5m for the Rural and Coastal Growth investment priority; and
- b) a £1.25m Environment, Coast & Rural Enabling Fund, including £300k for resources to oversee the implementation of the Investment Plan and to provide secretariat support for a Rural & Coastal Taskforce; £300k for a climate resilience pilot; and £650k to support the development of investible propositions in accordance with the Environmental Stewardship, Coastal and Rural Growth Investment Plan strategic priorities.

3.3 The programmes set out in the Plan are indicative at this stage and subject to the usual business case development and approval processes as required by the Authority's single assurance framework.

3.4 The report considered by Cabinet is attached as Annex 1 which includes details of the Plan. The Committee are invited to examine the proposals, ask questions and make comments. Councillor Sanderson was invited to attend today's meeting to present and discuss the Plan but he is unable to attend and has submitted his apologies. Relevant officers will be in attendance at the meeting to provide context on the proposals and to answer questions.

4. Implication Statements

- 4.1 The policy, equalities and engagement implications of the plan are set out in the report to Cabinet.

5. Appendices

Annex A: Report to Cabinet in relation to the North East Environmental Stewardship Coast and Rural Growth Investment Plan.

6. Background Papers

The following background documents have been used in the compilation of this report and are available for inspection either by clicking on the links below or by contacting the report author:

- [Notice of Decisions made by Cabinet on 26 November 2024](#)
- Notes of the informal meeting with Councillor Glen Sanderson held on 25 September 2024

7. Contact Officers

Michael Robson, Scrutiny Officer Michael.robson@northeast-ca.gov.uk

Ross Lowrie, Principal Manager (Low Carbon Growth & Net Zero) ross.lowrie@northeast-ca.gov.uk

Title: North East Environmental Stewardship, Coast, and Rural Growth Investment Plan

Report of: Rob Hamilton, Interim Strategic Leader Economic Growth and Regeneration

Portfolio: Environment, Coast and Rural

Report Summary

Our unique North East geography helps shape the identity of the region and our future economy. Our rivers host many of our industries, with the ports facilitating international trade; our productive soils support farming, food and forestry; and our wild uplands and coasts have drawn visitors to the region for generations. The total land area is vast, while we benefit from the Northumberland National Park, two National Landscape areas, in the Northumberland Coast and the North Pennines, and over 500km of coastline.

Opportunities provided by this landscape include leading the way in:

- producing high quality and regionally distinctive food,
- tackling nature recovery on a landscape scale,
- creating new financial markets for carbon and nature,
- working with our landscapes to improve the climate resilience of downstream towns and cities,
- delivering net zero through innovative land management and nature-based solutions.
- enabling rural businesses to thrive, providing employment and generating wealth

We need to act to secure these opportunities, whilst also breaking down barriers to growth. Our rural and coastal communities and businesses face additional challenges including poor connectivity to jobs and skills systems, access to affordable housing, digital exclusion, health inequalities and longstanding deprivation. Our nature is in decline and our landscapes and communities face growing climate threats. Decarbonising rural transport, housing and agriculture is a challenge.

Investing in NE nature, backing regional food and farming, building our rural economy and supporting coastal communities are all Mayoral priorities. The Devolution Deal commitment to develop the *North East Environmental Stewardship, Coastal and Rural Growth Investment Plan* has been progressed as an early priority. It has been developed in collaboration with key regional partners and underpinned by an evidence review by the National Innovation Centre for Rural Enterprise (NICRE).

This report summarises the Investment Plan, setting out an innovative approach to enhance the environment, grow coastal and rural economies, develop new markets, and improve opportunity in coastal and rural communities. It also seeks the approval of indicative funding to allow us to take the first steps towards being a national exemplar in this area.

Recommendations

Cabinet is recommended to:

1. Approve the draft North East Environmental Stewardship, Coast, and Rural Growth Investment Plan, set out in Appendix 1, ahead of formal launch.
2. Agree to an indicative budget allocation of £15.75m from the Investment Fund for the period 2025-29 to facilitate the delivery of the Investment Plan, focussed on the following two priority areas:
 - a. £7.25m for the Environment and Nature investment priority
 - b. £8.5m for the Rural and Coastal Growth investment priority
3. Agree that subsequent approvals of financial commitments against point 3 above will be subject to completion of full business cases, progressed in accordance with the Single Assurance Framework.

4. Agree to a £1.25m Environment, Coast & Rural Enabling Fund, to be managed in accordance with the North East Combined Authority's Scheme of Delegation, and limited to officer resource and expert advisory support in pursuance of the following:
 - a. £300k for resources to oversee the implementation of the Investment Plan and to provide secretariat support for a Rural & Coastal Taskforce;
 - b. £300k for a Climate Resilience pilot;
 - c. £650k to support the development of investible propositions in accordance with the Environmental Stewardship, Coastal and Rural Growth Investment Plan strategic priorities.
5. Note that the North East Combined Authority will work with the UK Government and others to seek further investment to support our ambitions around both Environment and Nature and Rural & Coastal Growth. The ambition is to use the indicative funding highlighted in this report to leverage an overall package of at least £25m of activity over the next 5 years.

A. Context

1. Background

- 1.1 The Mayor's Manifesto makes clear that future economic growth needs to benefit all, including those who face rural disadvantage. It also states that we need to use our natural assets to combat climate change and build better places to live. The natural environment and our coastal and rural areas are at the heart of the North East Devolution Deal and Deeper Devolution Deal. Given that it will provide a focal point for action and investment, the Deal commitment to develop the *North East Environmental Stewardship, Coastal and Rural Growth Investment Plan* has been progressed as an early priority of the Combined Authority.
- 1.2 Over the past 15 months, a cross-sector Advisory Group, composed of key regional partners, has worked in close collaboration to develop a shared regional vision for the future of our natural environment, and rural and coastal economy and communities. This work was underpinned by a review of available evidence by the National Innovation Centre for Rural Enterprise (NICRE).
- 1.3 This Investment Plan sets out a fresh approach to investing in our unique environmental, economic and cultural assets in a way that will simultaneously enhance nature, grow coastal and rural economies, and improve opportunity and prosperity in coastal and rural communities.
- 1.4 Through the *North East Environmental Stewardship, Coastal and Rural Growth Investment Plan*, the vision is to create and deliver new solutions to environmental stewardship and coastal and rural growth opportunities and challenges, investing in improving the lives and prospects of our people, businesses, and communities:

The North East will be a UK innovation trailblazer, developing and sharing new solutions to natural environment, coastal and rural challenges, informed by our distinctive geography and economy. Our natural environment, and coastal and rural areas will be thriving and productive. Our sustainable rural and coastal businesses, prosperous and healthy communities and people, and vibrant local nature will combine to tackle inequality, boost wellbeing in all parts of the region, adapt to the impacts of climate change, and support the North East's journey to net zero. The North East will be a greener, fairer region.

- 1.5 It is proposed that the first Phase of delivering the Investment Plan consists of three distinct elements, with each supported by an indicative allocation:
 - an **Environment and Nature** investment priority
 - a **Rural and Coastal Growth** investment priority
 - The creation of an **Environment, Coast and Rural Enabling Fund**, to facilitate delivery of early commitments defined within the Devolution Deals and the preparation of detailed business cases for the sub-programmes and projects within the above two Strategic Programmes

2. Environment & Nature Investment Priority

- 2.1 Whilst there are numerous examples of good practice of delivering environmental initiatives within the region, activity has largely been driven by responding to national grant bidding opportunities as opposed to proactively delivering to a shared strategy. The creation of the new Combined Authority represents the first coherent mechanism for the seven local authorities and their partners to invest as a collective in the region's significant environmental assets and thereby sensitively unlock wider economic and social benefits.
- 2.2 This paper proposes an indicative financial allocation of £7.25m for the Environment and Nature investment priority (Appendix 2), with four proposed strategic priorities of: food and timber supply and decarbonisation; climate resilience and adaptation; local nature recovery; environment, wellbeing and community action. Outcomes are to be set out in greater detail in a forthcoming programme-level business case, but will include:
- Increase in investment in North East carbon and nature
 - Increase in % of North East SSSIs in positive condition
 - Increase in farm profitability in North East
 - Reduced GHG emissions
 - Increase in tree canopy and woodland cover
 - Improved health & wellbeing through engagement with nature / outdoors
 - Increased access to nature
- 2.3 It is proposed that the first phase of delivery is focussed on:
- Developing and implementing high integrity carbon and nature markets that restore our nature, lock up carbon and secure inward investment into the region
 - Establishing a Local Nature Recovery Programme to catalyse delivery of the 3 statutory Local Nature Recovery Strategies (County Durham; North of Tyne; South of Tyne and Wear) currently being prepared in the region to attract public sector match and private sector leverage aimed at improving or creating more wildlife-rich habitats.
 - Building a programme of intervention that includes supporting and promoting regional food production; develop a regional climate change adaptation and resilience capability to minimise future threats to communities and businesses; and promote access to nature to support community health and wellbeing.

3. Rural & Coastal Growth Investment Priority

- 3.1 Rural and coastal areas make an important contribution to the North East economy. Rural areas contribute circa 12% of Gross Value Added (GVA), equivalent to nearly £4.7bn, and coastal areas 19% - equivalent to circa £7.6bn. However, they don't reach their full potential due to a range of rural barriers and disadvantages, our Rural districts have lower productivity index scores than the average for rural districts across England. GVA per worker in coastal areas in the North East is significantly less than inland.
- 3.2 Rural and urban economies are interdependent - supporting rural growth helps our urban-based economy to grow too. Targeted rural business support to address these disparities will make a significant difference to the regional economy. Whilst we are unable to replace UK Government funding that ends, we do recognise the need to address rural and coastal barriers to economic growth and sustainable communities. A tapered investment approach is proposed that will enable community and business support across all rural areas of the North East, albeit at a reduced level over 4 years.
- 3.3 Similarly evidence shows our rural and coastal communities face specific challenges related to their geography. They face challenges in relation to social mobility, transport, employment and access to housing. Coastal populations have some of the highest rates of premature, preventable deaths including under-75's cancer mortality being 23% higher than the national average.

- 3.4 This paper proposes an indicative financial allocation of £8.5m for this theme (Appendix 2), supporting rural and coastal business growth and rural and coastal place-based regeneration. Expected outcomes will be set out in greater detail in forthcoming business cases, but will include:
- Private sector investment secured / attracted (£)
 - Number of jobs created / safeguarded
 - Increased GVA of North East rural and coastal economy (£bn)
 - Increased productivity in North East rural economy (GVA per job filled, £)
 - Increased business start up rate
 - Reduced deprivation in rural and coastal areas
- 3.5 The initial priority is to provide a North East-wide rural business advice service to support rural businesses in County Durham, Northumberland and Gateshead. This will, for the first time, provide a unified and consistent service across all of our rural areas, and in particular include rural Gateshead for the first time. This support is anticipated to provide a minimum viable service of business support to break down rural barriers and unleash the full potential they can bring to the North East economy.
- 3.6 It is anticipated that further UK Government rural and coastal interventions will be required to sustain delivery as UKSPF funding closes. Our Rural & Coastal Taskforce will identify the evidence, policy interventions and investment required to support thriving rural communities and businesses, including the need for capital investment programmes to build in tailored rural approaches in recognition of the increased costs of creating jobs in rural areas. It will also identify the challenges coastal communities face and develop the case for coastal-specific support. The Taskforce will develop a Rural & Coastal Blueprint, working with UK Government to identify the funding sources required to deliver the coastal and rural community regeneration set out in the Environmental Stewardship, Coastal and Rural Growth Investment Plan.

4. Environment, Coast and Rural Enabling Fund

- 4.1 The Deeper Devolution Deal includes two commitments that will significantly contribute to our ambition to become a national exemplar for environmental stewardship, coast, and rural growth. These relate to the establishment of the Coast and Rural Task Force and the participation in the Local Authority Climate Change Pilot.
- 4.2 The time-limited Taskforce presents an opportunity to unlock the further devolution of powers and funding. The North East CA area provides a geography for the Government to test and develop new ways of working to address challenges and seize opportunities in rural and coastal settings. Additional support is required to provide an intelligent secretariat.
- 4.3 The climate change pilot provides an evidence-led mechanism to catalyse a pan-regional approach to climate resilience to further strengthen and deepen the work already being undertaken by the 7 local authorities. Again, additional resources are required to maximise this opportunity and thereby accelerate our ability to take collective action.
- 4.4 Given the Environment, Coast & Rural Portfolio is a substantially new area of activity for North East Combined Authority, catalytic funding is included in the Enabling fund to develop the investible propositions set out above.
- 4.5 The proposed £1.25m Environment, Coast and Rural Enabling Fund will be managed in accordance with the North East Combined Authority Financial Regulations and limited to officer resource and expert advisory support in pursuance of secretariat support for a Rural & Coastal Taskforce; a Climate Resilience pilot; the development of investible propositions in accordance with the Environmental Stewardship, Coastal and Rural Growth Investment Plan strategic priorities.

B. Impact on North East Combined Authority Objectives

The proposed investment programmes outlined in the Investment Plan will deliver on a number of the Combined Authority's strategic commitments, as follows:

- Devolution Deal
 - A commitment to develop this North East Environmental Stewardship, Coastal and Rural Growth Investment Plan.
 - Proactive collaboration with government to support rural infrastructure development, including stimulating housing and economic growth in rural areas.
 - Agreeing priorities for and increased investment in nature recovery via the preparation of Local Nature Recovery Strategies (LNRSs), including a Local Investment in Natural Capital (LINC) Pilot with government.
 - Promoting close collaboration with Scotland on growth and innovation along the North East Coast Corridor.
- Deeper Devolution Deal
 - Participating in a Local Authority Climate Service Pilot with UK Govt and the Met Office
 - Creating a regional food covenant to help boost local production and deliver a prosperous agri-food sector.
- Mayoral Manifesto
 - Develop a regional carbon offset market
 - Recover and improve access to nature and support community wellbeing
 - Plant more trees and increase woodland cover
 - Back farming and local food production

C. Key risks

The following strategic risks to the successful development and delivery of the proposed programmes of investment have been identified, along with mitigations. These risks will be addressed in full via subsequent business cases to be brought forward to the Combined Authority.

- **Unable to mobilise the proposed activity during the first year of investment 2025/26** - Activity during 2025/26 will build on or continue activities already in delivery or under development, including existing rural business growth and community programmes in the region's rural areas, and joint local authority work on the development of Local Nature Recovery Strategies. Firm plans are in place to mobilise quickly and to demonstrate early progress from 2025/26 against key devolution deal commitments and Investment Framework priorities
- **Unable to establish suitable programme governance, management and delivery capacity** - A North East Environment, Coast and Rural Portfolio Advisory Board has already been established, involving the North East Combined Authority, the seven local authorities, and other key environmental and economic development agencies and partners. The Advisory Board will provide the basis to rapidly establish an appropriate governance and management structure to oversee the proposed investment programmes. This will draw on the expertise, capacity, and resources of agencies and partners involved to date in developing the Investment Plan.
- **Challenges in attracting co-investment from private sector and others** - Delivery of the ambitions set out in the Investment Plan will require the region to be successful in attracting co-investment from the private sector, charitable trusts and foundations, UK government departments, and others. Enabled by the programmes described in this report, we will be able to develop compelling investment propositions that will attract additional investment the region.
- **Failure to develop a strong pipeline of future programme delivery** - while the challenges and opportunities facing the region are clear, rapid work is needed to develop intervention programmes that will address key issues (e.g. food and fibre supply and decarbonisation,

climate resilience & adaptation, local nature recovery). Without effective early development work there is a risk that the region will fall behind.

- **Risk of losing delivery capacity and skills** - Uncertainty about the future of key UK Government funding streams (including UKSPF and REPF) risks a significant interruption to existing business growth and community programmes in the region’s rural areas, as well as to the region’s ability to mobilise new activity to address a range of environment and nature challenges. There is a risk that key personnel, skills, and delivery capacity will be lost during any funding hiatus.

D. Financial and other resources implications

The table summarises the financial implications of the proposed phase 1 delivery of the Environmental Stewardship, Coast, and Rural Growth Investment Plan.

PHASE 1 DELIVERY	2024/25	2025/26	2026/27	2027/28	2028/29	Total
EXPENDITURE						
Environment and Nature		£250,000	£1,250,000	£2,500,000	£3,250,000	£7,250,000
Rural and Coastal Growth		£2,500,000	£2,500,000	£2,500,000	£1,000,000	£8,500,000
Environment, Coast, Rural Enabling Fund	£75,000	£625,000	£550,000			£1,250,000
Total	£75,000	£3,375,000	£4,300,000	£5,000,000	£4,250,000	£17,000,000
INCOME						
Nort East Investment Fund	£75,000	£3,375,000	£6,800,000	£7,500,000	£8,250,000	£17,000,000

“Environment & Nature” and “Rural & Coastal Growth” programme spend will be in accordance with the [Cabinet delegation for portfolio spend](#) agreed in July 2024.

E. Legal implications

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

F. Equalities Implications

As outlined above a key objective of the Environmental Stewardship, Coast, and Rural Growth Investment Plan is to ensure that no business or community is left behind because of their geographical location in rural and coastal settings. The Investment Plan also seeks to ensure that there is equality of access to the environment and nature.

G. Consultation and engagement

The Investment Plan has been prepared by a cross-sector Advisory Group, composed of key regional partners with a stake in our environment, and our rural and coastal economies and communities. This includes the North East Combined Authority, the region’s seven Local Authorities, the National Park Authority and the two National Landscapes; representatives of farming, forestry, coastal and tourism industries; business and economic development agencies;

community organisations; environmental and nature agencies and organisations; and universities and research & innovation institutions.

H. Appendices

Appendix 1: Environmental Stewardship, Coast, and Rural Growth Investment Plan
Appendix 2: Programme specific budgets

I. Background papers

None

J. Contact officer(s)

Janice Rose, Rural Advisor
Ross Lowrie, Principal Manager (Low Carbon Growth & Net Zero)

**North East Environmental Stewardship,
Coast, and Rural Growth Investment Plan**

**FINAL DRAFT FOR PUBLICATION
9 OCTOBER 2024**

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Foreword

The natural environment, and coastal and rural areas are at the heart of the North East Devolution Deal, reflecting the region's diverse geography, environment and economy, and the distinctive opportunities and challenges this presents.

Investing in North East nature, backing regional food and farming, building our rural economy and supporting coastal communities are Mayoral priorities. We believe that safeguarding the natural environment, growing and transforming the economy, and boosting wellbeing work hand-in-hand in areas like ours where the land, coast, natural environment, economy and communities are so interdependent.

This Investment Plan describes the North East's vision for a thriving natural environment and coastal and rural economy, why this is essential for the future wellbeing and prosperity of our region, and how we'll make it a reality, working with Government, and our businesses, people, and communities.

OUR VISION

The North East will be a UK innovation trailblazer, developing and sharing new solutions to natural environment, coastal and rural challenges, informed by our distinctive geography and economy.

Our natural environment, and coastal and rural areas will be thriving and productive. Our sustainable rural and coastal businesses, prosperous and healthy communities and people, and vibrant local nature will combine to tackle inequality, boost wellbeing in all parts of the region, adapt to the impacts of climate change, and support the North East's journey to net zero.

The North East will be a greener, fairer region.

This Plan has been prepared by a **cross-sector advisory group, composed of key regional partners with a stake in our environment, and our rural and coastal economies and communities**. This includes the North East Combined Authority, the region's seven Local Authorities, the National Park Authority and the two National Landscapes; representatives of farming, forestry, coastal and tourism industries; business and economic development agencies; community organisations; environmental and nature agencies and organisations; and universities and research & innovation institutions. The partners have worked in close collaboration to develop a shared vision for the future of our natural environment, and rural and coastal economy and communities. A full list of the agencies involved is provided in Appendix 1.

Our approach is the first of its kind amongst Combined Authorities – we are leading the way. We know the challenge is huge, we cannot achieve our vision alone. However if we harness North East's innovative spirit, work together and play to our strengths we can make our collective vision for a greener, fairer, prosperous region a reality.

1. Introduction

Environmental Stewardship, Coast, and Rural Growth in North East England

The North East of England region spans a large and diverse land area totalling 3,000 square miles, from the Scottish Borders in the north to the boundary with Tees Valley and Yorkshire in the south, and from the North Sea on the east coast to the border with Cumbria in the west. Comprising seven local authority areas of County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland, we are England’s northernmost region.

Rural and coastal areas are crucial to the North East economy, geography, and natural environment. 40% of the region’s population lives in largely rural local authority areas and more than 30% of the North East’s land area is designated landscape, including a National Park and two National Landscapes. The region’s rural and coastal areas combined account for 31% of total North East GVA (Gross Value Added).

The diverse natural landscape and geography presents complex issues, from opportunities to lead the way in tackling nature recovery, addressing climate adaptation, and delivering net zero land management, to the challenges of poor connectivity, health inequalities, longstanding deprivation, and access to good quality jobs, skills, and housing in outlying rural and coastal communities.

This **Investment Plan** sets out a **fresh approach to investing in our unique natural environmental, economic and cultural assets** in a way that will **simultaneously** enhance the environment, grow coastal and rural economies, and improve opportunity and prosperity in coastal and rural communities. Our approach aligns and balances investment in:

- **Environmental stewardship:** Looking after and enhancing precious **natural assets** in a way that delivers environmental, social, and economic benefits. Our **natural assets (or natural capital)** are defined as: land; geology; natural landscapes; nature habitats and wildlife; trees and woodland; peatland, soils and bogs; coastal and marine environment; inland waterways; inshore coastal waters and estuaries; clean air. This includes designated areas e.g. National Landscapes, SSSIs, nature reserves, National Park. There is an assumption in this Investment Plan that actions will not bring about one environmental benefit at the expense of another, for example new woodlands would not be planted on areas with existing biodiversity importance or historic significance.
- **Coastal and rural growth:** Developing and growing coastal and rural economies and communities in a way that simultaneously delivers environmental and social benefits. This means strengthening, growing and transitioning businesses through sustainable use of natural assets and low carbon approaches; creating good quality jobs, skills and other opportunities accessible to all; regenerating communities; and enhancing quality of life and wellbeing through engagement with the natural environment.

There are strong interdependencies between the North East’s rural and coastal areas and neighbouring urban population and business centres. This Plan recognises these connections and many of our ambitions will benefit the entire region, including accelerating the transition to net zero through investment in natural assets, supporting local nature recovery, building resilience to climate change impacts, and improving people’s health and wellbeing.

Other priorities are place-based, focusing on economic growth and regeneration in rural and coastal areas:



Our **rural geography** aligns to DEFRA’s previous classification, which encompassed rural areas in Northumberland, County Durham, and Gateshead. A map is provided in Appendix 2a.



Our **coastal geography** includes **onshore** and **marine** areas. The onshore coast is broadly defined as the area to the east of the A189 and the A19 road network, running from the border between Northumberland and Scotland in the north, to the boundary between the

East Durham coast and Tees Valley in the south¹. The onshore coastal area is outlined in the map attached at Appendix 2b and includes the region's tidal estuaries.

¹ A more specific definition of the region's coastal area will be developed by the North East Coastal and Rural Taskforce

Devolution and the North East Coastal and Rural Taskforce

The natural environment, and coastal and rural areas are at the heart of the North East's distinctive Devolution Deal, with the ambition of becoming a national exemplar. As part of the Deal, a new 'North East Coastal and Rural Taskforce' will be established to develop a Coastal and Rural Economy Transformation Blueprint. The first of its kind in the UK, the time-limited Taskforce will bring together national government agencies with partners in the region to jointly develop policy and new solutions to tackle natural environment, coastal and rural issues. Through the work of the taskforce, the North East will be a UK innovation trailblazer in:

- **Natural environment** - Including nature-based solutions to decarbonisation, climate adaptation and resilience, landscape/seascape/river catchment restoration, net zero transition in land management, carbon sequestration, nature recovery, and sustainable growth of land-based industries.
- **Coastal and rural regeneration and growth** - Including economic growth (land-based industries, visitor economy, rural business growth), cultural heritage and historic environment, place-based regeneration, infrastructure development (including affordable housing, transport, digital), skills, health & wellbeing.

The Taskforce will be a key body in guiding the delivery of this Investment Plan, while the investment programmes described in the Plan will deliver on the priorities of the Taskforce.

Our Strategic Priorities and the difference we'll make

We believe that safeguarding the natural environment, growing the economy, and boosting wellbeing work hand-in-hand in areas like ours where the land, coast, natural environment, economy and communities are so interdependent. This Investment Plan sets out our vision for the future of the natural environment, and coastal and rural areas, and how we will play our part in tackling the key challenges of our age, including:

- Climate change and the net zero transition.
- Nature recovery.
- Food, timber and energy security and affordability.
- Reducing economic inequality, boosting opportunity and prosperity.
- Improving public health and wellbeing.

We will achieve our vision by addressing **six strategic priorities**, underpinned by our aim to be a UK innovation trailblazer on natural environment, coastal, and rural issues.



Strategic Priorities	Why we need to act	Outcomes and the difference we'll make
<p>1. Food/Fibre Supply & Decarbonisation² through natural assets</p> <p>A leading role for our land, coast, and natural environment in decarbonising the North East and supporting food and fibre security</p>	<p>Our natural assets have a big role to play in decarbonising the North East and supporting the transition to net zero. There is huge potential to decarbonise our agricultural, agrifood, forestry and fisheries sectors and provide secure local food and fibre supplies. Our natural assets and coastal areas also provide huge opportunities to store carbon, and to generate new forms of low carbon energy.</p>	<ul style="list-style-type: none"> • Lower greenhouse gas emissions from land based and coastal industries transitioning to net zero (e.g. agriculture, agrifood, forestry, fisheries). • Secure local supplies of food, timber and other produce. • Lower net emissions in the region by storing more carbon within the extensive natural environment (e.g. woodland cover, peatland restoration, marine environment). • More renewable energy generation through natural assets (e.g. geothermal energy, solar).
<p>2. Building climate resilience</p> <p>Our communities, households and businesses will be more resilient to the impacts of climate change.</p>	<p>The entire North East region is facing major challenges and growing threats from the impacts of climate change, including more severe and frequent storms, flooding, coastal erosion, droughts, and wildfires. The worst impacts are seen in some of our coastal and rural communities, as well as those close by rivers and estuaries.</p>	<ul style="list-style-type: none"> • Greater resilience to climate events for households, communities and businesses in all parts of the region, including through investment in natural assets (e.g. coastal and estuary defences, natural flood management) and other measures. • Reduced disruption and lower costs resulting from storms, flooding, coastal erosion, droughts, and wildfires. • More secure supplies of food, timber, energy, water, and other produce.
<p>3. Promoting nature recovery</p> <p>Our local nature will be restored and enhanced, by investing in natural assets.</p>	<p>The North East's nature and habitats (on land and at sea) are increasingly at risk, with a decline in biodiversity resulting mainly from human activities, such as land use changes, pollution, and climate change, as well as the region's unique industrial and mining heritage.</p>	<ul style="list-style-type: none"> • More wildlife-rich habitats created or improved in locations that have the greatest benefit to biodiversity and the wider environment. • Improved species abundance and enhanced recovery of the most threatened or near threatened species, by considering their habitat and connectivity requirements. • Increased tree and woodland cover. • Improved water environment, including by limiting or mitigating nutrient and sediment pollution from agriculture, and through creation or improvement of habitat. • Improved public access to green and blue spaces.
<p>4. Boosting health, wellbeing & community action on net zero</p> <p>We will boost physical and mental wellbeing by supporting local people to engage with nature and the outdoors. We will promote</p>	<p>The region faces many health inequalities (e.g. rising diabetes, obesity, dementia, poor mental health). Spending time in nature and the outdoors improves physical and mental wellbeing. We want to harness the power of nature to improve the health and wellbeing of people from all backgrounds and every part of the region, improving health outcomes, tackling inequality, and enhancing productivity</p>	<ul style="list-style-type: none"> • Improved physical and mental wellbeing for people from all backgrounds and from every part of the region. • Improved public access to countryside, coast, rivers, and urban green spaces. • Greater awareness among people from all backgrounds about the benefits of safeguarding the natural environment and the importance of the net zero transition to everyone's future.

² The term 'decarbonisation' is used throughout this Plan to describe reducing all forms of greenhouse gas emissions (including carbon dioxide, methane, and nitrous oxide).

Strategic Priorities	Why we need to act	Outcomes and the difference we'll make
community action on the net zero transition.	and access to jobs. Through this work, we will also raise public awareness of the net zero transition.	<ul style="list-style-type: none"> Increased community action on delivering the net zero transition in the North East, with people engaging in nature and the outdoors within and nearby their communities (e.g. climate mitigation projects in woodland, climate adaptation around estuaries).
<p>5. Growing businesses, jobs, and skills sustainably</p> <p>We will invest in sustainable business growth, jobs and skills in the rural economy and in smaller coastal towns and villages.</p>	Businesses in rural areas and outlying coastal towns and villages are the lifeblood of their local economies and communities, providing jobs, incomes, opportunities, and services that local people rely on. We want to safeguard and grow small businesses and social enterprises in these areas so they can continue to provide vital local jobs, incomes and services, as well as helping businesses to transition to more efficient and sustainable ways of working. Local people need support with training and employability, so they have the skills needed to work in their local communities.	<ul style="list-style-type: none"> More resilient and growing businesses in rural and coastal areas, providing good quality jobs and incomes, reducing inequality, and supporting sustainable communities. More businesses in rural and coastal areas growing sustainably and transitioning to net zero (including regenerative tourism / visitor economy). More residents with the skills needed to take up good quality local job opportunities in rural and coastal areas. More residents supported into training, volunteering, or work.
<p>6. Regenerating rural and coastal towns and villages</p> <p>We will create sustainable and vibrant rural and coastal towns and villages by improving local facilities, services, and infrastructure, and building pride in place.</p>	Smaller rural and coastal towns and villages play a vital role as service centres supporting people, communities, and businesses in wider hinterlands. Many of these places need regeneration and improved infrastructure and services, following years of underinvestment. We want to work with local communities to make them attractive and viable places for local people to live and work, ensuring they will be sustainable for decades to come.	<ul style="list-style-type: none"> More attractive and viable rural and coastal communities where local people can live and work, ensuring future sustainability of communities. Better infrastructure and services in rural and coastal communities, including good quality affordable housing for local people and key workers, accessible public transport, digital services and inclusion, healthcare, and other public services. Reduced inequality and deprivation in rural and coastal communities. Greater sense of local pride and belonging in rural and coastal communities.

UK innovation trailblazer

Our cross-cutting aim is to establish the North East as an innovation trailblazer, leading the UK in developing and sharing new solutions to natural environment, coastal and rural challenges, across our six strategic priorities. Through investment in innovation we will:

- Find new solutions to natural environment, coastal and rural challenges.
 - Give the North East a stronger voice in shaping UK policy on natural environment, coast and rural.
- Attract more research and development funding and investment to the region to develop and test new solutions.

Increasing woodland cover and storing carbon

Plans are underway in the North East to plant thousands of hectares of trees over the next 30 years, benefiting local communities and bringing positive environmental impacts. Increasing the region's woodland cover will improve the natural environment, provide new green space for leisure, tackle biodiversity decline, and support net zero goals by absorbing carbon dioxide from the atmosphere.



The North East Community Forest is a 30-year, multi-million pound project that aims to plant tens of thousands of trees covering 1,500 km² of the North East across Newcastle, Gateshead, North Tyneside, South Tyneside, Sunderland and urban areas of County Durham. In addition, the Great Northumberland Forest project will plant millions of trees, creating more wooded landscapes across the county by 2030.

Together these two projects will help create happier, healthier places across the North East to live, work and visit, while making a significant contribution to tackling climate change and improving the region's biodiversity.

2. Context

2.1 Why invest in environmental stewardship, coast, and rural growth in the north east?

The North East is home to some of the country's most distinctive and valuable natural and cultural assets, including: a diverse coastline; one of the UK's largest farming sectors; a leading forestry industry; plentiful renewable energy resources and carbon capture capability; productive woodlands and waterways; precious nature habitats and biodiversity; and a unique culture and heritage.

Growing demands to boost prosperity and tackle inequality across the country, and the urgency to address climate change, nature recovery, and food, timber and energy security, have all shone a light on the unique strengths that rural and coastal areas and their natural assets offer in addressing UK and global challenges.

Changes brought about by the pandemic highlighted people's innate desire to be close to nature and the outdoors, as more people choose to live and spend leisure time in rural and coastal locations, improving their health and wellbeing. Supply chain challenges and travel restrictions re-introduced people and businesses to the benefits of buying, trading, and holidaying locally, while EU exit highlighted the importance of the UK investing in agriculture and sustainable local food supply. The impacts of global conflicts have exposed the UK's reliance on overseas food, timber and energy supplies, and the need to establish more secure local sources, highlighting the strategic importance of land and nature-based industries.

Nevertheless, as our economy continues to respond to these challenges and prepares for future growth and prosperity, it will be essential to build a strong outward looking approach, working with other regions and nations to boost exports and trade and attract inward investment, helping to generate additional wealth in our rural economy.

Now is the perfect time for the North East to lead the way in addressing the challenges of our age. We believe passionately it is both possible and necessary to grow the economy and improve wealth and opportunity by investing in natural assets, enhancing and safeguarding the environment, nature and human wellbeing as the economy grows. This imperative lies at the heart of our Investment Plan.

The North East presents unique strengths and opportunities, focused on the potential of our natural environment, and our rural and coastal businesses to deliver environmental benefits and economic growth.

However, the area also faces many challenges that are holding back growth and prosperity in our rural and coastal economies and communities and reinforcing inequalities.

Our key strengths and assets, and the issues, challenges, and opportunities to be addressed through his Investment Plan, are discussed briefly in sections 2.3 and 2.4. More detailed supporting evidence and statistics are presented in Appendix 3 (Evidence Base Summary).

2.2 North East Devolution Deal

The natural environment, and our coastal and rural areas, are at the heart of the Devolution Deal, reflecting the North East's diverse geography, environment and economy, and the distinctive opportunities and challenges this presents for our region. The Deal sets out additional powers and measures to address these issues and to build on previous progress in the region. This includes:

- A commitment to develop this **North East Environmental Stewardship, Coastal and Rural Growth Investment Plan**.
- Proactive **collaboration with government to support rural infrastructure development**, including stimulating housing and economic growth in rural areas.
- **Agreeing priorities for and increased investment in nature recovery** via the preparation of Local Nature Recovery Strategies (LNRSs), including a **Local Investment in Natural Capital (LINC) Pilot** with government, exploring new approaches to investing in natural capital.
- Promoting close collaboration with Scotland on **growth and innovation along the North East Coast Corridor**.

In addition to the commitment to establish a North East Coastal and Rural Taskforce, the Deeper Devolution Deal agreed with Government in March 2024, sets out some further measures including:

- **Natural environment, landscape restoration, and climate adaptation** - Working with government to establish the North East as a leader in climate adaptation, natural capital investment, nature recovery, and food security. To include a Local Authority Climate Service Pilot with UK government and the Met Office, providing evidence on climate risks to support planning and prioritisation.
- **Food and Agriculture** - Creating a regional food covenant to help boost local production and deliver a prosperous agri-food sector.

While all of these commitments are important, the most critical are: the commitment to develop this **North East Environmental Stewardship, Coastal and Rural Growth Investment Plan**, which will provide a focal point for action and investment; and the **North East Coastal and Rural Taskforce**, which will be a vital mechanism in securing joint action with UK Government on addressing the challenges and opportunities facing the region.

Regenerating coastal places

In recent years the North East has benefitted from the Coastal Communities Fund (CCF) which has invested in regenerating coastal settlements, helping them adapt to changing economic challenges and opportunities, growing local businesses and creating jobs and wealth.

Between 2018 and 2022 the region received £2.9m from CCF, with a further £1.5m invested by public, private, and charitable funders, to deliver five projects supporting communities, businesses, and tourism along the North East coast.



The projects included the creation of a new visitor attraction, the Bord Waalk, a national bird sculpture trail in Northumberland, starting at Hauxley Nature Reserve and winding its way along the coastline to Amble harbour and town centre, along the river Coquet. As well bringing new visitors and spending into the town, the project has created new jobs for local people in art, leisure and tourism businesses.

CCF investment has also been used to bring derelict building in coastal settlements back into economic use. In Roker and Seaburn, little-used seafront buildings including the Bay Shelter, a former toilet block, and the Grade II listed Tram Shelter, have been converted into new cafes and restaurants, boosting growth and creating jobs in the local cultural and visitor economy.

The five North East CCF projects created a total of 109 new jobs, improved the profile and perceptions of local coastal settlements, and fostered a greater sense of local pride.

2.3 Strengths, assets, and opportunities

The North East has some unique and valuable assets and strengths that create real **opportunities** to enhance our natural environment, grow our rural and coastal economies, and improve quality of life and place for our people and communities.



30% of the North East is designated landscape



200+ Sites of Special Scientific Interest



230,000 ha of peatland



30m + visitors per year



Nationally significant farming, food, forestry, and timber industries



Significant carbon capture and net gain potential



Home to leading rural innovation and research assets

- **Home to the UK's finest natural assets:** The North East is home to some of the UK's most beautiful and highly valued natural assets, and it has the largest rural and coastal geography of any of England's combined authority areas. The scale of our nature is distinctive, with designated landscapes and habitats accounting for a larger proportion of total land area compared with other regions. Almost one third (30%) of the North East is designated landscape, including Northumberland National Park, the North Pennines and Northumberland Coast National Landscapes, four Marine Conservation Zones and a Highly Protected Marine Area, as well as more than 200 SSSIs³. The North East's unique nature habitats include ancient woodlands, coastal nature reserves, sandy bays, intertidal flats, offshore islands, and rivers and waterways. Kielder Water is one of the UK's largest water resources, while Kielder Forest is the largest forest in England, and its dark skies observatory is one of the best locations in Europe to view the Aurora Borealis (the Northern Lights).
- **Nationally significant farming, food, forestry, and timber industries:** The North East has one of the largest and most significant land based and rural economies in the UK. Its farming, fisheries, and forestry sectors provide a large proportion of the UK's domestic food supply and timber produce, as well as earning significant export income. Important commercial fishing fleets operate out of ports and harbours along the North East coast, and there is significant potential to scale up agricultural and forestry output to improve domestic food security and timber supply, and to increase the resilience of the land-based and rural economy in the North East.
- **Natural carbon capture and net gain potential:** Our natural assets can play a big role in decarbonizing the North East and supporting the transition to net zero. The region's high density of forest and woodland coverage already provides a significant source of carbon storage, and through the North East Community Forest and Great Northumberland Forest we are boosting the region's capacity to absorb and store even more carbon. There is also potential to expand carbon storage capacity by restoring and conserving the region's significant areas of peatland, grassland, and saltmarsh, as well as boosting the carbon storage capacity of our coastline, rivers, estuaries, and wetlands. Combining this natural capacity to reduce carbon emissions with the potential to enhance biodiversity through the rich and varied natural environment, the North East has the potential to be one of the largest net contributors to natural carbon reduction and storage in the UK and one of the few places able to deliver 'net gain'.
- **Net zero land-based and coastal industries:** There is huge potential to decarbonize our extensive agricultural, agrifood, forestry and fisheries sectors, as well as our rural and coastal visitor economy. The region's extensive and nationally significant farming and forestry businesses and land assets offer a wide range of carbon reduction opportunities, including low carbon food production techniques; use of renewable energy and fuels in agriculture; sustainable waste management; incentivising landowners and farmers to transition areas of land to low carbon or carbon mitigating activities; and equipping businesses and the local workforce with the 'green' skills needed to transition to low carbon operations. In addition, agritech innovation has a major role to play by developing new solutions to sustainable food and wood production. There is also scope to decarbonise the region's rural and coastal visitor economy through low carbon transport and low carbon visitor experience packages.
- **Low carbon energy generation through natural assets:** The region's natural assets and coastal areas provide opportunities to grow existing forms of low carbon energy generation, and to expand new and emerging renewable energy technologies. The North East's unique natural geology and coal mining heritage offer significant opportunities to provide low carbon heating through geothermal energy generation. Meanwhile, as the UK's energy policy evolves there may be opportunities to expand onshore wind and solar PV energy generation in our rural and coastal areas. Expanding renewable energy generation through natural assets could also boost take-up of affordable, local, low carbon energy supply in rural and coastal communities most impacted by fuel poverty and lack of connections to mainstream gas and electricity networks.

³ Sites of Special Scientific Interest

- **Growth potential through diversifying the economy:** Farming, food, forestry, timber, and tourism continue to be crucial industries in the North East rural and coastal economies. In addition, increasing diversification is creating new opportunities for economic growth. For example, the growth of professional services businesses that have adopted digital and hybrid working practices and see many benefits to locating in rural areas, including lower property costs and the ability to attract and retain highly skilled staff who value the excellent quality of life. Additional opportunities for growth are offered by the region's natural assets, such as the coalmining legacy and unique natural geology, which offer the potential to generate low carbon geothermal energy, reducing emissions and creating further economic growth.
- **A leading UK visitor destination with renowned heritage and cultural assets:** The North East is home to some of the UK's most valued heritage and cultural assets in both coastal and rural areas, and the region is a popular UK visitor destination, attracting around 28 million day visitors, 3.8 million domestic overnight visitors, and almost 500,000 overseas visitors per year⁴. Significant attractions include the region's many beautiful beaches and coastline, Hadrian's Wall UNESCO World Heritage Site, as well as many gardens, castles, historic houses, nature reserves, [and heritage landscapes](#). From across the North East there are distinctive cultural stories and narratives from our coastal and rural communities, which combine with the region's beautiful natural environment to create a vibrant visitor economy that provides an important source of wealth and jobs.
- **Good quality of life:** The rural and coastal areas of the North East offer an attractive, high quality of life, with beautiful scenery, a healthy outdoor environment, numerous heritage and cultural attractions and an affordable cost of living compared with many other parts of the UK, all within a short journey time of large cities including Newcastle, Durham, and Sunderland. This quality of life, combined with proximity to major urban centres, creates an environment in which the working age population can grow and thrive, which is crucial to the future growth and sustainability of our economy and communities. Our rural and coastal areas can also play an important role in improving quality of life and wellbeing for people from across the North East, providing opportunities for residents of the North East's urban communities to access nature and outdoor spaces and benefit from healthy activities.
- **Our communities and people:** The North East's people are hardworking and resilient, with a strong commitment to community and local identity and culture. People in our rural and coastal communities have a close connection with the natural environment, reflected in strong local support for action on climate change and nature recovery. We have strong community infrastructure in some places, including established community organisations with a strong track record in delivering positive change in many of the region's rural and coastal places.
- **Home to leading UK innovation assets and the latest rural and environmental thinking:** The North East is home to some of the UK's leading rural and environmental innovation and research assets, including the National Innovation Centre for Rural Enterprise (NICRE) and Centre for Rural Economy at Newcastle University, the Rural Design Centre (RDC), the Rural Catalyst, and Durham University's Centre for Crop Improvement Technology. Durham University is also a founding member of the National Geothermal Centre. NICRE is a national leader in promoting rural enterprise and unlocking the potential of the UK's rural economy through sector leading research and innovation activity. The Rural Design Centre is a leading innovation agency that brings together communities, businesses, researchers, and public agencies to find solutions to rural challenges. NICRE and RDC have joined forces to create the 'Rural Catalyst' a unique innovation partnership developing place-based solutions to the key issues facing rural economies and communities. Meanwhile, North East universities are at the leading edge of research disciplines driving rural and environmental innovation in food production, soil science, natural resource management, and design. The region is ideally placed to develop and test new approaches to stewardship, rural growth and climate governance challenges, scale-up best practice, and share learning and solutions with other parts of the UK.

⁴ Visitor numbers and spending, North East Evidence Hub, May 2024

Creating and restoring natural habitats

Follingsby Max, at the heart of Gateshead’s Enterprise Zone, is a 39ha site for high quality distribution and industrial space to support the growth of the North East economy. Located on the northern bank of the River Don and within a strategic wildlife corridor connecting Gateshead, Sunderland and South Tyneside, biodiversity has been a key consideration in the planning and development of the site.



Plans for Follingsby Max were developed to ensure the provision of landscape and ecology buffers along the site’s boundaries, as well as enhancement of the River Don Wildlife Corridor. A habitat creation, restoration and enhancement scheme which forms the blue / green infrastructure on the site was specifically designed to support priority species, including water vole and great crested newts, as well as delivering wider biodiversity and ecological benefits.

The resulting 13ha mosaic of predominately open habitats includes permanent and seasonal wetlands, wet grassland, species rich grassland, species rich native hedgerow, and a 1.3km section of restored and enhanced watercourse.

2.4 Key issues and challenges

To achieve positive change in our natural environment and rural and coastal communities there are some key **challenges** we’ll need to tackle.



North East proportion of emissions from agriculture is the highest among comparable areas



8% of the North East population is at risk from flooding



Condition of more than 50% of region’s SSSIs is unfavourable



47% of rural businesses find it difficult to access finance and retain staff



There are wide disparities in health and wealth among rural and coastal communities



The population of North East rural and coastal communities is ageing




- **Decarbonising agriculture and land-based industries:** Supporting agricultural, land-based, and coastal businesses on the journey to net zero. Support is needed to enable these businesses to adopt new technologies, ways of working, and new products and services to mitigate environmental impacts and drive productivity improvements, while producing secure local food supplies and operating profitably.

- **Impacts of climate change:** The entire North East region is facing major challenges and growing threats from the impacts of climate change, including more severe and frequent storms, flooding, coastal erosion, droughts, and wildfires. These episodes have a lasting and detrimental impact on households, businesses, and communities in all parts of the region, while the worst effects are seen in some of our coastal and rural communities, as well as those close by rivers and estuaries. According to estimates from the Environment Agency, 8% of the North East population is at risk from flooding from rivers, seas and surface water. The effects of climate change include damage to property and livelihoods, and severe disruption to energy, water, food and wood supplies, transport, businesses, essential public services, and community activities. Some rural and outlying coastal communities are particularly vulnerable to being cut off for longer due to their distance from core power and water supply networks. Climate change is also placing the region's coastal landfill sites at risk, with the danger of triggering wider pollution.
- **Local nature recovery:** The region's nature and habitats are increasingly at risk, with a decline in biodiversity resulting mainly from human activities, such as land use changes, pollution, and climate change. The condition of more than 50% of the region's SSSIs is rated as 'unfavourable' by Natural England. More than ever before, our land-based, coastal, and marine species and habitats are in decline or at risk and urgent action is needed to reverse this trend. In addition, our landscapes and habitats have been altered by the region's unique industrial and mining heritage, as well as agricultural drainage, presenting unique challenges to nature recovery in the North East.
- **Barriers to business growth:** Businesses in rural and coastal areas face many barriers that are specific to their location. This includes distance from customers and suppliers which imposes extra costs, meaning productivity is lower in rural and coastal communities; difficulties in accessing finance for growth because of lower profits and higher risks; and labour shortages and skills gaps because of the sparse and declining working age population, out migration of young people, and lack of access to skills training and employability support in some areas. 47% of rural and coastal businesses find it difficult to access finance and retain staff, compared with 31% of urban businesses facing finance challenges and 45% facing staffing challenges. This is exacerbated by low wages, associated with a low skilled workforce and poor productivity in these areas. Some businesses find it difficult to adopt sustainable, low carbon ways of working because of the additional costs involved. All of these challenges are particularly acute for independent small and micro businesses that cannot rely on support from a larger business group.
- **Economic exclusion and deprivation:** In some coastal towns and rural communities there are pockets of severe, hidden deprivation, caused by poor-quality private rented housing, food and fuel poverty, and poor health, all exacerbated by cost-of-living pressures. Overall, there are wide disparities in wealth and health within and between some rural and coastal communities. The North East performs less well compared to other areas of the UK on a range of inclusive growth indicators, including employment rate, earnings, child poverty and percentage of workless households. Some of these problems are particularly acute in rural and coastal areas. For example, rates of labour force participation are lower in coastal areas, and there is a higher share of jobs in low skill-level occupations and a lower share in high skill-level occupations compared with inland areas. Coastal areas also have some of the lowest levels of net income, and additionally there are pockets of rural deprivation across the North East, which typically can be dispersed and often adjacent to more affluent areas.
- **Declining towns and villages:** Many smaller rural and coastal towns and villages in the North East are in need of revitalisation and regeneration, following decades of underinvestment and growing inequality and deprivation in some communities. Key challenges include run down high streets and village centres; lack of private investment; lack of good quality infrastructure, services, and opportunities for local people.

- **Ageing population:** The population of the North East’s rural and outlying coastal communities is ageing, with a decline in the working age population resulting from a lack of opportunities for young people. This reflects the wider picture in the North East, which saw a 20% increase in the population aged 65+ between 2011 and 2021 and a 2.8% decrease in people aged 16-64. Data indicates that the area’s population aged 65+ is expected to increase substantially by 2043, with the biggest increase being seen in Northumberland.
- **Visitor economy impacts:** Some other local rural and coastal communities appear to be thriving, but the predominance of holiday lets in places that have become visitor economy hotspots is forcing out local residents and shrinking the local labour force, placing the long-term sustainability of these communities at risk. High visitor numbers during the peak visitor season also place local communities and services under significant pressure.

2.5 Structural barriers to thriving rural and coastal communities and economies

In common with most rural and coastal areas, there are a number of well recognised structural challenges that play a particularly important role in holding back growth, prosperity and wellbeing in rural and coastal areas of the North East. This is based on research undertaken by the National Innovation Centre for Rural Enterprise, Centre for Rural Economy, and Pragmatix Advisory, as well as other supporting data sources, which are referenced in Appendix 3 (Evidence Base Summary).

	<p>Affordable housing: Lack of access to good quality affordable housing is driving many people out of rural and coastal communities and is a key factor in the declining rural and coastal workforce and working age population. Access to social housing is a particular issue outside the main rural and coastal towns, and the cost of private renting is prohibitive for many. In addition, the high prevalence of holiday lets is placing pressure on rural and coastal housing availability. NICRE SORE data indicates that affordable housing is a significant challenge for rural firms in Northumberland in particular, with 60% of rural firms in the county rating the availability of affordable housing as being poor or very poor and 45% saying it is a barrier to growth. Businesses in coastal areas of the North East are also more likely than urban businesses to highlight affordable housing as a barrier to growth.</p>
	<p>Digital connectivity: Poor access to digital connectivity makes it difficult for many households to access critical services and information and weakens the productivity of many rural and coastal based businesses. According to NICRE research, the quality of internet service varies significantly across the North East, with the predominantly rural areas of Northumberland and County Durham experiencing significantly worse internet quality compared with urban areas. The proportion of premises with access to gigabit broadband is also very low in rural areas of Northumberland and County Durham, as well as in coastal Northumberland and County Durham. The research shows a third of rural businesses in Northumberland and County Durham rate their broadband as being poor or very poor, compared with 18% of urban businesses across the North East. 33% of Northumberland businesses and 37% in County Durham say that broadband quality is a key obstacle to realising local growth opportunities.</p>
	<p>Access to transport: Lack of access to transport plays a crucial role in determining the jobs, education opportunities and services available to people in rural and coastal areas of the North East. Rural areas in the west of Northumberland and County Durham have some of the poorest access to transport services, based on minimum travel time by public transport, walking or car to reach key services. In addition, significantly more businesses in rural parts of the North East rate the quality of transport infrastructure and public transport as being poor or very poor and say that it is holding back business growth.</p>



Health inequalities: The North East experiences higher levels of poor health outcomes compared to other regions of the UK. Life expectancy in the region is 77.6 years for men and 81.5 years for women, the lowest among all regions in England. Coastal communities in the North East have some of the highest rates of premature, preventable deaths and major health inequalities exist within the region between our poorest and most prosperous communities. Health problems are a significant barrier to employment in many coastal and rural communities. Meanwhile, many of our residents do not have easy access to nature or outdoor green spaces, which play a big role in improving people's physical and mental health and wellbeing.

Leading on rural innovation



The Rural Catalyst is a collaboration between the National Innovation Centre for Rural Enterprise (NICRE) at Newcastle University and the Rural Design Centre. The two organisations are working together to undertake UK leading research and innovation to develop solutions to challenges and opportunities facing rural communities, including access to healthcare, jobs and business growth, infrastructure deficiencies, social isolation, housing shortages, affordability and security of energy supply, and environmental challenges.

The initiative brings together communities and businesses with researchers and public bodies to design and deliver solutions through research, practical workshops, knowledge sharing, and innovation challenges.

As well as jointly hosting an annual Rural Catalyst Conference, the partners have delivered innovation workshops to explore topics such as re-imagining health & social care in rural communities and tackling crime in rural areas. In addition, 'design sprints' are used to bring together stakeholders to co-create solutions to rural challenges, creatively developing ideas and testing them out over an intensive, short space of time. Challenges tackled so far include rural mobility, energy supply, and housing.

Insight and solutions are shared across the region and beyond through knowledge transfer events and via the Innovation Portal, showcasing the North East region as an exemplar in rural innovation.

3. Our strategy

3.1 Introduction

Through this Investment Plan, we will create and deliver new solutions to environmental stewardship and coastal and rural growth opportunities and challenges, investing in improving the lives and prospects of our people, businesses, and communities.

3.2 Vision

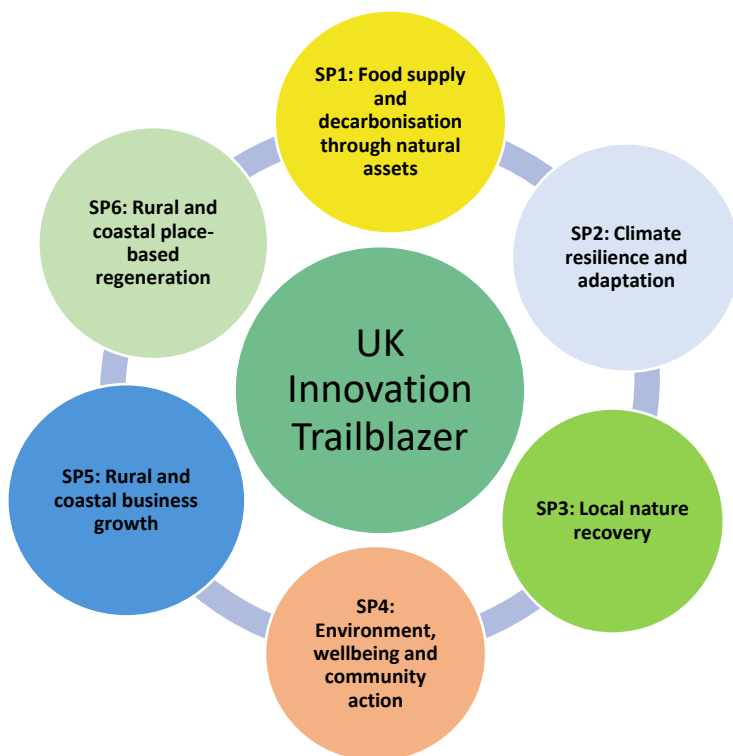
The North East will be a UK innovation trailblazer, developing and sharing new solutions to natural environment, coastal and rural challenges, informed by our distinctive geography and economy.

Our natural environment, and coastal and rural areas will be thriving and productive. Our sustainable rural and coastal businesses, prosperous and healthy communities and people, and vibrant local nature will combine to tackle inequality, boost wellbeing in all parts of the region, adapt to the impacts of climate change, and support the North East's journey to net zero.

The North East will be a greener, fairer region.

3.3 Strategic priorities

We will achieve our vision by addressing six strategic priorities, underpinned by our aim to be a UK innovation trailblazer on natural environment, coastal, and rural issues.



Our strategy is based on a clear rationale, reflecting our analysis of the key issues, challenges and opportunities summarised in section 2 and supported by a more detailed evidence base (Appendix 3). Our strategic priorities, actions, and outcomes are summarised below. Our progress and success will be measured using a suite of output and outcome indicators which are presented in section 4.6.

3.4 Rationale, actions and outcomes



SP1: Food/Fibre supply and decarbonisation through natural assets - A leading role for our land, coast, and natural environment in decarbonising the North East and supporting food security

Analysis and rationale

Natural assets have a big role to play in decarbonising the North East, supporting the transition to net zero, while enabling sustainable growth in farming, agrifood, and forestry. There is huge potential to decarbonise our extensive agricultural, agrifood, forestry and fisheries sectors and provide secure local food and timber supplies and other produce. The high density of forest and woodland coverage already provides a significant source of carbon storage, and we plan to use the region's wide range of natural assets, including peatland and soils, to absorb and store even more carbon. Our environmental assets also offer significant potential to generate more renewable energy from natural sources, such as geothermal energy and solar.

Actions

- Support land-based and marine industries to reduce carbon emissions and continue to provide secure supplies of food, timber and other produce, through low carbon food production measures and technologies, increased use of renewable energy and fuels, and sustainable waste management.
- Increase capacity to absorb and store carbon in woodland, peatland, soils, grassland, and saltmarsh, and boost the carbon storage capacity of the coastline, rivers, estuaries, and wetlands.
- Expand renewable energy generation through natural assets, including geothermal, onshore wind, and solar PV energy generation.

Outcomes - what does success look like?

- Lower carbon emissions from land based and coastal industries transitioning to net zero (e.g. agriculture, agrifood, forestry, fisheries).
- Secure local supplies of food, timber and other produce.
- Lower net emissions in the region by storing more carbon within the extensive natural environment (woodland cover, peatland restoration, marine environment).
- More renewable energy generation through natural assets.



SP2: Climate Resilience and Adaptation - Building resilience and adapting to the impacts of climate change

Analysis and rationale

The entire North East region is facing major challenges and growing threats from the impacts of climate change, including more severe and frequent storms, flooding, coastal erosion, droughts, and wildfires. The worst impacts are seen in some of our coastal and rural communities, as well as those close by rivers and estuaries. Our ambition is to deliver climate resilience and adaptation measures at scale across all parts of the region, protecting households, businesses, and communities, as well as transport, energy, and essential supplies.

Actions and priorities

- Invest in a range of climate resilience measures including coastal and estuary defences, flood mitigation, natural flood management, integrated water management, wildfire mitigation, and other measures (including tackling the issue of coastal landfill sites).
- Develop a regional register of climate risks, identifying and prioritising specific sites and communities most in need of investment.
- Develop a North East Climate Adaptation Plan.
- Use evidence from the Local Authority Climate Service Pilot, which is being undertaken in partnership with UK Government and the Met Office, to support planning and prioritisation.

Outcomes - what does success look like?

- Greater resilience to climate events for households, communities, and businesses in all parts of the region, including through investment in natural assets.
- Reduced disruption and lower costs resulting from storms, flooding, coastal erosion, droughts, and wildfires.
- More secure food, timber, energy, and water supplies.



SP3: Local Nature Recovery - Improving the diversity and resilience of local nature by investing in our natural assets

Analysis and rationale

The North East's nature and habitats (on land, river and sea) are increasingly at risk, with a decline in biodiversity resulting mainly from human activities, such as land use changes, pollution, and climate change, as well as the region's unique industrial and mining heritage. We want to build a vibrant and resilient local ecosystem by delivering nature recovery measures at scale across the entire North East, balancing the needs of nature, communities, and the economy. By investing in our natural assets we will support local nature recovery by promoting nature-based solutions to land and water management and carbon capture.

Actions and priorities

- Local Authorities and other agencies to work together to prepare Local Nature Recovery Strategies, setting out plans and priorities to protect and enhance nature while supporting a sustainable economy.
- Develop adaptive plans to address 'coastal squeeze'.
- Deliver nature recovery measures at scale across the North East (in rural, coastal, and urban areas) balancing the needs of nature, communities and the economy.
- Develop a regional register of nature risks, to identify priority nature recovery schemes on land, along the coast, and in the sea, rivers and estuaries.

Outcomes - what does success look like?

- More wildlife-rich habitats created or improved in locations that have the greatest benefit to biodiversity and the wider environment.
- Improved species abundance and enhanced recovery of the most threatened or near threatened species, by considering their habitat and connectivity requirements.
- Increased tree and woodland cover.
- Improved water environment, including by limiting or mitigating nutrient and sediment pollution from agriculture, and through the creation and improvement of habitats and river restoration.
- Improved public access to green and blue spaces.



SP4: Environment, Wellbeing and Community Action - Boosting people's physical and mental wellbeing through engagement with nature and the outdoors, and promoting community action on net zero

Analysis and rationale

The region faces many health inequalities (e.g. rising diabetes, obesity, dementia, poor mental health). Spending time in nature and the outdoors improves physical and mental wellbeing. We want to harness the power of nature to improve the health and wellbeing of people from all backgrounds and every part of the region, improving health outcomes, tackling inequality, and enhancing productivity and access to jobs. Through this work, we will also raise public awareness of the net zero transition.

Actions and priorities

- Invest in new and improved green infrastructure and green spaces in urban, semi-urban, rural, and coastal areas near where people live to maximise access to nature and outdoor spaces.
- Improve connectivity between urban and rural places through green and blue corridors to promote active travel, health, and wellbeing and improve connections to nature, culture, and heritage.
- Deliver nature-based and outdoor activities for people from all backgrounds and communities, engaging new and diverse audiences in health and wellbeing activities.
- Work with communities to raise awareness of the benefits of safeguarding the natural environment and the importance of net zero to the wellbeing and quality of life of everyone in the region.
- Support community action projects, with local people leading the net zero transition in local areas (e.g. climate mitigation projects in woodland, climate adaptation projects around rivers and estuaries).

Outcomes - what does success look like?

- Improved physical and mental wellbeing for people from all backgrounds and from every part of the region.
- Improved public access to countryside, coast, rivers, and urban green spaces.
- Greater awareness among people from all backgrounds about the benefits of safeguarding the natural environment and the importance of the net zero transition to everyone's future.
- Increased community action on delivering the net zero transition in the North East, with people engaging in nature and the outdoors within and nearby their communities (e.g. parks, woodland, rivers).



SP5: Rural and Coastal Business Growth - Sustainable business growth, jobs, and skills in our rural economy and our smaller coastal settlements

Analysis and rationale

Businesses in rural areas and outlying coastal towns and villages are the lifeblood of their local economies and communities, providing jobs, incomes, opportunities, and services that local people rely on. We want to safeguard and grow small businesses and social enterprises in these areas so they can continue to provide vital local jobs and incomes in rural and outlying coastal places, boosting prosperity and opportunity, tackling inequality in our most deprived rural and coastal communities, and safeguarding essential local supplies of key produce.

Actions and priorities

- Deliver support to businesses (including social enterprises) to build resilience, boost growth, and create opportunities for local people.
- Invest in equipment and facilities; growing sales and exports; new-to-firm innovation; and adoption of sustainable, low carbon technologies and approaches.
- Introduce new approaches to enable businesses in key rural and coastal sectors to grow, at the same time as transitioning to net zero (e.g. regenerative tourism).
- Invest in skills training and employability support, focusing on the skills needed by local businesses to grow and transition to net zero and the skills needed by local people to get a job.

Outcomes - what does success look like?

- More resilient and growing businesses in rural and coastal areas, providing good quality jobs and incomes, reducing inequality and supporting sustainable communities.
- More businesses in rural and coastal areas growing sustainably and transitioning to net zero.
- More residents with the skills needed to take up local job opportunities in rural and coastal areas.
- More residents supported into training, volunteering, or work.



SP6: Rural and Coastal Place-based Regeneration - Creating sustainable and vibrant rural and coastal communities by revitalising towns and village centres

Analysis and rationale

Smaller rural and coastal towns and villages in the North East play a vital role as service centres supporting people, communities, and businesses in wider hinterlands, but many need revitalisation following years of underinvestment. We want to work with local communities to make them attractive and viable places for local people to live and work, ensuring they will be sustainable for decades to come. We will invest in good quality local infrastructure and services, and in growing the working age population by attracting younger workers through good quality jobs and higher wages, more affordable housing, and attractive quality of life.

Actions and priorities

- Deliver community-led, place-based regeneration projects to improve the physical and community fabric in towns and villages.
- Support community projects that strengthen social fabric and foster local pride and belonging.
- Invest in visitor economy facilities and services as important drivers of rural and coastal regeneration, working with the North East Destination Development Partnership.
- Create place-based pilot projects to deliver activity and address multiple environmental, economic, and social issues at the same time, within specific rural and coastal communities.

Outcomes - what does success look like?

- More attractive and viable rural and coastal communities where local people can live and work, ensuring future sustainability of communities.
- Better infrastructure and services in rural and coastal communities, including good quality affordable housing, accessible public transport, digital services and inclusion, healthcare and other public services.
- Reduced inequality and deprivation in rural and coastal communities.
- Greater sense of local pride and belonging in rural and coastal communities.



Cross Cutting Aim: UK INNOVATION TRAILBLAZER - Leading the UK in developing and sharing new solutions to natural environment, coastal and rural challenges

Analysis and rationale

Each strategic priority will be underpinned by our cross-cutting aim for the North East to be an innovation trailblazer, leading the UK in developing and sharing new solutions to natural environment, coastal and rural challenges, working through the North East Coastal and Rural Taskforce. Through this work we will find new solutions to natural environment, coastal and rural challenges; give the North East a stronger voice in shaping UK policy on natural environment, coast and rural; and attract more funding and investment to the region to develop and test new solutions.

Actions and priorities

- To lead in environmental-led growth, showcasing how investment in landscape, seascape, environmental assets, and heritage & culture can transform rural and coastal communities, and urban green and blue spaces.
- To be trailblazers in carbon reduction and climate adaptation, providing one of the UK's largest carbon sinks and making a huge contribution to the nation's 2050 carbon reduction targets.
- To lead in safeguarding biodiversity by delivering one of the UK's first Nature Recovery Strategy Pilots and testing new approaches to enhancing biodiversity through Local Nature Recovery Strategies.

Outcomes - what does success look like?

- New solutions to natural environment, coastal and rural challenges.
- Stronger voice for the North East in shaping UK policy on natural environment, coast and rural.
- More funding and investment attracted to the region to develop and test new solutions.

3.5 Delivering on national and regional policy priorities

Our strategy will address a range of important policy priorities.

- **Net zero transition** - The UK Government has adopted a suite of policies to reach net zero, which are set out in two key strategy publications, Net Zero Strategy (Build Back Greener 2021) and Powering Up Britain: The Net Zero Growth Plan (2023). The UK's ambition is reflected locally in the climate change and low carbon strategies of the North East local authorities and in the North East's devolution deal with UK Government. These policies provide the framework for targeting national and regional investment in decarbonising all sectors of the UK and North East economy and society by 2050. They highlight the crucial role that the natural environment and rural and coastal economy, businesses and households have to play in achieving net zero.
- **Climate adaptation** - The UK Government also highlights the importance of resilience and adaptation to climate change and the need to implement measures to build resilience to climate events such as flooding, drought, and excessive heat. The Third National Adaptation Programme (NAP3) and the Fourth Strategy for Climate Adaptation Reporting (2023) states *"The UK government's vision for adaptation is for a country that effectively plans for and is fully adapted to the changing climate, with resilience against each of the identified climate risks."* The Strategy also emphasises the importance of nature-based solutions in addressing climate change and the potential benefits these solutions bring to helping communities, buildings, infrastructure and wildlife to adapt to climate change, for example through natural flood management and cooling.
- **Nature recovery and biodiversity** - In 2018, the Government published the 25 Year Environment Plan setting out a vision to help the natural world regain and retain good health. In 2020 Defra launched the Nature Recovery Strategy Pilots, placing nature and biodiversity at the heart of land management and rural policy. As one of the first pilot areas in the UK, Northumberland has led the way in establishing a Nature Recovery Network, testing new approaches to enhancing biodiversity. The Environment Act 2021 sets out the UK Government's commitment to protect and enhance the environment for future generations. It includes long-term targets to improve air quality, biodiversity, water, and resource efficiency, and a commitment to halt the decline of nature by 2030. It also set into law a commitment to refresh the 25 Year Environment Plan every five years. The first revision, published in 2023, sets out further commitments to reverse nature decline in the UK and protect 30% of land and sea for nature. The Government's Net Zero Strategy (2021) and Net Zero Growth Plan (2023) also include a focus on nature recovery, highlighting how investment in the low carbon transition will ensure that the 'natural environment is protected, enhanced, and more diverse'.
- **Boosting prosperity and inclusive economic growth** - The Levelling Up White Paper (2022) is the UK Government's policy on spreading opportunity more equally across the UK. The Government has aligned the £2.6 billion UK Shared Prosperity Fund to the Levelling Up Missions, providing resources to invest in the priorities of community and place, local business, and people and skills. As part of the wider UKSPF, the Government has also established the Rural England Prosperity Fund (REPF) which will invest capital in business growth and community infrastructure in England's rural areas. Many of these priorities are echoed in the North East Devolution Deal, although the region has its own distinctive approach. Delivering inclusive economic growth (bringing people and opportunities together and ensuring people from all backgrounds share in the benefits of growth) is a key priority for the North East Combined Authority. To achieve this, through the Devolution Deal the Combined Authority will support investments in sector growth, innovation, skills and employability, social economy and communities, wellbeing, culture and creative, and housing and infrastructure development. Focused investment in addressing rural and coastal opportunities and challenges also features prominently in the Devolution Deal.

Adapting to the impacts of climate change at the coast

With many areas threatened by flooding, coastal erosion, and storms, alongside the ongoing loss of natural habitats on the British coastline, an innovative North East project is leading the way in protecting and strengthening our coastlines and coastal communities.



The Stronger Shores project is exploring how hidden tidal underwater habitats can support communities to be more resilient to the effects of flooding and climate change. Funded by Defra as part of the £150 million Flood and Coastal Resilience Innovation Programme, Stronger Shores is testing solutions to reduce erosion, stabilise shorelines, and support wildlife using seagrass meadows, kelp forests and oyster reefs.

Innovative projects are being delivered at locations along the length of the North East coastline, from Lindisfarne in Northumberland to Whitburn in Sunderland, as well as three projects along the Teesside coast. Together they will provide the first robust data and evidence on the costs and benefits of marine nature-based solutions to coastal protection in the UK.

4. Action Plan

To deliver our ambitious vision and priorities, we have developed an **Action Plan** based around **eight Investment Programmes**.

4.1 Approach and delivery principles

In developing our Investment Programmes we have been guided by the following key principles, which will shape the approach to delivery.

- **Cross-cutting** - Our programmes have been designed to be cross-cutting, combining and integrating complementary activities to address key priorities in tandem.
- **Place-based** - The programmes include a strong emphasis on place-based delivery, helping to ensure that investment and impact are focused.
- **Innovation-led, sustainable delivery** - We will develop, showcase, and test novel and scalable solutions to stewardship and rural and coastal growth challenges and opportunities, sharing what works within our region and with other areas, positioning the North East as a leading innovator in the field.
- **Adding value** - Programme delivery will be carefully aligned with existing activities to ensure that current funding and programmes are maximised, and our Plan supports new or additional activities.
- **Communities in the lead** - Our programmes will be led by local businesses, people and communities who will drive change, coming together to solve the challenges and opportunities that matter most.
- **Building on successful approaches and existing infrastructure** - We will build on existing or previous activities and projects where they have been effective, scaling-up successful projects to deliver across multiple localities and maximising use of existing organisational infrastructure.
- **Phased delivery** - Programmes will be introduced at different intervals over the five-year Investment Plan period, reflecting the nature and scale of the issues being addressed, the timing of funding opportunities, and allowing time for rigorous programme development work.
- **Outward looking** - We will collaborate with other regions of the UK, seeking out learning as well as actively sharing good practice and lessons learned, demonstrating our role as a leader in environmental stewardship, coastal and rural innovation.
- **Evidence-led** - Our investments and interventions will be built on evidence of key challenges and opportunities, knowledge exchange with other areas, and evaluation of what works.
- **Influencing solutions to wider, structural environmental, rural and coastal challenges** - Some of the key issues impacting our environment, and our rural and coastal areas, are structural and require long-term, sustained, Government-led intervention at the UK level. For example, affordable housing, public transport, energy connectivity and capacity, digital infrastructure, and environmental issues. While we do not have the resources to address all these important issues directly, we will use the Investment Plan as a vehicle to seek to influence Government and others to address these key strategic challenges.

4.2 Investment Programmes, activities and phasing









Our proposed Investment Programmes are summarised below. They are a combination of:

- **Existing natural environment and rural programmes** supported by North of Tyne Combined Authority and others that may be continued or developed further in future across a broader North East geography. This includes the Rural Business Growth Programme, and the Rural Community and Place Programme.
- Specific intervention areas **identified in the North East Devolution Deal**.
- **New proposals** that may emerge from the work of the North East Coastal and Rural Taskforce.

The programmes will seek funding and investment from a broad range of local, regional, and national sources, including UK government, private investors, and charitable trusts, as well as the North East Combined Authority's Investment Fund and other devolved resources.

Delivery of our Investment Programmes will be prioritised, balancing the need to demonstrate success and visible impacts early in the life of the new Combined Authority, alongside steady progress towards our vision and objectives. In the short-term we will focus on rapid progress by building on existing successful programmes. In the medium-term we will begin to develop and bring forward new activities, including pilots showcasing our innovation and new approaches to natural environment, coastal and rural challenges.

Our eight Investment Programmes are:

			
1. Food/Fibre Supply and Decarbonisation	2. Climate Resilience and Adaptation	3. Local Nature Recovery	4. Environment, Health, and Wellbeing
			
5. Sustainable Rural and Coastal Business Growth	6. Rural and Coastal Place-based Regeneration	7. Natural Environment, Coast and Rural Innovation	8. Evidence Base

ENVIRONMENTAL STEWARDSHIP

1: Food/Fibre Supply and Decarbonisation Programme

A leading role for our land, coast, and natural environment in decarbonising the North East. To include: supporting agriculture businesses to produce secure local food and timber supplies and make progress towards net zero; storing carbon using natural assets; generating renewable energy through natural assets

Activities and Intervention Types

- Supporting and advising individual farms, landowners, and other businesses on practical actions to transition to net zero operations and provide secure local supplies of food, timber and other produce.
- Developing new approaches and technologies to grow local food and wood production sustainably, mitigating agrifood impacts on the natural environment and emissions, and supporting local food security and wood supply (including new digital and agritech solutions).
- Sustainable waste opportunities in agriculture (e.g. organic manure).
- Investment in natural capital delivering carbon sequestration through increased woodland cover, peatland restoration, grasslands, and saltmarsh.
- Opportunities to minimise loss of blue carbon (e.g. rivers, wetlands) in parallel with building coastal resilience.
- New forms of low carbon energy generation from natural assets (e.g. geothermal energy).
- Expanding low carbon energy supply and take-up in rural areas (e.g. community energy projects).
- Community-led, natural asset-based net zero projects.

Short-term (first two years)

- Develop and deliver a support and investment programme targeting agriculture, agrifood, forestry, and other land-based businesses, supporting them to transition to net zero and produce secure local food and fibre supplies.

Medium-term (years three to five)

Develop and introduce programmes to:

- Maximise the carbon storage potential of the region's natural assets.
- Generate low carbon energy through natural assets, including geothermal sources and solar.

2. Climate Resilience and Adaptation Programme

Building resilience to climate events among households, communities, and businesses across the region.

Activities and Intervention Types

- Resilience and adaptation schemes addressing flooding, integrated water management, coastal erosion, wildfires, food insecurity, timber and energy supply, minimising impacts on the economy and communities. Adaptation and resilience schemes at all levels, including individual businesses and landowners, as well as landscape scale.
- Ambition to deliver at scale across the entire North East.
- Develop a North East Climate Adaptation Plan / Programme (a comprehensive regional register of climate and nature risks and specific sites and assets requiring investment). Informed by evidence from the Local Authority Climate Service Pilot (with UK Government and the Met Office).
- Develop a North East Plan for Water (Integrated Water Management).
- Climate innovation, including developing new approaches to climate adaptation and resilience.
- Local, community-led climate adaptation projects and energy generation projects.

Short-term (first two years)

- Start work on developing a regional register of climate risks and identify specific priority adaptation projects. Develop a methodology and framework for identifying climate risks and interventions, for subsequent scale-up and roll out.
- Early work to include climate adaptation in coastal areas and estuaries as an initial testbed, working with regional partners and Government agencies (through the Coastal and Rural Taskforce) to develop and test solutions to resilience at the coast and around estuaries. Build on lessons from existing schemes (e.g. Stronger Shores; Championing Coastal Coordination), and focus on areas of greatest need along the diverse North East coastline.
- Early work to focus also on climate adaptation in other areas (rural, urban) and key sectors.
- Participation in Local Authority Climate Service pilot (included as a commitment in the Trailblazer Deal), which will inform development of an adaptation programme to reduce risks from the impacts of climate change.

Medium-term (years three to five)

- Scale-up and roll out methodology and framework for identifying climate risks and interventions, culminating in a comprehensive North East Climate Adaptation Plan.
- Deliver climate adaptation interventions at identified priority locations across the region.

3. Local Nature Recovery Programme

Investing in natural assets to improve the diversity and sustainability of nature

Activities and Intervention Types

- Support the preparation of Local Nature Recovery Strategies to identify nature recovery priorities for Durham, North of Tyne and South Tyne and Wear areas, including within Protected Landscapes.
- Develop new joint ways of working with Defra and its agencies to streamline decision-making process and maximise the scope to expand and accelerate nature recovery and wider environmental benefits.
- Promote and seek investment, in collaboration with existing nature recovery bodies and partnerships, to facilitate and implement nature recovery initiatives at locations across the region.
- Develop North East natural capital and green investment tools to support delivery of nature recovery and wider environmental, economic, and social/community benefits.
- Invest in an education and training programme (to include apprenticeships and volunteering) to grow the region's nature conservation and wider environmental sector to deliver nature recovery and nature-based solutions.

- Consider potential to include the Inshore Fisheries and Conservation Authorities (IFCAs) within the North East, as part of the Coastal and Rural Taskforce, to support policy on marine conservation and recovery.

Short-term (first two years)

- Promote and secure funding to support existing and new partnerships to coordinate and deliver landscape scale nature recovery and nature-based solutions as prioritised through Local Nature Recovery Strategies (LNRSs).
- Develop and seek funding to implement a pipeline of at-scale nature recovery demonstrator projects.

Medium-term (years three to five)

- Responsible and Supporting Authorities to work with Defra to review LNRS geographies in context of North East CA at review and re-publication stage (3 to 10 years), in line with LNRS regulations and statutory guidance.

4. Environment, Health, and Wellbeing Programme

Investing in natural assets, providing new opportunities to boost physical and mental health, wellbeing, and recreation, and promoting community action on net zero

Activities and Intervention Types

- Improve, restore, and safeguard the quality of the local natural environment, to be enjoyed by local people and visitors. Including countryside, coast, rivers, and urban green spaces.
- Improving physical access to nature and outdoor spaces, while raising awareness of and promoting 'nature friendly / wildlife positive' behaviours.
- Programmes of nature-based and outdoor activities (free and paid for), for people from all backgrounds and communities, engaging new and diverse audiences in health and wellbeing activities (including arts, heritage, culture, social prescribing, and other activities).
- Promoting and raising awareness among our people, communities, and businesses about the benefits of safeguarding our environment.
- Promoting community action to support the net zero transition.
- Grassroots delivery of health and wellbeing activities in local areas through VCSE organisations, volunteering opportunities, and local community capacity building, engagement and outreach.
- Grassroots delivery of local environmental improvement projects.
- Promoting local food produce and healthy eating projects to improve wellbeing.

Short-term (first two years)

- Early pilot projects delivering health and wellbeing activities, connecting local people with the outdoors and addressing health inequalities. Complementing other programmes, such as the WorkWell Vanguard Service.
- Consider the case to develop a campaign and activity programme providing grants to local communities to demonstrate and deliver net zero transition projects in local areas.

Medium-term (years three to five)

- Gradually scale-up delivery of nature-based activity and wellbeing programmes, reaching people from all parts of the region.

ECONOMIC GROWTH, REGENERATION, AND PLACE

5. Sustainable Rural and Coastal Business Growth Programme

Investing in sustainable business growth and transformation in key sectors, and building skills to provide economic opportunities for local people

Activities and Intervention Types

- Programme of tailored business support targeting sustainable growth, transformation, resilience, and investment in businesses and social enterprises in rural areas and in smaller, outlying coastal towns and villages.
- Focus on sustaining and creating good quality jobs and incomes in local communities, creating opportunities for local people, addressing inequality and deprivation.
- Target key sectors including agriculture and agrifood; forestry; fisheries; visitor economy and regenerative tourism; local services (e.g. healthcare). Also emerging sectors (professional services, public sector work) enabled by digital remote working.
- New industries using natural assets (geothermal energy, lithium extraction).
- Investment in equipment and facilities; growing sales and exports; new-to-firm innovation; adoption of sustainable, low carbon technologies; and growing and sustaining social enterprises, as important drivers of the rural economy.
- Investment in skills training and employability support, focusing on: skills needed by local businesses to grow and transition to net zero; skills needed by local people to get a job (e.g. digital skills, apprenticeships / traineeships); environmental and green skills (e.g. nature conservation and recovery, climate adaptation); skills needed by key workers coming into the area.

Short-term (first two years)

- Programme of tailored business support targeting small and micro businesses (<50 employees) in rural areas. Based on continuation and expansion of existing business support programmes in rural North East.
- Support programme targeting small and micro businesses (<50 employees) in small coastal towns and villages, in sectors vital to the local economy, jobs and incomes (e.g. visitor economy, hospitality, fisheries, healthcare).

Medium-term (years three to five)

Develop and introduce programmes to:

- Support rural residents and people in small coastal communities to develop skills needed to work in key local sectors (e.g. visitor economy, agriculture, healthcare).
- Employability programmes focused on reaching people in more isolated rural and coastal communities.

6. Place-based Regeneration Programme

Revitalising small rural and coastal towns and villages

Activities and Intervention Types

- Grassroots, community-led approach to regeneration, building on experience of what works and previous track record of success. Working with the ACRE Network of community infrastructure organisations (e.g. CAN, DCA), other VCSE organisations and community anchor organisations.
- Investment in regenerating rural villages and small coastal / seaside towns, addressing inequality and deprivation (e.g. business, visitor economy, education, community, cultural facilities, town / village centre improvements, low carbon infrastructure e.g. EV charging). Similar to the Coastal Communities Fund approach.
- Strengthening the social fabric and fostering a sense of local pride and belonging, through investment in activities that enhance physical and social ties and access to amenities and services, such as community infrastructure, local green space, nature, community led projects, arts and culture activities. Including targeting hard to reach communities and people.
- Community renewable energy projects in outlying rural and coastal areas (grassroots community-led projects, developer-led schemes offering community benefit).
- Sustainable local food supply projects (e.g. community allotments).

- Digital inclusion programmes.
- Place-based pilot projects addressing multiple environmental, economic & social issues within specific rural & coastal places / pilot areas (UKSPF / REPF).
- Work with DLUHC and Defra (in context of Coastal and Rural Taskforce) to develop a more robust definition of coastal and rural deprivation, as the current IMD approach does not address this effectively.

Short-term (first two years)

- Rural Community and Place Programme - Place-based pilot projects across the North East's rural communities, focused on strengthening social fabric and fostering a sense of local pride.
- Complementary investment in the Rural Catalyst (NICRE and Rural Design Centre) to showcase "rural by design" good practice and share learning locally and nationally. To include using digital solutions to ensure access for all.
- Regeneration of small coastal towns and villages (early pilot projects) - Investment in physical regeneration of small coastal towns and villages that have missed out on larger scale regeneration programmes. To address specific challenges such as declining high streets, poor public realm, lack of green and public space, and lack of facilities, services and opportunities for local people.

Medium-term (years three to five)

- Building on early pilots, gradually scale-up and extend place-based regeneration activity to reach more rural and coastal places and communities over time.

INNOVATION

7. Natural Environment, Coast and Rural Innovation Programme

Developing and sharing new solutions to natural environment, coastal and rural challenges and opportunities

Activities and Intervention Types

- Work with the Rural Catalyst (NICRE and Rural Design Centre), other universities and innovation partners (e.g. ACRE Network) to showcase innovation and demonstrate new solutions to natural environment, coastal and rural challenges.
- The North East will be a trailblazer for the UK, leading rural and coastal innovation. Activities to include:
 - Local Investment in Natural Capital (LINC) pilot.
 - Piloting small-scale affordable housing projects, local community renewable energy schemes, digital infrastructure solutions in rural and coastal areas.
 - Agritech and agrifood innovation, including developing new approaches to net zero agriculture.
 - New nature-based approaches to climate adaptation.
 - Promote innovation in local nature recovery, particularly through the use of digital applications (including AI) to improve land management efficiency and promote nature recovery.
- Solutions will be shared and replicated within the North East to accelerate the achievement of our natural environment, coastal and rural objectives.
- As a UK leader in innovation, we will also share our solutions with Government and other regions of the UK.

Short-term (first two years)

- Delivery of Local Investment in Natural Capital (LINC) Pilot - £1m Defra funded pilot with Northumberland County Council and other Borderlands local authorities, to explore new approaches to investing in natural capital. For example: green finance models attracting private investment in natural capital; carbon offsetting; developing a pipeline of natural capital investment projects.
- Innovation Programme, working with the Rural Catalyst (NICRE and Rural Design Centre), other universities and research partners to showcase innovation and demonstrate new solutions to natural environment, coastal and rural challenges.

Medium-term (years three to five)

- Build-up incrementally a programme of UK leading innovation activities addressing a wide range of environmental stewardship, coastal and rural challenges and opportunities.

EVIDENCE

8. Evidence base programme

Improving the breadth and quality of the evidence base on environmental stewardship and rural and coastal growth issues in the North East

Activities and Intervention Types

- Deeper analysis of datasets by urban, rural and coastal areas to draw out and evidence aspects of distinct challenges and opportunities (e.g. nature recovery, climate risks, health, incomes, employment, businesses, deprivation, innovation).
- Targeted research to gain better insights into rural and coastal issues, addressing gaps in the current evidence.
- Research to explore specific environmental stewardship opportunities and challenges, including working with the Environmental Records Information Centre.
- Evaluation of the effectiveness and impact of stewardship and rural and coastal growth interventions, including building and disseminating evidence of 'what works'.
- Evidence base programme to include a range of research partners (e.g. North East universities, NICRE, Insights North East, ONS Local, other organisations).

Short-term (first two years)

- Work with the North East Coastal and Rural Taskforce to develop and deliver a targeted programme of research and evidence building, focused on environmental stewardship, coastal and rural growth priority issues.
- Early evidence development work to focus initially on addressing priority gaps identified within the Investment Plan Evidence Base Report.
- Consider the case for and benefits of establishing a North East Environment, Rural and Coastal Evidence Hub, as a central resource for evidence to support the vision and objectives of this Investment Plan. To include working with existing resources, such as the North East Coastal Observatory.

Medium-term (years three to five)

- Gradually develop and deliver a comprehensive and robust programme of data collection, research and evaluation, to support evidence-led investment in environmental stewardship, coastal and rural growth.

4.3 Working with other Combined Authority portfolios to address our challenges and opportunities

In addition to delivering our Investment Programmes, we will also work closely with other Combined Authority portfolio leads to ensure that the environmental, coastal, and rural challenges and opportunities identified in this Investment Plan are fully embedded and addressed by other portfolios, where relevant to their objectives.

The key priorities we want other portfolios to embed and address are summarised in the table below.

Portfolios	Priorities to be embedded and addressed
Economy and Business Growth	<ul style="list-style-type: none"> Targeted investment in rural and coastal business support, key sectors, and economic growth, focused on specific needs of rural and coastal businesses.
Housing and Land	<ul style="list-style-type: none"> Targeted investment in good quality affordable housing to support the sustainability of rural and coastal communities. Likely to be relatively small numbers of homes in each place but will have a big positive impact on each community. Targeted investment in place-based regeneration in rural towns and villages. Housing developments to incorporate environmental and nature-based measures (e.g. green space, re-wilding, water efficiency, drainage, flood mitigation). Targeted investment in housing retrofit in outlying rural and coastal areas (including environmental measures to improve water quality, drainage, and rain gardens).
Transport	<ul style="list-style-type: none"> Focused investment in sustainable rural transport infrastructure and services (e.g. walking, cycling, public bus and rail services, community transport, electric vehicles, rural road network improvements).
Education, Skills, Inclusion	<ul style="list-style-type: none"> Targeted investment in good quality jobs, skills, and employability services in rural and outlying coastal communities. Including investment in rural specific skills (land management, agriculture, forestry, visitor economy) and coastal specific skills (fisheries, offshore wind, visitor economy). Targeted investment in environmental and green skills (e.g. nature conservation and recovery, climate adaptation).
Culture, Creative, Tourism, Sport	<ul style="list-style-type: none"> Targeted investment in rural and coastal landscapes, attractions, events and visitor economy businesses, to stimulate North East culture and visitor economy growth.
Finance and Investment	<ul style="list-style-type: none"> Adopting environmental finance solutions (e.g. carbon credits, green investment) as part of the Combined Authority's wider finance and investment approach.
Cross-cutting	Priorities to be embedded and addressed
Net zero	<ul style="list-style-type: none"> Prioritising a fully integrated role for the natural environment, rural and coastal areas in decarbonising the North East. Expanding low carbon energy supply and take-up in rural and outlying coastal areas, including local heat networks, and services in off-gas network areas.
Digital	<ul style="list-style-type: none"> Focused investment in digital infrastructure in rural and outlying coastal areas, including addressing digital 'not-spots'. Focused investment in tackling digital exclusion in rural and coastal communities.
Public Services Reform	<ul style="list-style-type: none"> Addressing health inequalities in rural and coastal communities.

Supporting rural businesses

Businesses in rural areas often face additional challenges to sustainability and growth due to their geographic isolation, including lack of access to finance, broadband, skilled staff, and transport networks. These specific challenges require tailored support to help businesses in rural areas overcome barriers to growth.



The Northumberland Small Business Service (NSBS) supports small and micro businesses and start-ups to unlock these barriers to growth. Supporting businesses through all stages of growth, NSBS provides access to grants, specialist Rural Business Advisors, and a tailored service to support the growth and resilience of farming businesses.

In County Durham, a £3.5m allocation of funding from the Rural England Prosperity Fund (REPF) is being delivered over two years, from 2023 to 2025. Designed as a top-up to the UK Shared Prosperity Fund, the REPF is providing capital grants for small and micro businesses, as well as investing in tourism infrastructure, culture and heritage assets, and community infrastructure, in the rural areas of the county.

4.4 Governance

A cross-sector advisory group composed of key regional partners led-the way in developing this Investment Plan and partners will continue to play an important role as we progress our plans into delivery.

We will refresh its operation to reflect the creation of the **North East Environment, Coast, and Rural Portfolio Advisory Board**, consistent with the Combined Authority's constitution, and the work of the time-limited **North East Coastal and Rural Taskforce**, as set out in the Deeper Devolution Deal. This is likely to include a refocused membership, supported by Working Groups established to deliver our investment programmes, and to support the development of policy themes emerging from the Taskforce.

The purpose of the Portfolio Advisory Board is to support the Cabinet portfolio holder and the Mayor to oversee the delivery of the vision, ambitions and investment programmes as set out in the Combined Authority's Corporate Plan. This will also include steering the development of relevant strategy and policy. Advisory in status, it will bring together a representative forum of stakeholders to include recognised regional champions within this portfolio; regional representatives from those organisations that form part of the Department for Environment, Farming, and Rural Affairs (DEFRA) "family"; representatives from regional voluntary sector organisations that play a leading role in the environment, coast, and rural (e.g. wildlife and woodland trusts); and recognised regional advocates who can provide a perspective on behalf of business, landowning and farming interests, and communities.

4.5 Resources

The resources needed to deliver our Investment Programmes will be targeted from the following sources:

- **North East CA Devolved Funding** - We will work to secure specific targeted investment in our delivery programmes from a variety of funding sources devolved to the Combined Authority, including UK Shared Prosperity Fund (UKSPF), Rural England Prosperity Fund (REPF), North East Investment Fund (NEIF), and other devolved funding streams and successor programmes where appropriate. This will include a mix of capital and revenue funding and will provide the initial resources needed to mobilise the delivery of this Plan.
- **Embedding Investment Priorities in other Regional Programmes** - We will work closely with funders and providers of wider investment programmes to ensure our priorities are embedded in the delivery of other programmes. For example, we will shape the design and delivery of wider regional programmes, such as via the Transport Plan and the Strategic Place Partnership, to ensure that the transport and housing offer in coastal and rural areas is improved and extended. We will adopt a similar approach to working with regional funders and providers across all relevant fields including environmental stewardship, nature recovery, business growth, skills, place-based investment, and others to ensure that the priorities identified in this Investment Plan are addressed through existing resources and delivery programmes.
- **National Funders and Investors** - We will actively seek support from national funders including UK Government, national agencies, investment institutions (such as the National Infrastructure Bank), private investors, and charitable trusts and foundations, promoting the significant opportunities presented by the region to deliver environmental, social and economic returns for investors and funders. This will include a focus on seeking private investment in natural capital and the net zero transition. Support is expected to build gradually as we present our ideas and proposals to these wider audiences, and as new funding and investment opportunities present themselves.

It is expected that early investment will be secured primarily through North East CA devolved funding. This will constitute the first phase of investment, providing a catalyst to demonstrate the potential and benefits of our approach to investment in environmental stewardship and coastal and rural growth. It will provide a valuable foundation to secure further support from national funders and private investors for future phases of our work.

4.6 Measures of Success

Progress towards the achievement of our six strategic priorities will be measured using the following output and outcome indicators. This initial suite of indicators will be refined further as the Investment Plan and our programmes progress into delivery.

Strategic Priorities	Output and outcome indicators
<p>ENVIRONMENTAL STEWARDSHIP</p> <ul style="list-style-type: none"> • SP1: Food/Fibre Supply & Decarbonisation through natural assets • SP2: Building climate resilience • SP3: Promoting nature recovery • SP4: Boosting health, wellbeing & community action on net zero 	<p>Outputs</p> <ul style="list-style-type: none"> • Number of businesses (rural and coastal) supported to reduce GHG emissions • Ha of land under initiatives for nature-based decarbonisation and / or nature recovery • Number of trees planted • Number of climate adaptation schemes delivered • Ha of wildlife habitats restored, enhanced, or created • Area of wetland created / restored / enhanced • Number of community energy projects delivered • Number of people engaged in outdoors / nature-based activities • Number of natural environment / net zero community projects delivered <p>Outcomes</p> <ul style="list-style-type: none"> • Reduced GHG emissions • Increase in volume of food produced locally in North East (tonnes, litres) • Increase in-tree canopy and woodland cover (following the principles of the 'right tree, in the right place, with the right protection') • Improved water quality • Reduced length of polluted rivers / estuaries • Reduction in reported disruption due to severe climate events • Increase in species abundance • Increase in % of North East SSSIs in positive condition • Improved health & wellbeing through engagement with nature / outdoors • Increase in % of population engaged in minimum healthy weekly activity • Increase in Healthy Life Expectancy age (HLE) in North East • Increased awareness of natural environment and net zero transition among local people

Strategic Priorities	Output and outcome indicators
<p>PLACE-BASED GROWTH AND REGENERATION (RURAL AND COASTAL)</p> <ul style="list-style-type: none"> • SP5: Growing businesses, jobs, and skills sustainably • SP6: Regenerating rural and coastal towns and villages 	<p>Outputs</p> <ul style="list-style-type: none"> • Number of businesses (rural and coastal) supported • Number of people supported to develop skills or employability • Sq m of new / improved public realm or green space • Sq m community space developed / improved • Number of new / improved facilities / buildings in rural and coastal towns and villages • Number of people engaged in community activities • Number of community organisations / projects supported <p>Outcomes</p> <ul style="list-style-type: none"> • Private sector investment secured / attracted (£) • Number of jobs created / safeguarded • Increased GVA of North East rural and coastal economy (£bn) • Increased productivity in North East rural and coastal economy (GVA per job filled, £) • Increased business base (no of businesses per 10,000 head of population) • Increased business start up rate • Increased % innovation active businesses in North East rural and coastal economy • Increase in working age population in North East rural and coastal areas • Increased employment rate • Increase in average earnings • Number of people progressing into jobs • Increase in % of workforce qualified at Level 3 or above • Reduced deprivation in rural and coastal areas • Increased footfall in rural and coastal town / village centres • Reduced property vacancy rates in rural and coastal town / village centres • Improved perceptions of place among local people and businesses

5. Find out more

This Plan sets out our ambitious approach to making the North East a UK leader in environmental stewardship and clean, inclusive economic growth in a thriving rural and coastal context. Through carefully targeted investment in our natural, economic, social and cultural assets we will enhance the environment, grow our rural and coastal economy, and extend opportunity and prosperity, improving the lives and prospects of our people, businesses, and communities.

As we move towards delivery, we'd be delighted to hear from partners and funders who share our vision and would be interested in working together to achieve our common goals.

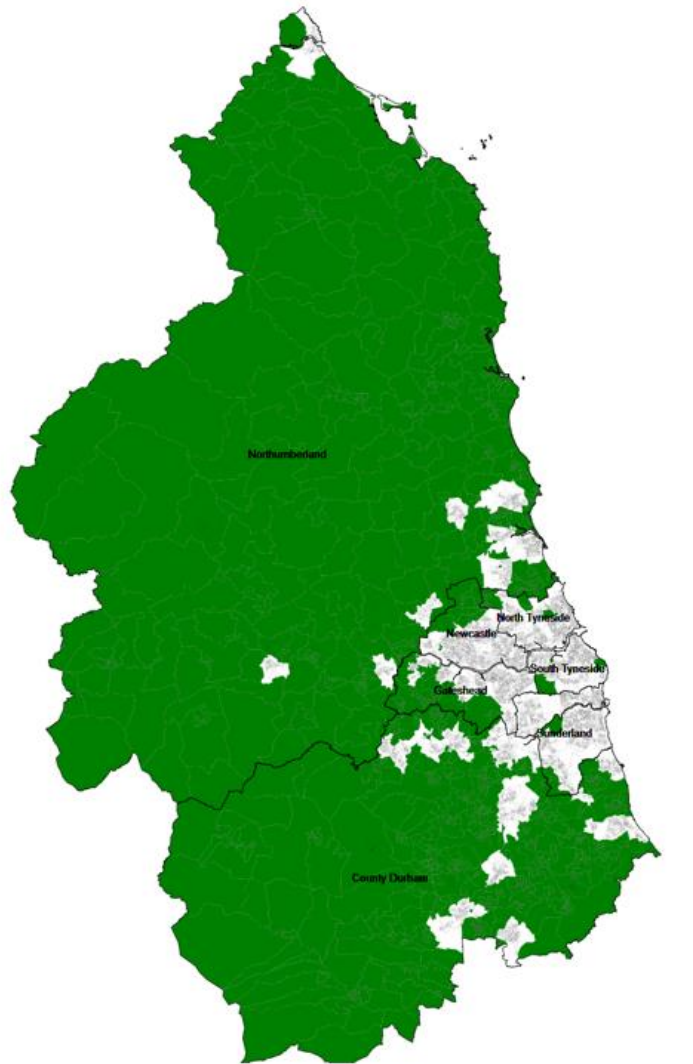
Please contact XXXX for more information. Details to be added.

Appendix 1 - NE Environmental Stewardship, Coast and Rural Growth Advisory Group Membership

Berwickshire and Northumberland Marine Nature Partnership
Community Action Northumberland
County Landowners Association (CLA) North
Durham Community Action
Durham County Council
Durham Wildlife Trust
Environment Agency North East
Federation of Small Business North East
Forestry Commission Yorkshire and North East
Gateshead Council
Great Northumberland Forest
Groundwork North East and Cumbria
HMG Cities and Local Growth Unit North East
Marine Management Organisation
National Farmers Union North
National Innovation Centre for Rural Enterprise
National Trust North East
Natural England Northumbria
Newcastle City Council
North East Combined Authority
North East Community Forest
North Tyneside Council
Northumberland Coast National Landscape
Northumberland County Council
North Pennines National Landscape
Northumberland National Park
Northumberland Wildlife Trust
Rural Design Centre
South Tyneside Council
Sunderland City Council
Voluntary Organisations' Network North East (VONNE)

Appendix 2 - Maps of North East rural and coastal areas

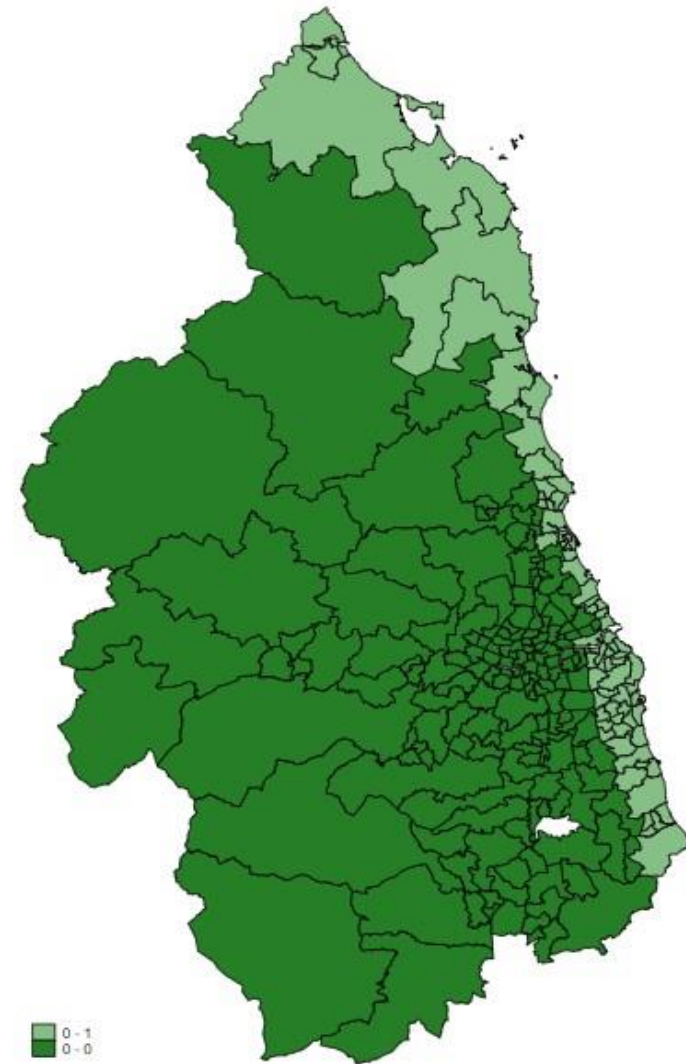
2a. Map of North East rural area



Source: NICRE 2024

* Green denotes rural areas, using ONS rural:urban classification (output areas)

2b. Map of North East onshore coastal area



Source: NICRE 2024

* Light green denotes coastal area (based on ward boundaries)

Appendix 3 - Summary of Evidence Report

To support and underpin the development of this North East Environmental, Coast and Rural Growth Investment Plan, a review of available evidence and data was undertaken by the National Innovation Centre for Rural Enterprise (NICRE) at Newcastle University. A detailed Evidence Report has been prepared drawing together data and evidence relevant to the Investment Plan's strategic priorities, including new analysis of NICRE's State of Rural Enterprise Survey, and covering four main topics: Economy, People, Place, and Environment. A copy of the full Evidence Report is available at [insert hyperlink to document on NICRE website / NE Evidence Hub](#).

This brief summary provides a very high-level overview of some of the key statistics and evidence from the Report, presented under the six strategic priorities of the Investment Plan.

1. Food/Fibre supply and decarbonisation through the natural environment

- The North East is home to a significant agriculture industry that plays a very important role in regional and UK food supply. In 2022, the region's agriculture sector produced £456m of livestock output and £365m of crops output.
- The North East accounts for around 5.9% of England's total land area and contains more than 20% of England's natural land, 16% of rough grassland, and 8% of forested areas. Approximately 25% of the land area in County Durham and 15% of Northumberland is natural land.
- The region stores approximately 143 Megatonnes of Carbon (MtC), primarily from coniferous woodland, improved grassland, bog, arable and horticulture and broadleaf woodland.
- The North East has relatively lower overall GHG emissions (carbon dioxide equivalent) compared to other English regions. Net CO₂ emissions in the North East decreased by 56% between 2005 and 2020.
- The North East's proportions of emissions from domestic and agricultural sectors are the highest amongst other comparable areas, with notably higher agricultural emissions in Northumberland and Durham.
- Northumberland has relatively high levels of methane and nitrous oxide emissions compared to national averages. Agricultural livestock is the largest source of methane emissions regionally, while domestic gas use and road transportation are the largest sources of carbon dioxide emissions.
- Of the nearly 8,500 kilotonnes of net removal of CO₂ from forestry in England in 2020, 16.5% was from forestry in the North East.
- Electricity generated from renewable sources has increased in the North East at a faster pace than the England average. The region is an important generator of offshore wind energy; has potential for geothermal mine water heat; and high potential for hydrogen production in salt caverns along the coast.
- Agroforestry could be used on 10% of arable land and grassland by 2050 to meet Net Zero, by planting trees on agricultural land while keeping the land as farmland, delivering 6MtCO₂ savings across the UK.

Why we need to take action

The North East's natural assets are crucial to the decarbonisation of the region and in supporting the transition to net zero. There is huge potential to decarbonise the extensive agricultural, agrifood, forestry and fisheries sectors in the North East, as well as sectors across the wider rural and coastal economy. The region's natural assets and coastal areas also offer potential for existing and new forms of low carbon energy generation.

2. Building climate resilience

- The North East faces major challenges from the impacts of climate change, including more severe and frequent storms, flooding, coastal erosion, droughts, and wildfires. The worst effects are seen in some coastal and rural communities, as well as those close by rivers and estuaries. The Environment Agency estimates that 8% of the region's population is at risk from flooding from rivers, seas, and surface water.
- Restoring healthy ecosystem function in peatlands can play an important role in climate regulation. There are approximately 230,000 hectares of peatland in the North East, around 17% of the England total, mostly located in the North Pennines National Landscape and the Northumberland National Park.
- Carbon storage and natural capital accounting have become increasingly important considerations in managing natural landscapes, with bog and peatland being the habitats that store the most carbon.
- Natural habitats play a critical role in absorbing carbon, with woodlands being one of the largest carbon store and sequestration sources. For example, woodlands owned by Northumberland County Council lock away around 13.37 kt CO₂ per year, and almost 20% of the county is covered in woodland.
- While agriculture in the North East currently contributes a significant share of the region's greenhouse gas emissions, grasslands and woodlands are also the region's largest carbon sink. There is significant potential to expand this through activities such as agroforestry and changing the composition of pastures.

Why we need to take action

The North East faces major challenges and growing threats from the impacts of climate change, including more severe and frequent storms, flooding, coastal erosion, droughts, and wildfires. Some of the worst impacts of climate change are experienced in the region's coastal and rural communities, as well as communities close to rivers and estuaries. Investing in the region's natural assets will help to build greater resilience to climate events for households, communities, and businesses.

3. Promoting nature recovery

- The North East contains many protected areas, with approximately 35% of the region designated as Special Areas of Conservation, over 200 Sites of Special Scientific Interest (SSSI), both National and Local Nature Reserves, and multiple areas designated for their importance to seabirds.
- However the condition of the habitats in these protected areas is not always reliably known due to lack of funds and outdated monitoring data.
- The North East coast supports unique habitats for a large variety of important marine plants and animals, with multiple overlapping designations including Special Areas of Conservation, Sites of Special Scientific Interest, Special Protection Areas, Marine Protection Areas and Marine Conservation Zones.
- The North East region has a relatively high proportion of rivers in good or moderate ecological health when compared to the rest of England and is one of only three regions containing heavily modified water bodies that have High Ecological Potential.
- The North East coast has many habitats that have national and global importance, including sand dunes, salt marsh, seagrass, intertidal mudflats, and sandflats. These biologically diverse habitats provide various ecosystem services including coastal resilience, carbon storage and climate regulation, nutrient cycling, health and wellbeing, healthy fisheries, and support a thriving tourist economy.

Why we need to take action

The North East is home to many important and significant natural habitats. However, the region's nature and habitats are increasingly at risk, with a decline in biodiversity resulting mainly from human activities, such as land use changes, pollution, and climate change, as well as the impacts of the region's industrial and mining heritage. Investment in natural rural and coastal assets will help to reverse the decline and hasten local nature recovery.

4. Boosting health, wellbeing, and community action on net zero

- Life expectancy in the North East is estimated to be 77.6 years for men and 81.5 years for women, which is the lowest among all regions in England. According to the Health Index, overall health in the NEMCA area is lower than the average for England.
- Coastal communities in the region have the highest rates of premature, preventable deaths, with the average rate being 43% higher than the national average, and 13% higher than the North East inland average. The rate of under-75s' mortality from cancer in these coastal areas is 23% higher than the national average and 7% higher than the region's inland average.
- Many rural residents live in isolated circumstances with few accessible health services or amenities. They are disproportionately older than average, often with a high number of co-morbidities, each presenting a different challenge to the health and care system.
- Mental health varies widely in the North East. While the north and west of Northumberland generally have better mental health scores, there are areas of the county with poor overall mental health. In addition, some coastal areas from Blyth to the south of County Durham, plus some rural areas in County Durham, have low to very low mental health scores.

Why we need to take action

The North East has higher levels of poor health outcomes than other regions of the UK, and there are significant health inequalities within the region between the poorest and most prosperous communities. Some of the worst health outcomes are experienced in the region's rural and coastal communities. Engaging with nature and the outdoors can have a significant positive impact on the physical and mental wellbeing of people from all backgrounds from across the region.

5. Growing businesses, jobs, and skills sustainably

- Rural and coastal areas make an important contribution to the North East economy. Rural areas contribute around 12% of the region's GVA (equivalent to nearly £4.7bn), and coastal areas contribute 19% (equivalent to around £7.6bn).
- County Durham and Northumberland (the region's two largely rural areas) have productivity levels below the average for England's rural districts. The North East's coastal economy has experienced cumulative GVA growth 25% lower than the regional average, since 2008.
- The region's rural and coastal economies are diverse in terms of sectors. In rural areas the biggest employers are health and social work; motor trade; wholesale and retail; accommodation and food services; and manufacturing. In coastal areas, health and social work; wholesale and retail sectors; education; and accommodation and food services are the biggest employers.
- Compared to the region as a whole, accommodation and food service sectors are more prominent in rural and coastal areas in terms of employment.
- The agriculture, forestry, and fishing sectors account for 20% of registered businesses in the rural North East, compared with 14% in other rural areas in England.
- Many North East rural businesses have been facing cash flow pressures, particularly due to rising fuel costs for transport. In coastal areas, 11% of firms said they have a critical cashflow situation.
- The region's farming sector continues to experience the significant transition from European CAP Basic Payments to new environmental land management schemes, alongside facing increases in the costs of key inputs (e.g. diesel, oil, fertiliser, pesticides).
- Many businesses in the rural and coastal areas of the North East have identified opportunities for growth. This includes health and wellbeing products/services, which are highlighted by half of coastal

and rural firms; environmental/green products or services identified by half of rural firms and 36% of coastal firms; and tourism, identified by half of rural firms and 40% of coastal firms.

- Almost half (47%) of rural businesses in the North East highlight lack of financial resources and skills as the most significant obstacles to growth and realising opportunities.
- In addition, rural businesses are much more likely to face obstacles linked to transport (39%), broadband (33%), and affordable housing (36%), compared to urban businesses (19%, 27%, 15%, respectively).
- Direct local sales account for 8% of sales for North East farms and 36% express interest in increasing this. The main barriers to doing so relate to limited demand, lack of market infrastructure, labour supply, and appropriate digital infrastructure.
- Key challenges for coastal firms include a lack of suitable business premises (41%), issues relating to skills availability (45%), financial resources (40%), broadband (30%), and affordable housing (30%).
- A third of rural businesses in Northumberland and County Durham rate their broadband as being poor or very poor, compared to 18% of urban businesses across the North East.
- Innovation rates are relatively high amongst the region's rural and coastal businesses. In 2023, around 30% engaged in product innovation and 20% in process innovation, which represents a higher share of firms that are innovating compared to urban areas of the North East.

Why we need to take action

Communities and economies in the North East's rural areas and outlying coastal towns and villages rely on local businesses to provide jobs, incomes, and services. However, businesses in rural and coastal areas are more likely to face increased challenges to sustainability and growth than businesses in more urban areas. Increasing the growth and resilience of rural and coastal businesses will boost prosperity, tackle inequality, and safeguard essential services in the most deprived rural and coastal communities.

6. Regenerating rural and coastal towns and villages

- There are pockets of rural deprivation across the North East area, which is typically more hidden and dispersed, and often adjacent to more affluent areas.
- Many rural communities face fuel poverty, higher costs of living, insecure employment, a lack of access to services, and a lack of affordable housing opportunities.
- 28.8% of children in the NECA area live in poverty. Multiple constituencies in rural and coastal areas have more than a third of their children living in poverty.
- Coastal areas have some of the lowest levels of net income, with pockets of deprivation along the coastline of County Durham, Sunderland, and south of Northumberland. These areas have a higher share of jobs in lower skill-level occupations and a lower share in high skill-level occupations than inland areas, often due to the significance of hospitality and tourism sectors.
- Being in a rural area can compound the challenge of being unemployed, with fewer opportunities for employment and career progression; poor digital connectivity impacting opportunities for remote working; challenges in commuting to urban jobs because of poor transport infrastructure; and difficulty in accessing employment support and advice.
- For young people living rurally, there are many challenges which influence social mobility with respect to their education and career choices. The interplay between lack of transport, local employment, and affordable housing in rural areas limits the opportunities available to many young people.
- The quality of internet varies significantly across the North East, with Northumberland and County Durham having substantially worse internet quality than the rest of the region. Access to gigabit internet is also low in many rural and coastal areas in Northumberland and County Durham.

- Rural areas in the west of Northumberland and County Durham have some of the lowest accessibility to services, measured on a basis of a minimum travel time by public transport, walking or car.
- Some parts of north and coastal Northumberland have particularly high concentrations of holiday homes, leaving many houses vacant for long periods which impacts on the viability of core services and on the wider sense of community.

Why we need to take action

Smaller rural and coastal towns and villages in the North East are vital service centres that support people, communities, and businesses in wider hinterlands. However, many of these towns and villages need revitalising. Investment in local infrastructure and services is required to make them attractive and viable places for local people to live and work.

Programme-specific budgets

ENVIRONMENT AND NATURE	2025/26	2026/27	2027/28	2028/29	Total
EXPENDITURE					
Local Nature Recovery Programme	£250,000	£500,000	£750,000	£750,000	£2,250,000
Delivering Investment Programmes		£750,000	£1,750,000	£2,500,000	£5,000,000
Total	£250,000	£1,250,000	£2,500,000	£3,250,000	£7,250,000
INCOME					
North East Investment Fund	£250,000	£1,250,000	£2,500,000	£3,250,000	£7,250,000

RURAL AND COASTAL GROWTH	2025/26	2026/27	2027/28	2028/29	Total
EXPENDITURE					
Rural and Coastal Growth Strategic Programme	£1,500,000	£3,000,000	£3,000,000	£1,000,000	£8,500,000
INCOME					
North East Investment Fund	£1,500,000	£3,000,000	£3,000,000	£1,000,000	£8,500,000

ECR ENABLING FUND	2024/25	2025/26	2026/27	2027/28	2028/29	Total
EXPENDITURE						
Task Force Secretariat	£75,000	£150,000	£75,000			£300,000
Climate Resilience Pilot		£125,000	£175,000			£300,000
Business Case Development		£350,000	£300,000			£650,000
Total	£75,000	£625,000	£550,000			£1,250,000
INCOME						
North East Investment Fund	£75,000	£625,000	£550,000			£1,250,000

Title: 2024/25 Budget Monitoring Position at 30 September 2024

Report of: Michael Robson, Senior Governance Officer and Scrutiny Officer

1. Report Summary

- 1.1 The purpose of this report is to allow the Committee to review the North East CA 2024/25 Budget Monitoring Position as at 30 September 2024. A report setting out a revised North East CA budget plan for 2024/25, a review of Treasury Management at the mid-year point and a statement of the North East CA's reserves was presented to Cabinet at its meeting on 26 November 2024. This is attached as Annex A.

2. Recommendations

- 2.1 The Overview and Scrutiny Committee is invited to review the revised North East CA budget plan for 2024/25, treasury management position and statement of reserves.

3. Context

- 3.1 At its meeting on 26 November 2024 Cabinet considered a report from the Director of Finance and Investment in relation to revised budget plan for 2024/25, showing the updated positions for the Corporate Budget and delivery programmes. The report includes at Appendix 2 a summary of performance in relation to the Authority's programmes including the impact in terms of outputs the programmes are forecast to deliver. The report also provides a review of treasury management at the mid-year point, with a summary of the North East CA's treasury position, borrowing activity, investment activity, treasury management and prudential indicators as of 30 September 2024 and an overview of activity during the first six months of 2024/25. The report includes a statement of the North East CA's reserves, based on the closing financial statements outlined in the 2023/24 financial outturn statements for both North of Tyne Combined Authority and the former North East Combined Authority.
- 3.2 The Committee has a role in reviewing and scrutinising the performance of the Authority in delivering its programmes and strategies and in fulfilling this role the Committee agreed to include budget monitoring reports within its work programme. Access to financial information may also help inform development of the overview and scrutiny work programme. The Committee is therefore invited to examine the budget monitoring report and Janice Gillespie, the Director of Finance and Investment, will be in attendance to answer any questions.

4. Implication Statements

- 4.1 The policy, equalities and engagement implications of the budget monitoring report are set out in the report to Cabinet.

5. Appendices

Annex A: Report to Cabinet in relation to 2024/25 Budget Monitoring Position as at 30 September 2024

6. Background Papers

The following background documents have been used in the compilation of this report and are available for inspection either by clicking on the links below or by contacting the report author:

- [North East CA Constitution](#)
- Notice of Decisions made by Cabinet on 26 November 2024

7. Contact Officers

Janice Gillespie, Director of Finance and Investment Janice.gillespie@northeast-ca.gov.uk

Michael Robson, Scrutiny Officer Michael.robson@northeast-ca.gov.uk

8. Glossary

None

Title: 2024-25 Budget Monitoring Position 30 September 2024
Report of: Director of Finance and Investment
Portfolio: All Portfolios

Report Summary

The purpose of this report is to present the Mayor and Cabinet a revised budget plan for 2024/25, showing the updated positions for the Corporate Budget and delivery programmes.

The report also provides a review of Treasury Management at the mid-year point, with a summary of the North East CA's treasury position, borrowing activity, investment activity, treasury management and prudential indicators as of 30 September 2024 and an overview of activity during the first six months of 2024/25.

The report includes a statement of the North East CA's reserves, based on the closing financial statements outlined in the 2023/24 financial outturn statements for both North of Tyne Combined Authority and the former North East Combined Authority.

Recommendations

Cabinet is recommended to:

1. Note the updated budget position for 2024/25.
2. Note the Treasury Management position on 30 September 2024
3. Note the current value of reserves, based on the draft 2023/24 final accounts for both North of Tyne Combined Authority and former North East Combined Authority.

A. Strategic Background and Context

- 1.1 Following the laying of the statutory order (the Order) to create the North East Combined Authority (North East CA), the Authority came into existence on 7 May 2024. The Order provided for the creation of the North East CA, with the necessary arrangements that the North of Tyne Combined Authority and the former North East Combined Authority approving the first budget and corporate plan prior to its creation on 7 May 2024.

Initial Corporate Budget Plan 2024/25

- 1.2 The initial corporate budget plan reflected an 11-month period. The current format of the budget also reflects a change in reporting classifications in the new financial system, most of which are minor (for example, car allowances moving from transport costs to staff expenses). In addition, within the Transport directorate, Transport Levy costs and income now show as overheads rather than delivery costs, inflating corporate supplies and services by £85m and corporate contributions by £87m.
- 1.3 Table 1 shows the initial budget, a straight 11-month split and the current budget that has been adopted for 2024/25.

Table 1

Category	2024-25 Full year estimate	7 May 2024 - 31 March 2025	Current Budget and Forecast 2024-25
Expenditure	£m	£m	£m
Employees	14.177	13.004	13.110
Premises	0.659	0.604	0.632
Transport	0.085	0.077	0.008
Supplies and Services	4.318	4.158	89.919
Third Party Payments	0.400	0.400	0.399
Central Support and Other Recharges	10.327	9.467	13.896
Total Expenditure	29.966	27.710	117.963
Income	£m	£m	£m
Contributions Summary	(20.673)	(19.483)	(101.023)
Grant Contributions	(6.456)	(5.919)	(4.813)
Interest Summary	(0.732)	(0.671)	(1.730)
Recharges	(0.438)	(0.401)	(0.016)
Other Income Summary	(1.352)	(1.239)	(0.509)
Total Income	(29.651)	(27.713)	(108.091)
Funding towards costs from Tyne Tunnel			(9.872)
Net Budget	0.316	(0.003)	0.000

- 1.4 The main changes that have resulted from the new reporting system include:
- Reclassification of travel budgets from transport to employee expenses
 - Similar reclassification of service costs to premises
 - Inclusion of the Transport levies (cost and income)
 - Costs of capital relating to the Tyne Tunnel are included in the corporate costs, with the funding Tunnel income now reflected separately within programme activity. This has now been added below the line to reflect the appropriate financing of that cost.

2 Revising the Current Corporate Budget Plan for 2024-25

- 2.1 The initial corporate budget plan for North East CA was based on amalgamating the constituent corporate budgets of the five organisations that came together on 7 May, with a prudent amount of growth included, reflecting capacity to deliver the additional responsibilities of the new authority. This report reflects the outcome of the work carried out to date to review the budget following the first six months of activity.
- 2.2 This draft revised budget as set out in Table 2 below is based on the following approach:
- a) Staffing structures following the establishment of the North East CA have been reviewed by service leadership teams following some initial Service reviews to create a budget plan for the new establishment.
 - b) Non-staffing expenditure budgets have been reviewed by service teams and revised where the expected running costs of the Authority differ from those expected when initially drafting the budget.
 - c) Where revised budgets costs cannot be met from realignment of other budget lines, they will need to be met from either existing contingent budget, from use of reserves or by increasing

drawdown of other funding sources, which is reflected in the revised budget position. The detailed impact of this is shown in table 4 below.

- d) The programme delivery plans have also been reviewed by the delivery services. These are being used to establish and update a project delivery budget, which will show both budgeted expenditure and funding of these projects in detail.
- e) The following budget assumptions have still been maintained in revising the budget.
 - Where appropriate the revised budgets reflect an eleven-month period.
 - Prudent assumption on staff turnover of less than 3%.
 - The budget is prudent; it is reasonable to anticipate upside from higher interest earning reflecting higher cash balances.
 - The draft revisions will reflect the current approved programme of service delivery and any changes to programmes of work will need to be added into the plan.

2.3 Table 2 below details the proposed changes to the current budget, split between realignments and new requests, to give a revised budget. The split of the revision to budget by directorate is detailed in Appendix 1 to this report.

Table 2 Revised Budget 2024-25

Category	Current Budget 2024-25	Budget Realignments to 30 September 2024	Revised Budget 30 September 2024
Expenditure	£m	£m	£m
Employees	13.110	1.141	14.250
Premises	0.632	(0.198)	0.433
Transport	0.008	0.000	0.008
Supplies and Services	89.919	2.490	92.409
Third Party Payments	0.399	0.000	0.399
Central Support and Other Recharges	13.896	0.000	13.896
Total Expenditure	117.963	3.433	121.396
Income	£m	£m	£m
Contributions Summary	(101.023)	(2.278)	(103.301)
Grant Contributions	(4.813)	(0.337)	(5.150)
Interest Summary	(1.730)	0.000	(1.730)
Other Income Summary	(0.016)	(0.818)	(0.834)
Recharges	(0.509)	0.000	(0.509)
Total Income	(108.091)	(3.433)	(111.524)
Funding towards costs from Tyne Tunnel	(9.872)		(9.872)
Net Budget	0.000	0.000	0.000

2.4 The draft budget realignments to the budget can be summarised as follows. Where there is no available fund to meet these additional costs, they would need to be met from contingencies.

- a) Directorate team budgets have been revised where resource requirements have been previously identified during the transition and establishment of the Authority. Examples of these employee revisions are:
 - Increased capacity in relation to the Bus Reform Project (to be funded from Bus Reform fund)

- New posts including the Assistant Director of Communications and posts in Operations directorate People and Governance teams.
 - Consultancy in Skills, Inclusion & Public Reform (funded from specific reserves) to complete work carried over from 2023/24.
- b) Expected costs of tunnel management, including costs for handover of the pedestrian tunnel, legal fees, and consultancy.
- c) Revised costs of communications and marketing for media management.
- d) Correct expected cost for Inward Investment programme for 2024/25, to be met from increased investment recovery. The additional costs relate to extra events, including ancillary expenses and travel planned for 2024/25.
- e) Realignment of Operations' premises and supplies and services costs, based on management requirements.

2.5 Table 3 shows the budget realignments, broken down by the proposed cost allocation.

Table 3 2024-25 Budget realignments

Realignments	Employees	Premises	Supplies & Services	Central Support and Other Recharges
	£m		£m	£m
Bus Reform	0.683		1.187	
Operational Costs		(0.198)	0.198	
Tunnel Costs			0.595	
Management & Governance roles	0.408			
INEE Operational Costs			0.337	
Skills Bootcamp W4	0.050		0.040	
Additional Communications			0.133	
SLA Correction				0.381
SLA transfer				(0.381)
	1.141	(0.198)	2.490	0.000

2.6 In summary, the total revisions to the budget would be £3.433m of realignments. Table 4 shows the how these revisions are planned to be funded.

Table 4 Funding of Realignments

Category	Funding
	£m
Use of Contingency Budget	(0.408)
Use of Reserves	(0.223)
Additional Inward Investment funding	(0.337)
Additional Tunnel Fees	(0.595)
Bus Reform Funding	(1.871)
	(3.433)

2.7 The review of the Corporate Budget undertaken to date has not highlighted any material under/overspends that need to be brought to the attention to Cabinet other than the position on Interest Income. The North East CA has continued to hold significant levels of reserves and balances and that together with the Bank base rate still being held at a higher rate has continued the recent trend of overperformance of interest income against budget. Early indications are a surplus against budget of circa £14.150m. Cabinet have previously agreed commitments against this surplus for the Bus Reform Project, and that together with allocations made to reserves held on behalf of Nexus and the Tyne Tunnels will result in an uncommitted balance in the region of £7m. The intention is for the proposed use of that surplus to be considered as part of the next monitoring report to Cabinet in January 2025 when the full implications of the Autumn Budget statement are more fully worked through.

3. Programme Delivery

3.1 Since its inception in May 2024 the North East CA Cabinet has approved fifteen proposals totalling £156m of funding from the Investment Fund, Early Capital Regeneration, Investment Zones, and Brownfield Housing. In addition, delivery of the Adult Skills programmes has continued and progression of schemes within Transport Capital and Revenue programmes is well underway. During this period, the North of Tyne CA has also focused on establishing robust approval, contract management and reporting processes. This includes operationalising the Single Assurance Framework, developing business process documentation, clear guidance, and delivery of staff training. The Risk Management Framework was agreed by Cabinet in September, the implementation of risk management process for investment programmes is underway with risk reporting to be included in performance reporting from Q3.

3.2 In addition to the new decision the authority continues to implement legacy decision from the North of Tyne CA, and the indicative profile of spend for the legacies programmes and projects is included in the table 5 below.

Table 5 Indicative Expenditure for 2024-25 and future years.

Indicatives spend Revenue	Forecast 2024-25	2025-26	2026-27	2027-28	2028-29	Total
	£m	£m	£m	£m	£m	£m
Investment Fund	6.093	11.670	11.794	11.413	10.182	51.152
Legacy Investment Fund	42.438	13.612	5.621	2.539	1.470	65.680
Investment Zones	1.490	1.360	1.900	1.550	2.590	8.890
Enterprise Zones	16.013	13.466	14.751	14.442	13.285	71.957
Transport- Revenue	46.987	43.673	2.980	TBA	TBA	93.640
Adult Skills Funding	51.422	64.000	64.000	64.000	64.000	307.422
Skills Bootcamps	17.000	27.385	TBA	TBA	TBA	44.385
Free Courses for Jobs	3.447	4.900	0.000	0.000	0.000	8.347
UKSPF and Multiply	30.288	TBA	0.000	0.000	0.000	30.288
Forecast Revenue Spend and funding by grants	215,178	180.066	95.425	91.405	90.057	681.761

Indicative spend Capital	Forecast 2024-25	2025-26	2026-27	2027-28	2028-29	Total
	£m	£m	£m	£m	£m	£m
Investment Fund	14.000	23.000	17.400	15.400	11.400	81.200
Brownfield Housing Fund	22.894	18.680	TBA	TBA	TBA	41.574
Early Capital	47.456	22.149	0.000	0.000	0.000	69.605
Investment Zones	4.497	12.526	0.470	0.470	0.340	18.303
Transport (inc Metro Flow)	183.723	187.471	146.738	TBA	TBA	517.932
UKSPF and Multiply	11.471	TBA	0.000	0.000	0.000	11.471
Forecast Capital Spend	284.041	253.826	156.608	8.870	6.740	710.085
Funded by						
Grants	(284.041)	(243.826)	(148.608)	(1.870)	(1.740)	(680.085)
Borrowing	(0.000)	(10,000)	(8.000)	(7.000)	(5.000)	(30.000)
Total Capital Funding	(284.041)	(253.826)	(156.608)	(8.870)	(6.740)	(710.085)

- 3.3 Included at Appendix 2 is the recent performance pack for the programmes that has been considered at the recent meeting of the Finance and Investment Board (11 November 2024). The Performance pack gives more detail across the different programmes including the impact in terms of outputs the programmes are forecast to deliver.

4 Tyne Tunnels

The North East CA owns the Tyne Tunnels, comprising the two vehicle tunnels and the pedestrian and cyclist tunnels. The Tyne Tunnels receive no central government funding nor any local subsidy, with all operational costs and debt financing costs being met from the tolls charged to users of the vehicle tunnels. The toll charges are necessary to meet operational costs as well as the financing costs of the North East CA and the tunnels operator, TT2 Limited, which were incurred in the construction of the second vehicle tunnel which opened in 2011. The Table below gives an indication of the movement on the Tyne Tunnel reserve based on known costs and anticipated Toll Income for 2024-25 and future years.

	2024-25	2025-26	2026-27	2027-28	2028-29	All years
	£m	£m	£m	£m	£m	£m
Reserve brought forward	9.626	9.810	9.809	9.809	9.809	9.626
Income	36.963	42.792	44.952	46.685	48.757	220.149
Capital charges	(7.722)	(8.960)	(9.527)	(9.556)	(11.47)	(47.235)
Contract payments	(28.281)	(32.969)	(34.543)	(35.989)	(36.128)	(167.910)
Other tunnels costs	(0.776)	(0.864)	(0.882)	(1.140)	(1.160)	(4.822)
Reserve carried forward	9.810	9.809	9.809	9.809	9.808	9.808

5. Treasury Management

- 5.1 The treasury management mid-year position for 2024/25 is set out in detail at Appendix 3 to this report. It provides a summary of the (North East CA's) treasury position, borrowing activity, investment activity, treasury management and prudential indicators as of 30 September 2024 and an overview of activity during the first six months of 2024/25.
- 5.2 The North East CA held £130.333 million in borrowing and had £449.363 million cash balances invested on 30 September 2024. During the half year period no new borrowing was arranged. The current level of cash balances held has allowed the combined authority to avoid any external borrowing that may be required to fund its capital programme, whilst interest rates remain higher than they have been in recent years.
- 5.3 All investments have been undertaken in line with both the CIPFA Code and government guidance, which require the combined authority to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.
- 5.4 During the half year period to 30 September 2024, the combined authority has fully complied with its Treasury Management Strategy and the Treasury Management indicators relating to interest rate exposure, maturity structure of borrowing and sums invested for more than one year. The combined authority has also fully complied with the Prudential Code Indicators which relate to the capital programme and how much the authority can afford to borrow.

6. Strategic Outlook and Reserves

- 6.1 Cabinet will be aware that whilst the 2023/24 financial outturn statements for the previous Combined Authorities have prepared, the accounts have yet to be audited. These accounts include reserves to be carried forward into 2024/25 and these proposed reserves and the indicative movement are detailed in Appendix 4.
- 6.2 Many of the reserves held by the authority are earmarked for specific programmes and grant activity (i.e. ringfenced reserves) but there are a number of “un-ringfenced” reserves, and the out-turn report for 2023-24 set a proposed approach to the realignment of reserves. This included: the creation of an Election Reserve of £3m reducing an in-year requirement budget contribution until the next Mayoral election; an increase to the Strategic Reserve of £1m whilst a full financial risk assessment of the North East CA is undertaken during 2024-25; and the creation of a Strategic Capacity Reserve of £3.749m
- 6.3 The Strategic Capacity Reserve will provide for the ongoing costs of the transition period in early 2024-25, and to create a financial resource available for development work in respect of the aspects of the Corporate Plan, the Local Growth Plan and Portfolio plans over the course of 2024-25 and 2025-26.
- 6.4 The Autumn Budget Statement announced by the Chancellor on 30 October 2024, provided some clarity regarding those areas of risk particularly in respect of:
- UKSPF- with implications for a range of delivery priorities, staffing and overheads.
 - National Adult Single Fare Cap and the North East BSIP bus fares.
- 6.5 In terms UKSPF the Autumn Statement confirmed a further although reduced national budget for UKSPF for 2025-26. The challenge remains to conclude the delivery of year 3 of the current programme with over £47.759m to be spent this year by 31 March 2025. To date guidance given by MHCLG remains that there is no opportunity to carry forward any underspend into 2025-26. Officers continue to monitor the programme closely and considering the opportunity for funding swops to ensure no loss of funds to the former North of Tyne region.
- 6.6 The Autumn budget statement confirmed the intention to increase the national adult single fare cap from £2 to £3 with effect from 1 January 2025. This has implications for the for the locally determined “Bus Service Improvement Plan” (BSIP) fares.
- 6.7 There are two types of BSIP fares:
- a fare targeted at young people aged 21 and under, currently priced at £1 for a single trip and £3 for unlimited daily travel on bus, Metro and Ferry; and
 - a range of adult multi-modal multi-trip tickets.
- 6.8 BSIP fares are delivered through a “capped fare scheme,” a statutory instrument put in place by the Joint Transport Committee. This allows the North East CA to set a maximum fare under certain circumstances and hold discussions with bus operators about those fares that are compliant with competition law. Participation in the scheme is voluntary, and reimbursement is on a “no better, no worse off” basis where bus operators are broadly compensated for the difference from the “shadow fare” that would have been charged in absence of the scheme.
- 6.9 The national cap on single fares is critically important to the BSIP fares because it has a major influence on the “shadow fare” which will increase. It also has a relationship to adult multi-modal multi-trip tickets, both in determining the “shadow fare” used for their reimbursement, and in relation to their pricing.
- 6.10 The potential implication for additional cost in the period to 31 March 2025 is currently estimated at circa £2m which can be funded by the existing BSIP resources. However, officers are in dialogue with

bus operators on options to manage this change. Cabinet will be kept up to date with progress on this discussion and any decision required being brought back to cabinet later this calendar year.

B. Impact on North East Combined Authority Objectives

The Initial Corporate Plan – informed by the Devolution deals together with the Mayor’s Manifesto set out the developing strategic objectives of the authority. Budget monitoring against is part of the process that ensures the authority has properly discharge its functions and assist in delivering the authority’s vision, policies, and priorities.

C. Key risks

There are no specific risks relating to this report other than those highlighted in paragraph 6.4 through to 6.10 above.

D. Financial and other resources implications

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

E. Legal implications

1. The Authority has a legal obligation under the Local Government Act 2003 to have regard to the Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice; the Chartered Institute of Public Finance and Accountancy’s Prudential Code: Capital Finance in Local Authorities and the Department of Levelling up Communities and Housing Statutory Guidance on Local Government Investments.
2. The Authority is required to agree a balanced budget annually and to monitor performance against that budget throughout the year. The Authority must also make provision for an adequate level of un-earmarked reserves. It is also required to ensure that good financial governance arrangements are in place.

F. Equalities Implications

There are no direct equalities implications arising out of the recommendations in this report.

G. Consultation and engagement

The creation of the North East CA has been subject to significant and regional consultation. The 2024/25 budget was subject to wide consultation across the North East. The overall devolution proposals were developed from close collaborative working across the local authorities and specifically the LA7 Chief Executives, Finance Directors and Economic Development Directors and a wide range of stakeholders and the public. Further joint working has been undertaken since the Mayor was elected on the development of the Local Growth plan. Engagement continues among key stakeholders across the region.

H. Appendices

Appendix 1 – Updated 2024-25 Budget by Directorate
Appendix 2 – Investment Programme Performance Report
Appendix 3 – Treasury Management Mid-Year Review
Appendix 4 – Reserves and Balances.

I. Background papers

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

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

J. Contact officer(s)

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Eleanor Goodman, Interim Head of Finance, Eleanor.goodman@northeast-ca.gov.uk
[Noel Kay Strategic Finance Business Partner](#)

K. Glossary

ATF – Active Travel Fund
BSIP – Bus Service Improvement Plan
CRSTS – City Region Sustainable Transport Settlement
MHCLG– Ministry for Housing Communities and Local Government
DfE – Department for Education
DfT – Department for Transport
JTC – Joint Transport Committee
LGP – Local Growth Plan
NECA – North East Combined Authority (former)
NTCA – North of Tyne Combined Authority

Appendix 1 – Corporate Budget Revisions by Directorate

Current Corporate Budget for 2024/25

Category	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	2.970	2.258	2.247	2.774	1.911	0.950	13.110
Premises	0.632						0.632
Transport					0.008		0.008
Supplies and Services	0.443	1.593	1.126	0.017	86.706	0.033	89.919
Third Party Payments		0.012			0.387		0.399
Central Support and Other Recharges	0.020	12.066			1.780	0.030	13.896
Total Expenditure	4.065	15.929	3.373	2.791	90.792	1.013	117.963
Contributions Summary		(10.865)			(90.158)		(101.023)
Grant		(1.860)	(2.070)		(0.883)		(4.813)
Interest Summary		(1.730)					(1.730)
Other Income Summary	(0.016)						(0.016)
Recharges					(0.509)		(0.509)
Total Funding	(0.016)	(14.455)	(2.070)	0.000	(91.550)	0.000	(108.091)
Funding towards costs from Tyne Tunnel		(9.872)					(9.872)
Net Budget	4.049	(8.399)	1.303	2.791	(0.758)	1.013	0.000

Appendix 1 – Corporate Budget Revisions by Directorate

Revised Corporate Budget for 2024/25

Category	B91001- Operations	B91002- Finance & Investment	B91004- Economic Growth & Regeneration	B91003- Skills, Inclusion & Public Reform	B91005- Transport	B91000- Chief Executive	Grand Total
	£m	£m	£m	£m	£m	£m	£m
Employees	3.258	2.258	2.247	2.824	2.594	1.070	14.250
Premises	0.433	0.000	0.000	0.000	0.000	0.000	0.433
Transport	0.000	0.000	0.000	0.000	0.008	0.000	0.008
Supplies and Services	0.775	1.593	1.463	0.057	88.488	0.033	92.409
Third Party Payments	0.000	0.012	0.000	0.000	0.387	0.000	0.399
Central Support and Other Recharges	0.401	11.685	0.000	0.000	1.780	0.030	13.896
Total Expenditure	4.867	15.547	3.710	2.881	93.257	1.133	121.396
Contributions Summary	(0.433)	(10.999)	(0.075)	0.000	(92.029)	(0.120)	(103.655)
Grant	0.000	(1.860)	(2.407)	(0.200)	(0.883)	0.000	(5.350)
Interest Summary	0.000	(1.730)	0.000	0.000	0.000	0.000	(1.730)
Other Income Summary	(1.067)	0.000	0.000	(0.090)	(0.595)	0.000	(1.752)
Recharges	0.000	0.000	0.000	0.000	(0.509)	0.000	(0.509)
Total Funding	(1.500)	(14.589)	(2.482)	(0.290)	(94.015)	(0.120)	(112.996)
Funding towards costs from Tyne Tunnel		(9.872)					(9.872)
Net Budget	4.049	(8.399)	1.303	2.791	(0.758)	1.013	0.000



North East CA Performance Pack

Reporting Period May - October 2024





- This programme performance pack has been developed to provide an overview at a programme level of:
 - Fund description and key progress updates in reporting period
 - Committed funding against the fund total value (where a Cabinet/ delegated decision has agreed funding against a business case)
 - Forecast expenditure by year
 - Forecast outputs
- It is acknowledged that the portfolio plans include a pipeline of activity and there will likely be a significant call on funds currently shown as ‘uncommitted’. Pipeline activity in development is referenced in the supporting narrative.
- Implementation of the risk management process for investment programmes is underway with risk reporting to be included from Q3.
- Actual expenditure and output figures will be reported when achieved.

Overview of CA funds



Executive Summary

Since its inception in May 2024 the North East CA Cabinet has approved 16 proposals totalling £159m of funding from the NECA Investment Fund, Early Capital Regeneration, Investment Zones and Brownfield Housing. In addition, delivery of our Adult Skills programmes have continued and progression of schemes within Transport Capital and Revenue programmes is well underway. During this period, the CA has also focused on establishing robust approval, contract management and reporting processes. This includes operationalising the Single Assurance Framework; developing business process documentation, clear guidance and delivery of staff training. The Risk Management Framework was agreed by Cabinet in September, the implementation of risk management process for investment programmes is underway with risk reporting to be included in performance reporting from Q3.

Fund	Fund total	Committed	Uncommitted	Spend to date	% Committed	Reporting Period
Transport - Capital	£824,286,718	£824,286,718	£0	£33,730,000	100.00%	7 years (2020/21 – 2026/27)
Transport - Revenue	£108,200,000	£83,700,000	£24,500,000	£34,200,000	100.00%	6 years (2021/22 – 2026/27)
Brownfield Housing Fund	£49,214,534	£48,320,000	£894,534	£10,050,000	98.18%	North of Tyne – 6 years (2020/21 – 2025/26) South of Tyne – 2 years (2024/25 – 2025/26)
Investment Fund	£240,000,000	£102,792,877	£137,207,123	£0	42.83%	5 years (2024/25 – 2028/29)
Investment Zones	£54,968,000	£9,383,795	£45,584,205	£0	17.07%	5 years (2024/25 – 2028/29)
Early Capital Regen	£68,970,000	£65,249,315	£3,720,685	£0	94.61%	3 years (2023/24 – 2025/26)
UK Shared Prosperity Fund	£47,085,061	£45,069,713	£2,015,348	£ 21,422,035.00	95.72%	3 years (2022/23 – 2024/25)
Adult Skills	£69,707,665	£69,707,665	£0	£16,550,000	100.00%	1 year (2024 Academic Year)
Skills Boot Camps	£17,999,140	£17,999,140	£0	£1,160,000	100.00%	1 year (2024 Academic Year)
Total	£1,480,431,118	£1,266,509,223	£213,921,895	£117,112,035	81.59%	



Transport Funding overview

North East CA inherited £346m of capital funding from transport programmes previously agreed by the former Joint Transport Committee (JTC), including the Transforming Cities Fund (TCF), Active Travel Fund (ATF), Bus Service Improvement Plan (BSIP), Zero Emission Bus Regional Areas Tranche 2 (ZEBRA2), and Levelling Up Fund (LUF). The table below demonstrates the capital funding allocated since 2020/21. Transport capital funding is primarily awarded by DfT, with the exception of ATF and LUF which were awarded by Active Travel England and DHLUC respectively. Funding is awarded following the agreement of investment priorities set out in either a business case or detailed delivery plan.

As a result of devolution, North East CA became eligible for the City Region Sustainable Transport Settlement (CRSTS). Following Cabinet approval in July 2024, a business case for CRSTS was submitted to Government, which is awaiting decision. CRSTS is comprised of £132.7m for capital scheme delivery, an uplift of £14.3m for Highways Maintenance and existing funding including £85m of TCF and £331m of Highways Maintenance funds. In addition, the CA is responsible for delivery of £107m of revenue funding for transport related activity. An update on Transport Revenue schemes will be included in future reporting periods.

Total Fund (£)	Commitment (£)	Spend to Date (£)	Uncommitted (£)
£824.29M	£824.29M	£330.73M	0M

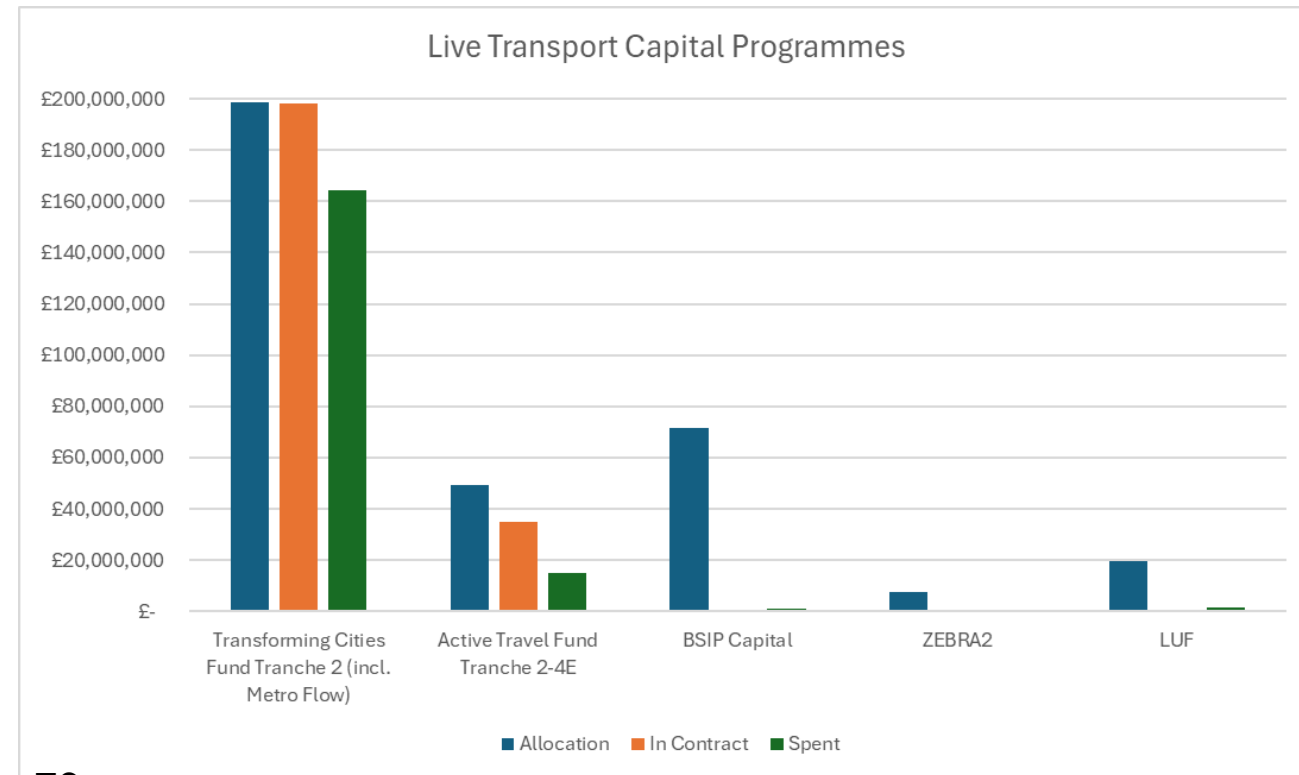
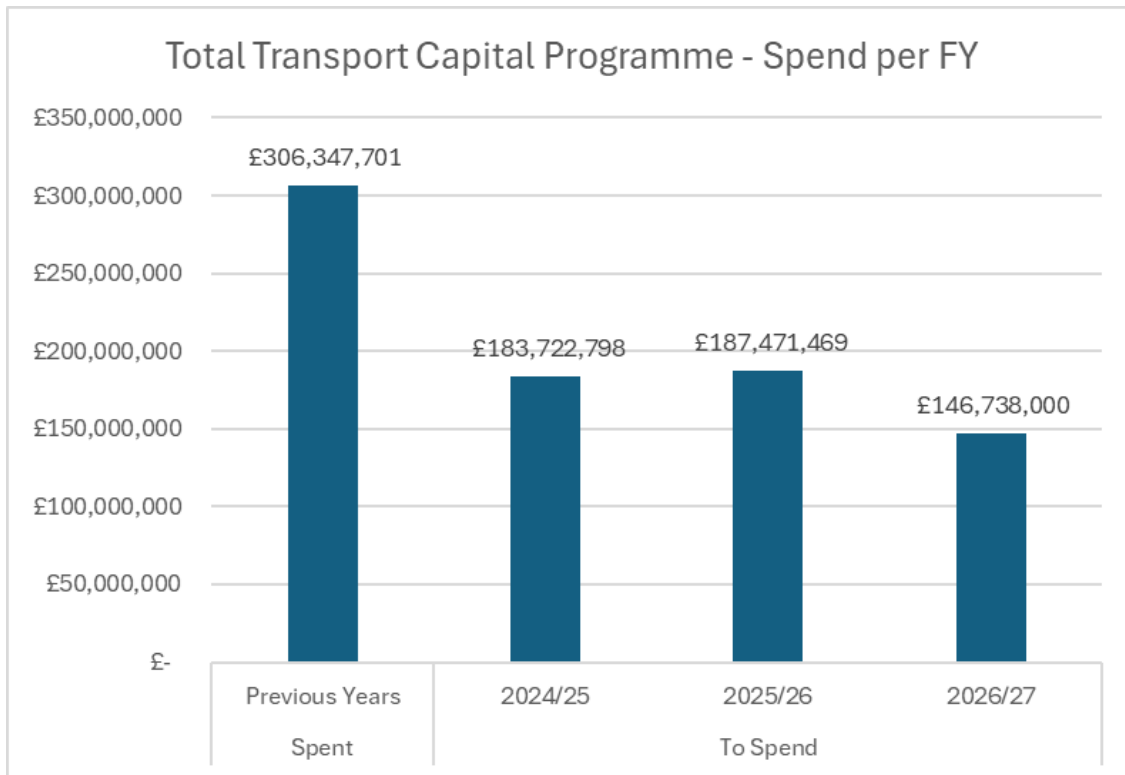
Funding	Spent		To Spend			Spend to Q1 24/25	% Spend to Q1 24/25	Total Allocation
	Previous Years	2024/25	2025/26	2026/27				
Transforming Cities Fund Tranche 2 (incl. Metro Flow)	£ 160,390,714	£ 30,750,575	£ 3,878,825	£ 3,463,000	£ 164,340,326	82.8%	£ 198,483,104	
Active Travel Fund Tranche 2	£ 8,996,347	£ 1,219,653	£ -	£ -	£ 9,462,920	92.6%	£ 10,216,000	
Active Travel Fund Tranche 3	£ 1,849,236	£ 15,914,134	£ 9,198,874	£ -	£ 4,004,743	14.9%	£ 26,962,244	
Active Travel Fund Tranche 4	£ 898,448	£ 4,437,536	£ 1,867,227	£ -	£ 1,592,394	22.1%	£ 7,203,211	
Active Travel Fund Tranche 4E	£ -	£ 2,695,298	£ 2,400,000	£ -	£ -	0.0%	£ 5,095,298	
BSIP Capital	£ 434,819	£ 33,463,195	£ 37,439,499	£ -	£ 998,944	1.4%	£ 71,337,513	
ZEBRA2	£ -	£ 1,477,068	£ 5,908,270	£ -	£ -	0.0%	£ 7,385,338	
LUF	£ 1,378,137	£ 16,737,350	£ 1,481,774	£ -	£ 1,378,137	7.0%	£ 19,597,260	
CRSTS Capital	£ -	£ 6,065,000	£ 54,334,000	£ 72,312,000	£ -	0.0%	£ 132,711,000	
Highways Maintenance *	£ 132,400,000	£ 66,200,000	£ 66,200,000	£ 66,200,000	£ 148,950,000	45.0%	£ 331,000,000	
Highways Maintenance Uplift (CRSTS)	£ -	£ 4,763,000	£ 4,763,000	£ 4,763,000	£ -	0.0%	£ 14,289,000	
Totals	£ 306,347,701	£ 183,722,807	£ 187,471,469	£ 146,738,000	£ 330,727,465	40.1%	£ 824,279,968	



Current position and key updates

The visual below left shows the annual forecast expenditure for the overall capital transport programme. With the exception of CRSTS Capital and the Highways Maintenance Uplift where we await Government decision, all other capital funding is confirmed and allocated. The funding within each transport sub-programme is allocated to a programme of schemes, all of which are either in development, in delivery, or delivered.

The visual below right presents the allocation for each of the live programmes, alongside the amount of funding committed in contract, and the amount spent to date. Although the spend to date is low in some instances, business cases are being developed and progressing through assurance, and we are confident that the amount of funding in contract and spent will increase over the coming months. It is worth noting that transport capital spend is paid out on a defrayed basis, and so there is a delay between actual spend on scheme delivery, and spend reported by the CA.





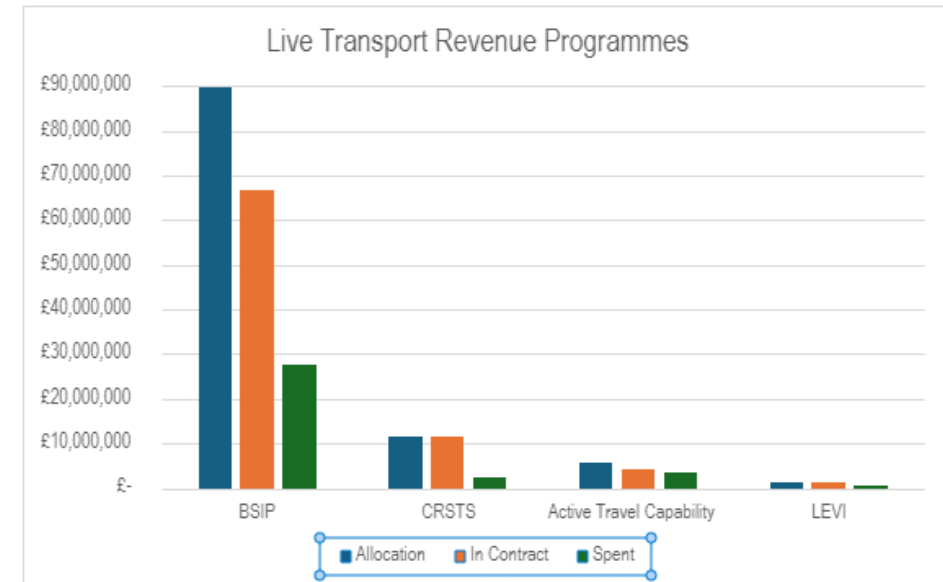
Transport Revenue overview

North East CA inherited £108.2m of revenue funding from transport programmes previously agreed by the former JTC, including the BSIP revenue programme, CRSTS revenue support, Active Travel Capability Fund, and Local Electric Vehicle Infrastructure (LEVI) revenue support. The table below demonstrates the revenue funding allocated since 2021/22 for these programmes. Transport revenue funding is primarily awarded by DfT, with the exception of the Active Travel Capability Fund which is awarded by Active Travel England (ATE). There are specifics to each fund, detailed below:

- **BSIP:** The DfT issued BSIP revenue to support the delivery of the programme. The former JTC approved the revenue programme, once the plan had been approved by the DfT. The funding is used to support schemes that will increase bus patronage. The programme is delivered through partner organisations, namely Durham County Council, Northumberland County Council, Nexus, and the bus operators.
- **CRSTS:** The DfT issued CRSTS revenue to support the delivery of the capital programme. The former JTC allocated this funding to develop CRSTS propositions, including the production of the business case required to unlock the capital funding, manage, evaluate and assure the programme.
- **Active Travel Capability:** ATE grant active travel capability funding in-line with a capability self-assessment process. The funding is used to support the delivery of active travel schemes by providing funding for activities such as scheme design, communications, cycle training, and consultation.
- **LEVI:** The CA was awarded £1.437m of resource funding through the LEVI Capability Fund for 22/23-24/25. The funding is to be used by the CA and local authorities to support the development and delivery of the LEVI capital projects and for staffing resource.

Total Fund (£)	Commitment (£)	Spend to Date (£)	Uncommitted (£)
£108.20M	£83.70M	£34.20M	24.50M

Live Transport Revenue Programmes	Allocation	In Contract	Spent	% Spent
BSIP	£89,762,353	£66,700,000	£27,492,995	31%
CRSTS	£11,360,000	£11,360,000	£2,392,128	21%
Active Travel Capability	£5,684,571	£4,277,858	£3,579,799	63%
LEVI	£1,437,000	£1,437,000	£726,301	51%
Total	£108,243,924	£83,774,858	£34,191,223	165%



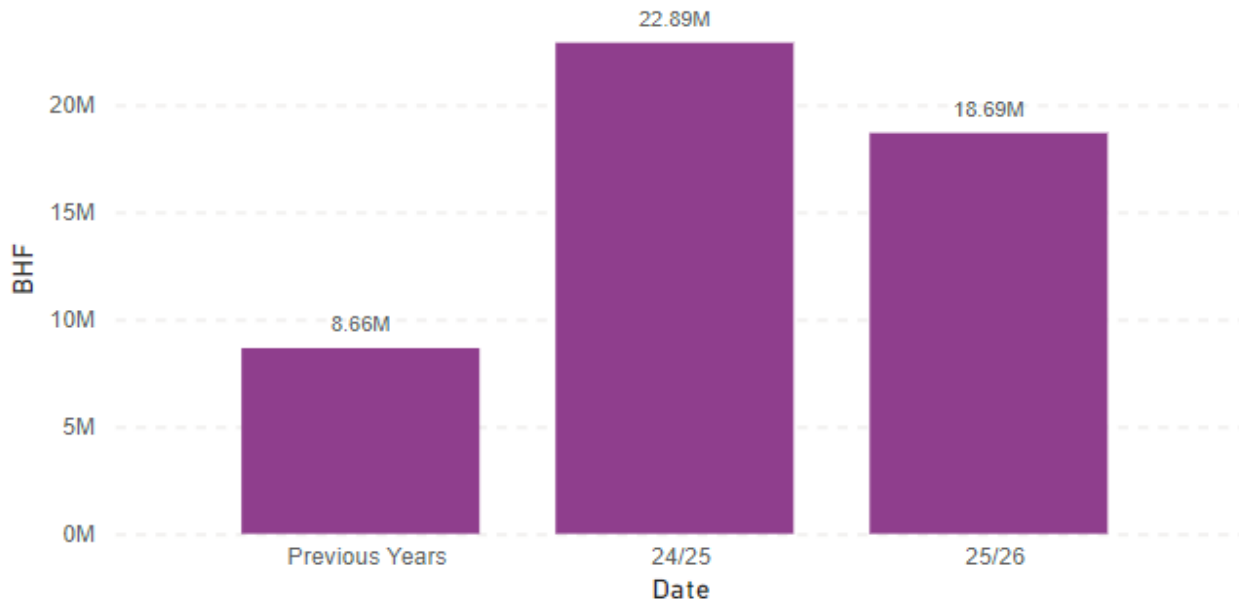


Current position and key updates

The Brownfield Housing Fund (BHF) total allocation is £49.2m from 2020/21 to 2025/26, of which £48.32m has been committed to projects covering the North and South of Tyne. The programme is forecast to leverage £186.06m of private sector investment. Approved projects are forecasting the creation of 2,917 housing units, in addition to 77.5 ha of Brownfield land which will be remediated. The North of Tyne BHF is due to end March 2025 and The South of Tyne March 2026. There is one remaining project to be approved (North Blunts) for £1.0m which will deliver 67 units on 2.4ha of Brownfield Land. If this project is approved the fund will be 0.38m over programmed however we are confident available funds will be available through forecast attrition against contracted schemes.

Fund Total (£)	Commitment (£)	Spend to Date (£)	Uncommitted (£)
£49.21M	£48.32M	£10.05M	0.89M

Forecast Expenditure over 5-year Period (Capital)



Project	Sum of BHF (£)
Walker Riverside	4.87M
The Esplanade	0.38M
Social Housing Sites	1.45M
Sheepfolds	4.81M
Scotswood Phase 3, 5, & 5a	4.64M
Scotswood Phase 2	2.95M
North Shields Master Plan	6.39M
Newbiggin Hall	0.50M
Lyndon Walk	0.40M
Kelly's Yard	1.95M
Horden	4.50M
Hadston Industrial Estate	1.19M
Farringdown Row	3.32M
Ellington Colliery Phase 3 and 4	1.29M
Commissioners Quay	0.06M
Clasper Village	3.12M
Chandless	2.16M
Benwell Dene	3.00M
Bellingham Mart	1.35M
Total	48.32M

81

Forecast Outputs

Area of Brownfield site readied for development (Ha)

77.51

Number of New Homes Brought Forward

2917



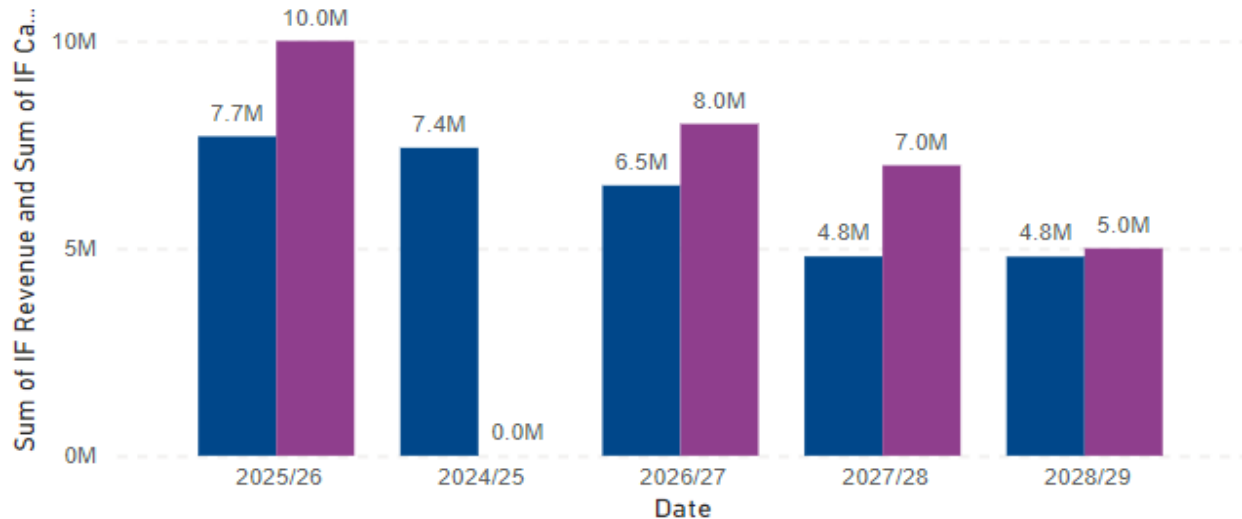
Current position and key updates

The North East Devolution Deal affords the North East CA control of a £48 million per year investment fund over 30 years (£34 million revenue and £14 million capital), to be invested by the North East to drive growth and take forward its priorities over the longer term. Over the next 5 years the fund totals £240m with 10% of top sliced for CA running costs. Investment Fund commitment to date is £102.79m across 5 North East CA projects, NTCA legacy commitments and the 10% top slice. The majority of new investment commitment is attributed to the Access to Finance Fund agreed by Cabinet in September. Work is underway across CA directorates to progress Cabinet priorities identified within portfolio plans, progression of the pipeline is expected to accelerate once the Investment Framework and Corporate Plan are finalised (due November 2024).

Fund Total (£)	IF Commitment (£)	Spend to Date (£)	Uncommitted (£)
£240.00M	£102.79M	£0M	137.21M

Forecast Expenditure over 5-year Period (Revenue)

● Sum of IF Revenue ● Sum of IF Capital



Project Title	Sum of IF (£)
Access to Finance	£30,000,000
Child Poverty Prevention	£1,356,500
Commitment to Legacy Investment Fund	£27,340,000
Early Capital Regen Transfer	£14,210,000
Education Improvement	£1,098,411
Investment Fund Top Slice	£24,000,000
Mayor's Opportunity Fund	£1,000,000
North East Screen Industries Partnership (NESIP)	£3,787,966
Total	£102,792,877

Number of Residents Who Have Received a Direct Intervention in Line With the Aims of the Programme

1,700

Number of Enterprises Receiving Support

648

Direct Jobs Created

2,924

Leverage Raised (£)

£94M



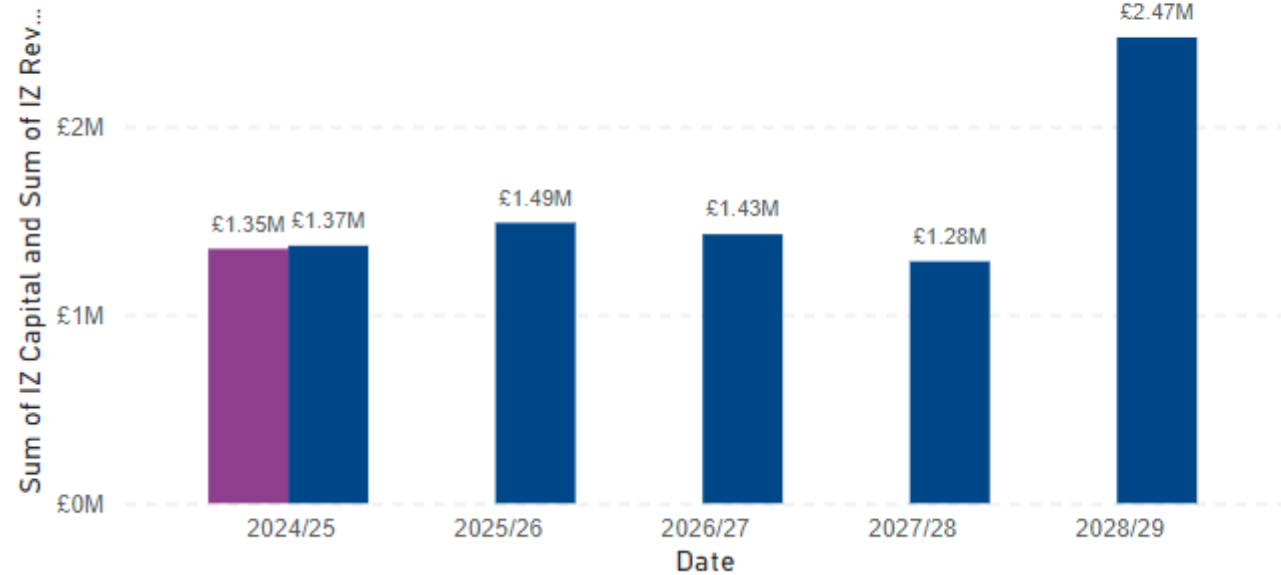
Current position and key updates

Investment Zones (IZs) were introduced to catalyse the development of high-potential clean energy and green manufacturing clusters with total Government support of £160 million over the next 10 years. The North East has agreed a funding profile for the first 5 years of the IZ (£33m Capital and £22m Revenue), and the 10 year programme is expected to leverage £3bn investment and create more than 4,000 jobs. The main aim is to boost productivity and growth with Investment Zones designed to harness local sector strengths to increase inward investment and create jobs on designated sites. Work has been undertaken in collaboration with LA’s, Universities, Catapults and businesses to develop the pipeline; one proposal has been approved to date with a further 5 proposals (with a total value of c. £40m) due to come forward in the next 12-18 months.

Fund Total (£)	Commitment (£)	Spend to Date (£)	Uncommitted (£)
£54.97M	£9.38M	£0M	45.58M

Forecast Expenditure over 5-year Period

● Sum of IZ Capital ● Sum of IZ Revenue



Project Title	Sum of Inv. Zones (£)
MADE North East	£9,383,795
Total	£9,383,795

Forecast Outputs

Number of Enterprises
Receiving Non-Financial
Support

115

Number of Trainees Completing
New or Improved Vocational
Training Course

624

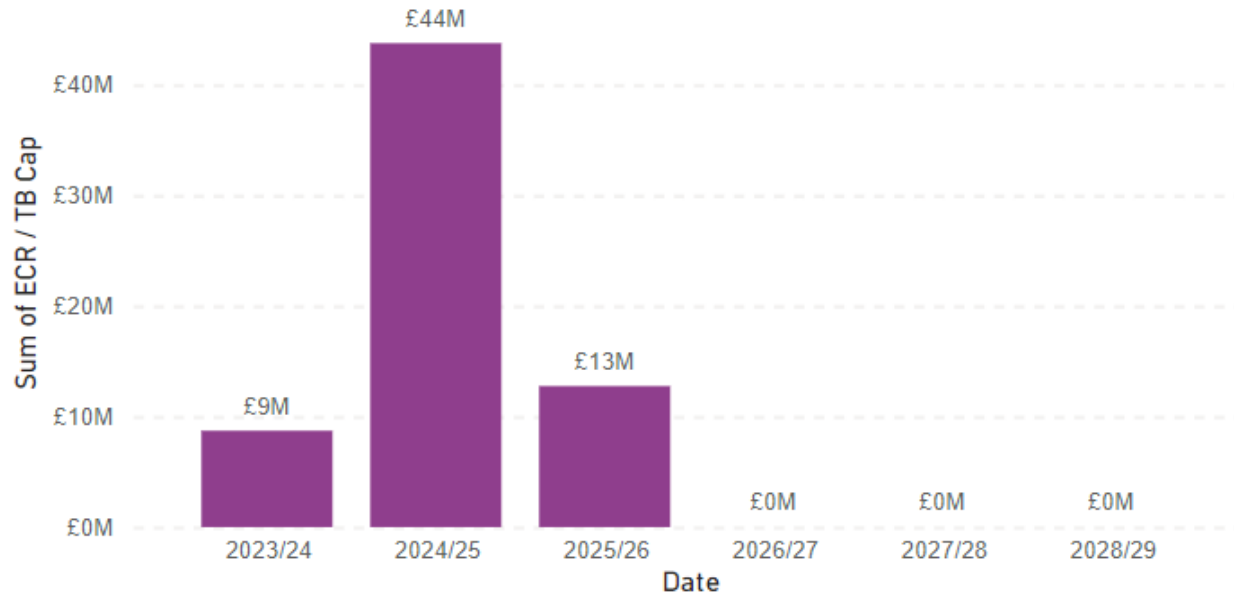


Current position and key updates

The early Capital Regeneration Programme totals £69m and includes £20m allocated by DLUHC in December 2022 as part of the devolution deal negotiations, the additional £35m for development of the Crownworks Studio site, Forth Yards and Health and Innovation Neighbourhood and £14m of IF allocated by NTCA in September 2023. The pipeline of capital activity was agreed in September 2023 with 2 Newcastle Creative Central projects still to come forward for final consideration in line with the Single Assurance Framework. A total of £67m of leverage is expected in respect of these proposals.

Commitment (£)	Commitment (£)	Spend to Date (£)	Uncommitted (£)
£68.97M	£65.25M	£0M	3.72M

Forecast Expenditure over 5-year Period (Capital)



Project Title	Primary Fund	Sum of NECA Total
Blyth Culture Hub & Market Place	Early Capital Regen	£2,500,000
Durham Aykley Heads	Early Capital Regen	£9,200,000
Forth Yards Enabling Works	Trailblazer	£4,999,063
Gateshead Quays	Early Capital Regen	£3,500,000
Health Innovation Neighbourhood	Trailblazer	£5,000,000
NETPark Phase 3	Early Capital Regen	£10,700,000
Newcastle Boho Arts	Early Capital Regen	£523,000
North Shields Town Centre Public Realm	Early Capital Regen	£3,300,000
Sunderland Riverside	Trailblazer	£25,000,000
Tyne Theatre & Opera House Grand Saloon Phase 1	Early Capital Regen	£527,252
Total		£65,249,315

	Forecast Outputs	
Area of Brownfield site readied for development (Ha)	Number of New Homes Brought Forward	Direct jobs created
84	519	44
57.00	519	44

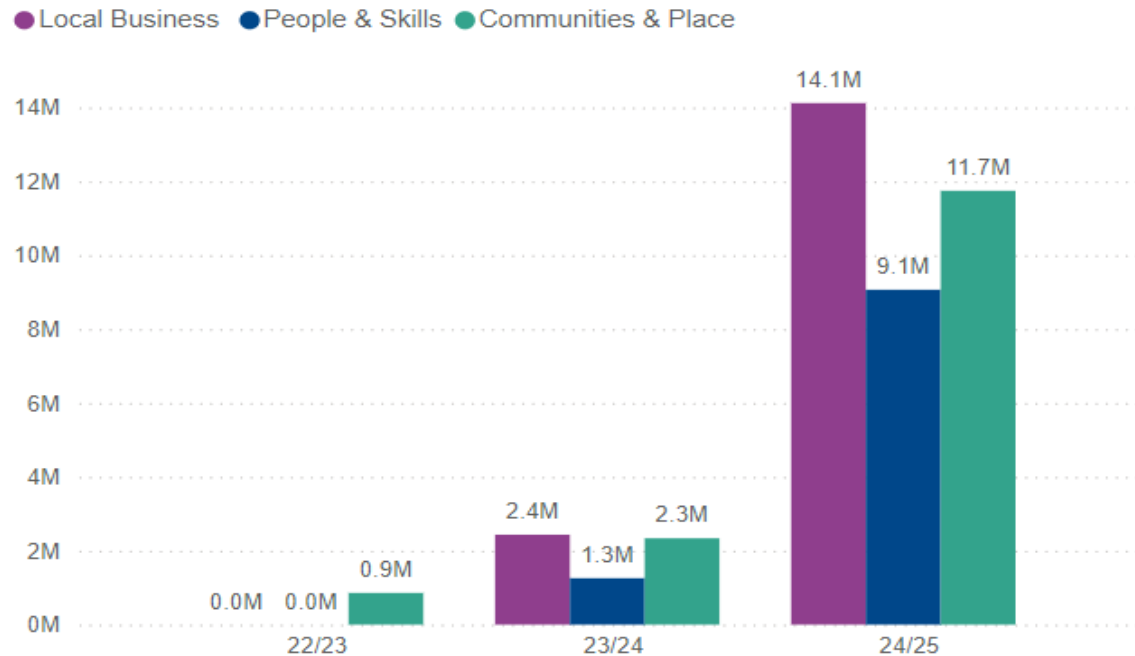


Current position and key updates

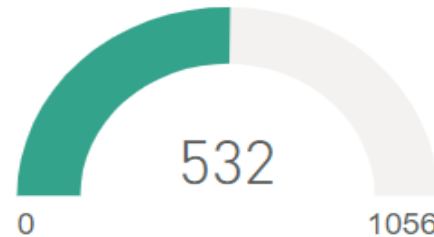
The UK Shared Prosperity Fund was introduced with the primary goal of building pride in place and increase life chances across the UK. It is a 3-year programme running from April 2022 to March 2025. The North of Tyne Combined Authority were the original accountable body for this programme, so delivery for this programme is only in the North of Tyne area. To date, 60 projects have been approved, 11 of which were funding swaps to NTCA Investment Fund projects. The fund totals £47.09m, of which £45.07m has been allocated to projects. The spend to date for this programme is £21.42m, which leaves 47% of the total fund to be claimed in the final 2 quarters of delivery. This programme has seen significant slippage, leading to 70% of the total funding forecasted to be claimed in the final year. The North East CA is continuing to proactively explore and bring forward proposals to maximise spend up until to the financial completion of the programme.

Total Fund (£)	Commitment (£)	Spend to Date (£)	Uncommitted (£)
£47.09M	£45.07M	£21.42M	2.02M

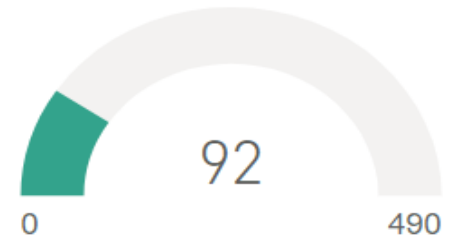
UKSPF Spend



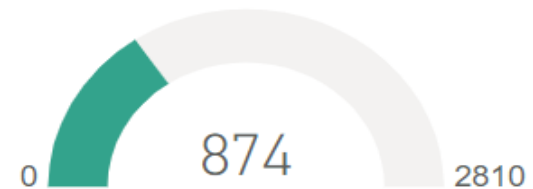
Number of Organisations Receiving Support



Jobs Created as a Result of Support



Number of economically inactive people engaging with keyworker support services



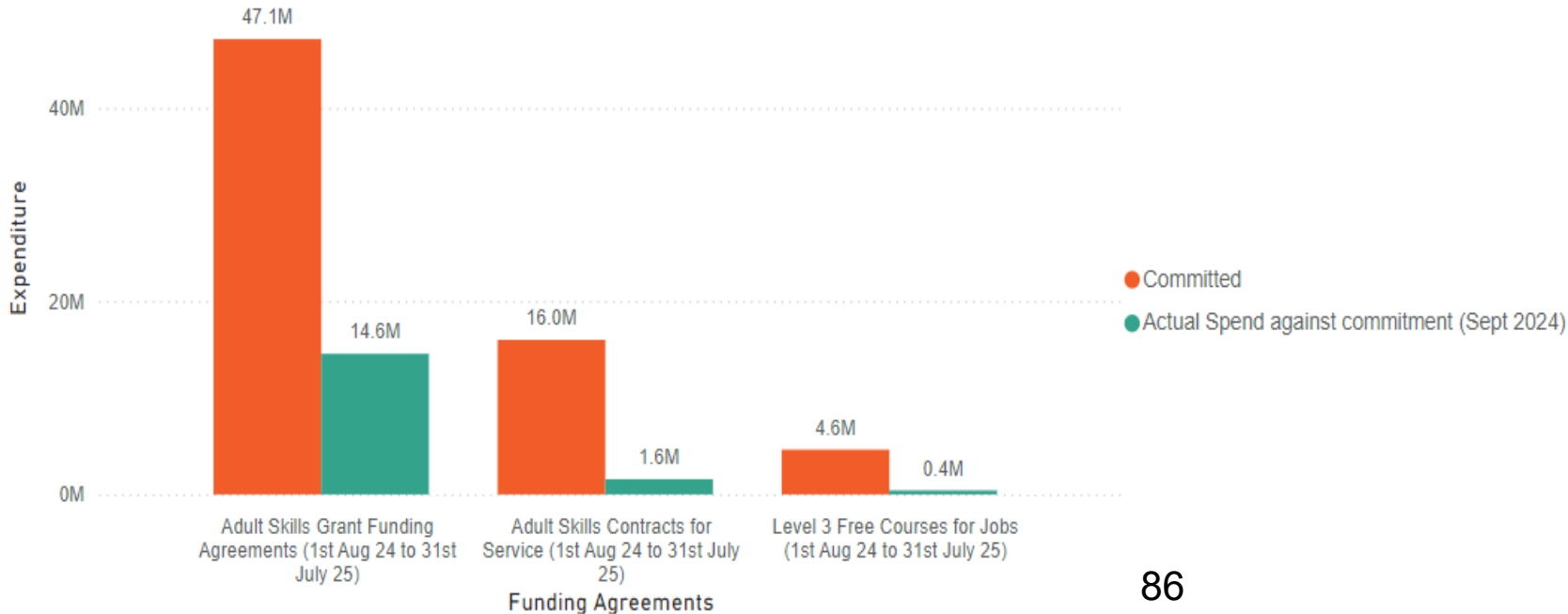


Current position and key updates

The North East Devolution Deal includes a fully devolved Adult Skills Fund of circa £69.7m per annum (academic year Sep-Aug), this includes a ringfenced allocation for the delivery of a Level 3 Adult Skills offer 'Free Courses for Jobs'. The allocation for academic year 2024-25 (1st August 2024 to 31st July 2025) has been fully committed via grant funding agreements with 20 adult education providers and procured Contract for Services with 25 adult education providers. The below visuals are populated with data up to the end of September 2024, and illustrate spend against Grant Funding Agreements, Contract for Service and Level 3 Free Courses for jobs commitments. The outputs (below right), are the actual starts on programmes achieved to date against the total contracted starts. The blue line shows the profiled total as of the end of September 2024. Delivery is being closely monitored and reconciliation points are planned throughout the year with the option available to redistribute funds if required to maximise the impact of the programme within the region.

Fund Total (£)	Commitment (£)	Spend to Date (£)	Uncommitted (£)
£69.71M	69.71M	16.55M	0M

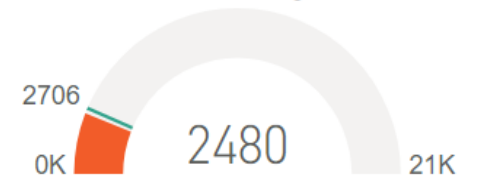
Devolved Adult Skills Fund Spent to Date vs Committed



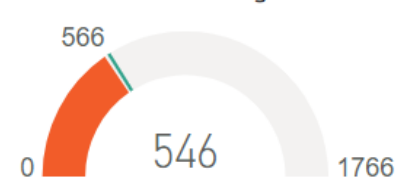
Adult Skills Grant Funding Agreements - Reported Starts against Contracted Figures



Adult Skills Contracts for Service - Reported Starts against Contracted Figures



Level 3 Free Courses for Jobs - Reported Starts against Contracted Figures



Skills – Skills Bootcamps

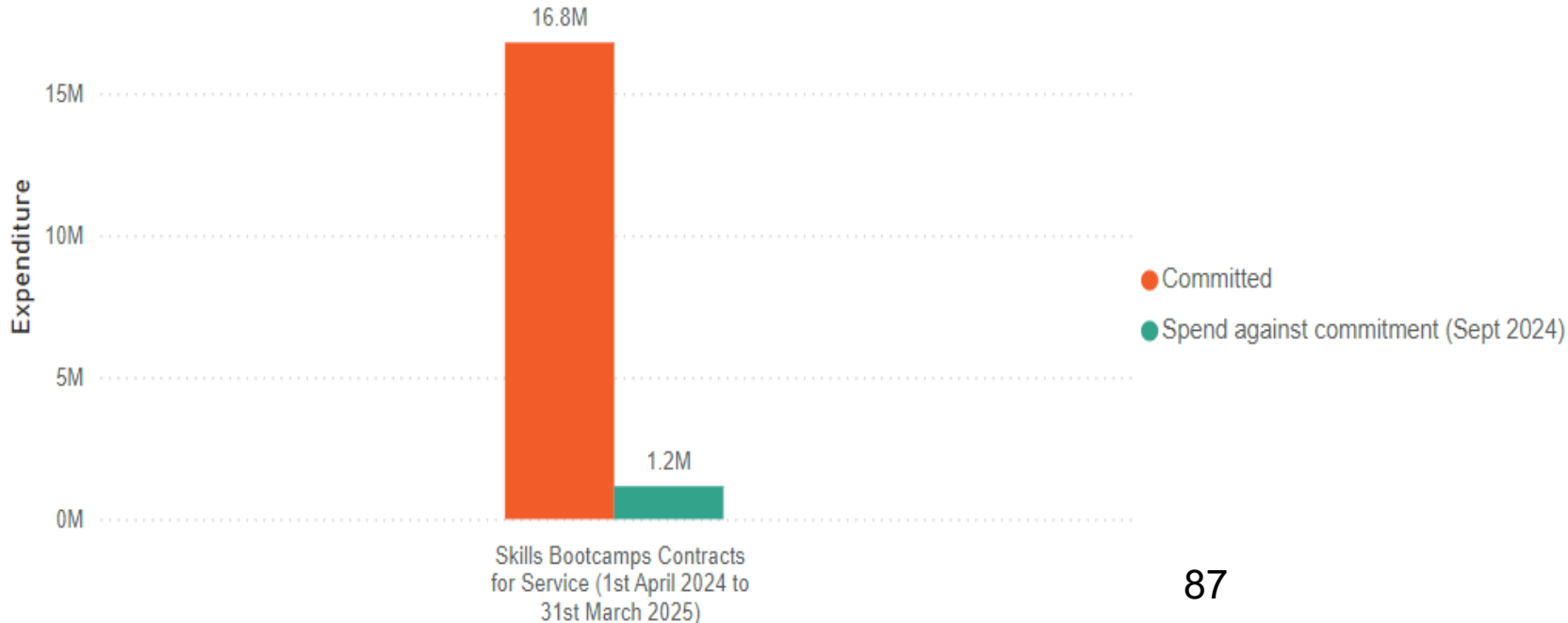


Current position and key updates

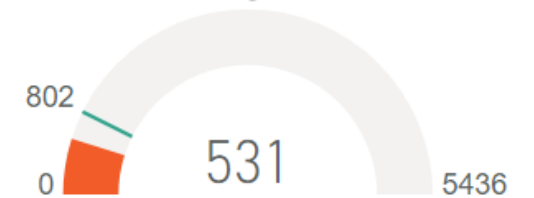
The North East Combined Authority secured Grant Funding of circa £17m from the Department for Education for the delivery of Skills Bootcamps across the North East region during the financial year 2024-25. This allocation has been fully committed via procured Contracts for Services awarded to 23 organisations. The below visuals are populated with data up to the end of September 2024 and illustrate spend against the committed allocations on the left, and actual starts on programme achieved to date against total contracted starts on the right. The blue line shows the profiled total as of the end of September 2024. Funding is drawn down by providers against milestones therefore spend in year appears low at this point but is expected to accelerate from December onwards with final drawdown forecast for March 25. Delivery is being closely monitored and reconciliation points are planned throughout the year with the option available to redistribute funds if required to maximise the impact of the programme within the region.

Fund Total (£)	Commitment (£)	Spend to Date (£)	Uncommitted (£)
£18.00M	18.00M	1.16M	0.00M

Skills Bootcamps Spend to Date vs Committed



Skills Bootcamps - Reported Starts against Contracted Figures



Appendix 3 – Treasury Management Mid-Year Update 2024/25

Report Summary

This report provides information on the treasury management mid-year position for 2024/25. It provides a summary of the North East Combined Authority's (North East CA's) treasury position, borrowing activity, investment activity, treasury management and prudential indicators as at 30 September 2024 and an overview of activity during the first six months of 2024/25.

The North East CA held £130.333 million in borrowing and had £449.363 million cash balances invested at 30 September 2024. During the half year period no new borrowing was arranged. The current level of cash balances held has allowed the combined authority to avoid any external borrowing that may be required to fund its capital programme, whilst interest rates remain higher than they have been in recent years.

All investments have been undertaken in line with both the CIPFA Code and government guidance, which require the combined authority to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield.

During the half year period to 30 September 2024, the combined authority has fully complied with its Treasury Management Strategy and the Treasury Management indicators relating to interest rate exposure, maturity structure of borrowing and sums invested for more than one year. The combined authority has also fully complied with the Prudential Code Indicators which relate to the capital programme and how much the authority can afford to borrow.

A. Context

1. Background

- 1.1 Treasury management is defined as 'the management of the local authority's investments and cash flows, its banking, money market and capital market transactions, the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks'.
- 1.2 The combined authority operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, with a main aim of providing sufficient liquidity, ahead of the achievement of the best possible investment returns.
- 1.3 The second main function of the treasury management service is to arrange the funding of the combined authority's capital programme. The capital programme provides a guide to the borrowing need of the combined authority, and there needs to be longer term cash flow planning to ensure capital spending requirements can be met. The management of longer term cash may involve arranging long or short term loans, utilising longer term cash flow surpluses and, occasionally, debt restructuring to meet combined authority risk or cost objectives.
- 1.4 The North East CA adopts the latest CIPFA Code of Practice on Treasury Management (the Code) which is regarded as best practice in ensuring adequate monitoring of the combined authority's capital expenditure plans and its Prudential Indicators (PIs). This requires that Members agree the following reports, as a minimum:
 - a) An annual Treasury Management Strategy in advance of the year (reported to and approved by the former North East and North of Tyne Combined Authorities on 23 January 2024 and 30 January 2024 respectively for the 2024/25 financial year);
 - b) An annual review following the end of the year describing the activity compared to the strategy (reported to Cabinet with the outturn on 17 September 2024 in respect of the 2023/24 financial year);
 - c) A mid-year Treasury Management Review report, covering the first six months of this financial year, to 30 September 2024 (this report).
- 1.5 This mid-year report provides a summary of the following:

- a) Summary treasury position – position as at 30 September 2024 and comparator information for the period at 7 May 2024 (the creation of the North East CA);
- b) Borrowing activity during the first six months of the current financial year and an overview of the position as at 30 September 2024;
- c) Other debt activity/long term liabilities at 30 September 2024;
- d) Investment activity and details of investments held at 30 September 2024;
- e) Treasury management indicators – performance against the key indicators adopted; and
- f) Prudential code indicators – performance against the key indicators adopted.

2. Summary Treasury Position

2.1 The North East CA's debt and investment position is organised to ensure adequate liquidity for revenue and capital activities, security for investments, and to manage risks within all treasury management activities.

2.2 At the beginning and mid-point of 2024/25, the combined authority's treasury position was as follows:

	7 May 2024 Actual	Rate/Return	30 September 2024 Actual	Rate/Return
	£ million	%	£ million	%
Total Debt	148.667	4.25	130.333	4.21
Total Investments (former NECA plus former NTCA)	400.119	5.34	449.363	5.09
Net Debt	(251.452)		(319.030)	

2.3 As at 30 September 2024, the combined authority had £130.333 million of external borrowing and £449.363 million of cash balances invested.

3. Borrowing Activity

3.1 At 30 September 2024, the combined authority held £130.333 million of external loans, a net decrease of £18.334 million from the beginning of the year. This decrease represents the early repayment of two Lender Option Borrower Option (LOBO) maturity loans totalling £18 million in July and August 2024, with the balance of £0.334 million relating to regular principal repayments on annuity loans. The mid-year borrowing position and the change since the start of the year is shown in the following table:

	7 May 2024	In-year movement	30 September 2024	Average Rate
	£ million	£ million	£ million	%
Public Works Loan Board	79.667	(0.334)	79.333	4.10
Private Sector	69.000	(18.000)	51.000	4.38
Total Borrowing	148.667	(18.334)	130.333	4.21

- 3.2 The combined authority's chief objective when externally borrowing has been to strike an appropriate risk balance between achieving cost certainty over the period for which funds are required and securing low interest costs.
- 3.3 As long term interest rates on new borrowing have remained high, the authority has continued to identify opportunities for repaying some of its longer term LOBO loans. In July and August 2024, the authority repaid £18 million of LOBO loans early without penalty rather than accept the revised interest rate proposed by the lenders. The table below provides a breakdown of the loans repaid early:

Lender	Principal Outstanding	Interest Rate	Years Remaining
	£ million	%	
Commerzbank	8.000	4.94	41.54
Dexia	10.000	4.23	53.00
Total	18.000		

4. Investment Activity

- 4.1 The combined authority continues to temporarily invest cash balances, representing monies received in advance of expenditure plus balances and reserves held. During the period from 7 May 2024 to 30 September 2024, investment balances ranged between £440.119 million and £480.992 million.
- 4.2 As at 30 September 2024, the authority held investments totalling £449.363 million. The following table provides a breakdown of these investments split by the type of financial institution and maturity period.

Financial Institution	0-3 months	3-6 months	6-9 months	9-12 months	Total
	£ million				
Banks	104.915	110.000	37.000	35.000	286.915
Building Societies	20.000	0.000	0.000	0.000	20.000
Other Local Authorities	15.000	0.000	0.000	20.000	35.000
Debt Management Office	65.000	25.000	0.000	0.000	90.000
Money Market Funds	17.447	0.000	0.000	0.000	17.447
Total	222.363	135.000	37.000	55.000	449.363
% of total	49.48%	30.04%	8.23%	12.24%	

- 4.3 The combined authority's investment policy is governed by Department of Levelling Up, Housing and Communities (DLUHC) guidance, which has been implemented in the annual investment strategy approved by the former North East Combined Authority and North of Tyne Combined Authority on 23 January 2024 and 30 January 2024 respectively.
- 4.4 Both the CIPFA Code and government guidance require the combined authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

5. Treasury Management Indicators

- 5.1 There are three debt related treasury activity limits which are designed to manage risk and reduce the impact of an adverse movement in interest rates.

Interest Rate Exposures: this indicator is set to control the authority's exposure to interest rate risk when borrowing. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal invested was:

	2024/25 Limit	30/09/2024 Actual £ million	30/09/2024 Actual %	Complied
Upper limit on fixed interest rate exposure	100%	130.333	100%	✓
Upper limit on variable interest rate exposure	70%	0.000	0%	✓

Maturity Structure of Borrowing: this indicator is set to control the authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing were:

	Lower Limit %	Upper Limit %	30/09/2024 Actual %	Complied
Under 12 months	0%	20%	0.51	✓
12 months to 2 years	0%	40%	0.51	✓
2 years to 5 years	0%	60%	0.00	✓
5 years to 10 years	0%	80%	3.84	✓
10 years and above	0%	100%	95.14	✓

Principal Sums Invested for Periods Longer than 364 days: the purpose of this indicator is to control the authority's exposure to the risk of incurring losses by seeking early repayment of its investments:

	Limit £ million	30/09/2024 Actual £ million	Complied
Actual principal invested beyond one year	15.000	0.000	✓

6. Prudential Code Indicators

- 6.1 The Local Government Act 2003 requires the authority to have regard to the Combined Authority to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.
- 6.2 The objective of the Prudential Code is to ensure, within a clear framework, that capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Combined Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Capital Expenditure: The table below summarises planned capital expenditure and financing when the 2024/25 budget was set in January 2024, and compares it to the estimated full year outturn position as at 30 September 2024.

	2024/25 Original Estimate £ million	30/09/2024 Estimate £ million	Difference £ million
Capital Programme	215.778	254.869	39.090
Financed by:			
Capital receipts	0.000	0.000	0.000
Capital grants	195.753	254.869	59.120
Revenue and reserves	20.025	0.280	(19.750)
Net borrowing financing need for the year	0.000	0.000	0.000

Actual Debt: The Combined Authority's actual debt at 30 September 2024, with comparator information at 7 May 2024 is as follows:

	7 May 2024 Actual £ million	30/09/2024 Actual £ million	Difference £ million
Borrowing	148.667	130.333	(18.333)
Finance Leases	0.000	0.000	0.000
PFI Liabilities	0.000	0.000	0.000
Total Debt	148.667	130.333	(18.333)

Operational Boundary: This is the limit beyond which external borrowing is not normally expected to exceed. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached.

	2024/25 Estimate £ million	30/09/2024 Actual £ million	Complied
Borrowing	255.000	130.333	✓
Other long term liabilities	0.000	0.000	✓
Total	0.000	130.000	

Authorised Limit for external borrowing: This represents a control on the maximum level of borrowing and is a statutory limit determined under section 3 (1) of the Local Government Act 2003. It reflects the level of external borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

	2024/25 Estimate £ million	30/09/2024 Actual £ million	Complied
Borrowing	260.000	130.333	✓
Other long term liabilities	0.000	0.000	✓
Total	0.000	130.000	

7. Conclusion

- 7.1 The Combined Authority has complied with its Treasury Management Strategy 2024/25 for its half-yearly activity covering the period to 30 September 2024.

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)
Enterprise 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)

Title: 2025-26 Budget, Medium-Term Financial Plan and Corporate Plan

Report of: Michael Robson, Senior Governance Officer and Scrutiny Officer

1. Report Summary

- 1.1 The purpose of this report is to present the initial 2025-26 Budget, Medium Term Financial Plan and Corporate Plan proposals for the North East CA and to provide details of the approval process, including the role of the Overview and Scrutiny Committee. The report invites members to comment on the initial proposals and to agree its approach to considering the final budget proposals in January.

2. Recommendations

- 2.1 The Overview and Scrutiny Committee is invited to
- examine and consider the North East CA's 2025-26 Initial Budget, Medium Term Financial Plan and Corporate Plan proposals, which were submitted to and approved by Cabinet on 26 November 2024;
 - make any comments and/or recommendations to the Director of Finance and Investment and the Director of Operations in relation to the initial proposals to be taken into account in formulating the final proposals;
 - convene a budget workshop to be held on Tuesday 14 January 2024 to enable members of the Committee to examine in more detail the final budget proposals; and
 - authorise the Chair and/or Vice Chair of the Committee, to formulate the wording of any observations and/or recommendations arising from the workshop for submission to Cabinet at its meeting on 28 January 2025.

3. Context

- 3.1 The North East CA Constitution states that the Cabinet will produce its initial budget proposals and refer these to the Overview and Scrutiny Committee together with:
- a summary of information that has been taken into account in producing the initial proposals (including specific reference to consideration of any reviews/studies previously carried out by the Overview and Scrutiny Committee);
 - detailed information on how it is intended to consult with the Members, Constituent Authorities, stakeholders, residents and others;
 - a timetable for the consultation and the preparation of final proposals for consideration by the Overview and Scrutiny Committee and Cabinet; and
 - proposals on the extent of virement permitted within the relevant budget.

The Committee has previously considered the proposed timetable at its meeting on 8 October 2024.

- 3.2 The Cabinet considered and approved its initial proposals at its meeting held on 26 November 2024. These proposals are attached as an annex to this report. The Committee is invited to examine and consider the proposals and make any comments and/or recommendations to the Director of Finance and Investment and the Director of Operations in relation to the initial proposals so that they may be taken into account in formulating the final proposals.

- 3.3 Having regard to any recommendations from the Committee and the outcomes of the consultation process, the Cabinet may amend its proposals. The Cabinet’s final proposals must be referred to the Committee, together with the relevant background information on which the revised proposals have been based. This will form the basis of the information to be presented to an Overview and Scrutiny workshop to be held on 14 January 2025.
- 3.4 The Committee agreed in July that as part of its work programme it would hold a workshop in January 2025 to consider in detail the final Budget and Corporate Plan proposals and formulate any observations and/or recommendations to Cabinet. This workshop is scheduled to be held on Tuesday 14 January 2025. Any observations and/or recommendations arising from the workshop will be referred to the Cabinet to be considered at its meeting to be held on 28 January 2025 when Cabinet will be asked to approve the budget. Due to the short timeframe between the workshop and the Cabinet meeting, the Committee is recommended to authorise the Chair and/or Vice Chair of the Committee, to formulate the final wording of any observations or recommendations arising from the workshop for submission to Cabinet. The Committee will have agreed the recommendations in principle at the workshop.

4. Potential Impact on Objectives

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

5. Equalities Implications

- 5.1 In considering the proposals the Committee ought to have regard to the Authority’s responsibilities under the Equality Act 2010 and Public Sector Equality Duty to eliminate discrimination, harassment and victimisation; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and foster good relations between persons who share a relevant protected characteristic and persons who do not share it. Part of this is to ensure that the potential effects of decisions on those protected by the equality’s legislation are considered prior to any decision being made.

6. Consultation and Engagement

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

7. Appendices

Annex A – Report to Cabinet on 26 November 2024 in relation to the initial 2025-26 Budget, Medium Term Financial Plan and Corporate Plan proposals for the North East CA

8. Background Papers

The following background documents have been used in the compilation of this report and are available for inspection either by clicking on the links below or by contacting the report author:

- [North East CA Constitution](#)
- Notice of Decisions made by Cabinet on 26 November 2024

9. Contact Officers

Janice Gillespie, Director of Finance and Investment Janice.gillespie@northeast-ca.gov.uk
Michael Robson, Scrutiny Officer Michael.robson@northeast-ca.gov.uk

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

Report Summary

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

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

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

Recommendations

Cabinet is recommended to:

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

A. Context

1. Strategic Background and Context

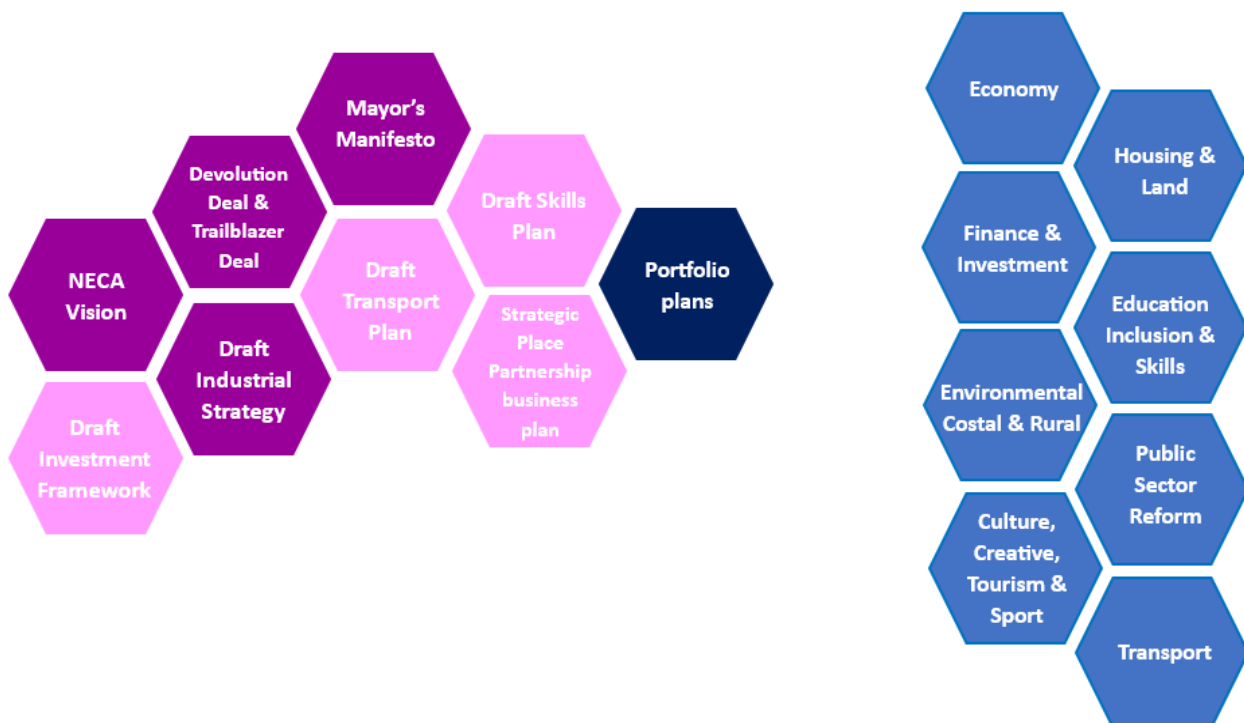
- 1.1 Following the laying of the statutory order (the order) to create the North East CA on 8 February 2024, the Authority came into existence on the 7 May 2024. The order provided for the creation of the North East CA, with the necessary arrangements that the North of Tyne Combined Authority and the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

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

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

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

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



2. Corporate Plan

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

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

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

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

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

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

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

3. Autumn Budget Statement

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

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

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

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

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

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

4. The Corporate Budget

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

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

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

4.3 No Mayoral Precept is proposed for 2025-26.

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

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

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

Table 1 Initial Draft Corporate Budget

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

5. Investment Plan for the North East

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

6. Investment Fund

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

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

Table 2: Investment Fund Profile of Expenditure and Financing

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

7. Brownfield Housing Fund

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

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

Table 3 BHF Spending profile for remaining allocation.

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

8. Early Capital funding

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

Table 4 Early Capital Programme

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

9. Investment Zones

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

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

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

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

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

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

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

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

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

10. Enterprise Zones

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

Table 6 Forecast BRGI in the Enterprise Zones

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

11. The North East Investment Fund (NEIF)

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

Table 7 Creation of the NEIF

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

Table 8 Projected Returns and agreed Investment of the NEIF

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

12. Skills Funding

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

Table 9 Indicative Overall Skills Funding

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

13. Transport Plans

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

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

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

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

Table 10 Transport Programmes Funding and Forecast Expenditure

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

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

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

- 14.9 Options will be prepared for future funding of fares beyond March 2026, as clarity emerges about the government's intention for future bus funding.
- 15. New Programmes - Connect to Work**
- 15.1 DWP have recently launched a new Connect to Work Programme, which aims to support 100,000 people with disabilities, health conditions and additional barriers per year across England and Wales to seek sustained employment. In October 2024 additional details of the proposed programme and associate Accountable Body requirements were received by the North East CA and is subject to another report on this Cabinet agenda. The proposed funding of just under £50m will deliver a 3-4 year programme and support approximately 13,500 participants into work or to remain in work. This investment will pass to North East CA via a ring-fenced grant from DWP.
- 15.2 Connect to Work is a voluntary programme that will be targeted at the right people, at the right time and based on an individual's circumstances. The programme will aim to match participants into open labour market jobs quickly and provide support to the employer, as well as the participant, to enable work to be sustained. A key element of the programme will be supporting local employers to strengthen their inclusive employment practices, or working with employers to understand their recruitment needs and to carve new roles.
- 15.3 As the Accountable Body (AB) for Connect to Work, responsibilities will include:
- Commissioning or establishing a Universal Support service using both models of IPS and LSE for eligible and suitable participants.
 - Establishing Universal Support governance arrangements.
 - Leading the development of our delivery plan.
 - The day-to-day management of the programme, overall accountability for the funding and how the grant operates.
- 15.4 The grant and technical guidance have been received and the North East CA will be required to submit documents to DWP that set out its readiness conditions, including:
- Delivery Plan. This plan will include details of how we will deliver Connect to Work and contain key information, including governance arrangements, commissioning strategy, planned delivery model (in-house, contracted, or mixed), and the design of the service. The plan will also include details of the new activities North East CA are developing to support the implementation of this programme including an Employment Commissioning Framework and a new CRM system.
 - Grant Cost Register. This is the financial model that DWP requires the North East CA to complete and outlines our response to a request for the costings and assumptions made for the grant. The Grant Cost Register will also allow us to provide any supporting information regarding assumptions made in calculating the costs included.
- 15.5 DWP will undertake an appraisal of the contents of both documents and have appointed several specialists to support mayoral CAs with this activity. DWP have also confirmed that the management costs associated with Connect to Work are uncapped but will be evidence-based and that we will be able to access an implementation grant of up to 5% of the total award.
- 15.6 The Autumn Budget statement also set out that the Get Britain Working White Paper (to be published "shortly") will:
- Establish eight trailblazer areas across England and Wales that bring together health, employment, and skills services to improve the support available to those who are inactive due to ill health and help them return to work. This will include NHS England Health and Growth Accelerators in at least three Integrated Care Systems to develop evidence of the impact of targeted action on the top health conditions driving economic inactivity.
 - Establish eight Youth Guarantee Trailblazers areas to test new ways of supporting young people into employment or training, by bringing together and enhancing existing programmes in partnership with local areas.

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

16. Funding Streams at Risk

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

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

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

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

17. Transport Levies and Grants

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

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

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

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

Table 11 Proposed Changes to the Tyne and Wear Levy

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

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

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

18. Tyne Tunnels

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

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

Table 12 Estimated Movement in Tyne Tunnel Reserves

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

19. Approach to borrowing and estimated borrowing cap

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

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

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

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

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

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

20. Reserves and Risk

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

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

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

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

B. Impact on North East Combined Authority Objectives

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

C. Key risks

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

D. Financial and other resources implications

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

E. Legal implications

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

F. Equalities Implications

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

G. Consultation and engagement

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

H. Appendices

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

I. Background papers

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

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

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

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K. Glossary

ATF – Active Travel Fund

BSIP – Bus Service Improvement Plan

CRSTS – City Region Sustainable Transport Settlement

MHCLG– Ministry for Housing Communities and Local Government

DfE – Department for Education

DfT – Department for Transport

JTC – Joint Transport Committee

LGP – Local Growth Plan

NECA – North East Combined Authority (former)

NTCA – North of Tyne Combined Authority



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Foreword

North East Mayor Kim McGuinness

As North East Mayor, I'm on a mission to make our region the home of real opportunity. This document sets out how we will build the infrastructure which creates that opportunity. I was elected to make this great region even better, and that means leading a Mayoral Combined Authority dedicated to delivering the manifesto endorsed by the public.

Devolution for me means empowering people with the agency they deserve to get the change they want to see. The public decides a path for their region; we deliver. Our local authorities have made great progress in unlocking the benefits of devolution for our region, and now we build on those strong foundations. This Mayoral Combined Authority, through its devolution deals, holds a range of tools to aid in this delivery, but we do not take these deals as our starting point – they are the path to mission delivery on behalf of the public.

My vision is 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 North East are taken by the people of the region.

This Corporate Plan sets out how we, as an organisation, will focus on delivering that vision via the policies the public have backed in my manifesto and the Cabinet's Portfolio Plans.



Foreword

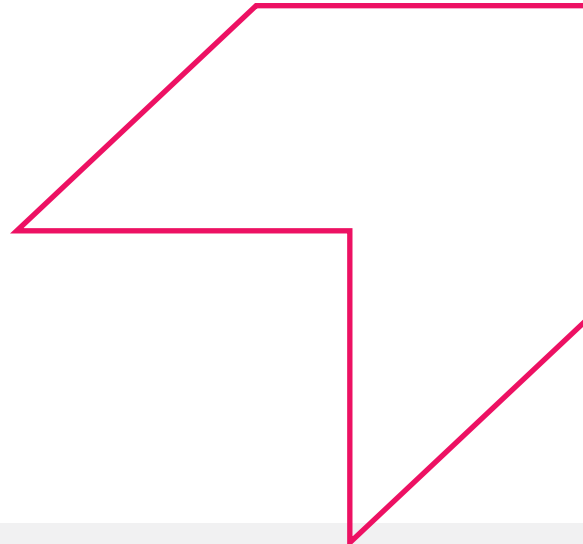
Chief Executive, Dr Henry Kippin

This plan brings together the strategic priorities of our Mayor and Cabinet into a blueprint for delivery. It shows what we will deliver and how we will do it – through strong collaboration, innovation, and a clear focus on impact.

Devolution offers the North East a once-in-a-generation opportunity. Through our devolution deal and subsequent trailblazer deal we have negotiated new powers, funding and the convening authority to create better outcomes for our communities, businesses and places. Our job is to translate this into clear delivery and impact on the ground. We are already demonstrating this through major investments in skills, transport, housing and people – and as a team we will ensure this continues and grows.

We are also tasked by the Mayor and Cabinet to strive for more – preparing the ground for deeper devolution and ensuring we are fit for purpose to deliver on their political ambition. We will continue to engage across sectors, convene at scale, and innovate with investors and government as we do this – ensuring the North East is home to the best and most productive Combined Authority.

None of this is possible without collaboration, inclusivity and strong team values. We are building a new organisation that will need to continue adapting and evolving with the times we are in. Our committed team is ready to deliver.



About the North East

North East England is unique in its diversity. It is also uniquely placed to become the home of real opportunity.

Our Combined Authority stretches from vibrant and fast-evolving cities to wild, open countryside and coastlines; whose communities are custodians, living and working in an historic natural environment. It is no surprise that a major film company wants to create new studios here, with the sweep of locations North East England can offer.

The strength of our ports along the North Sea coast are just one reason why our region will be home to the green energy revolution, supporting a new generation of offshore wind and providing the bedrock for innovation in sustainable industries, while also being gateways for global trade.

The automotive sector is firmly established here, but the supply chain that feeds the Nissan plant in Sunderland also does business across the UK and world; it is only one part of an advanced manufacturing sector found right across the region, and with a strong export record around which we can build a growing economy that works for everyone.

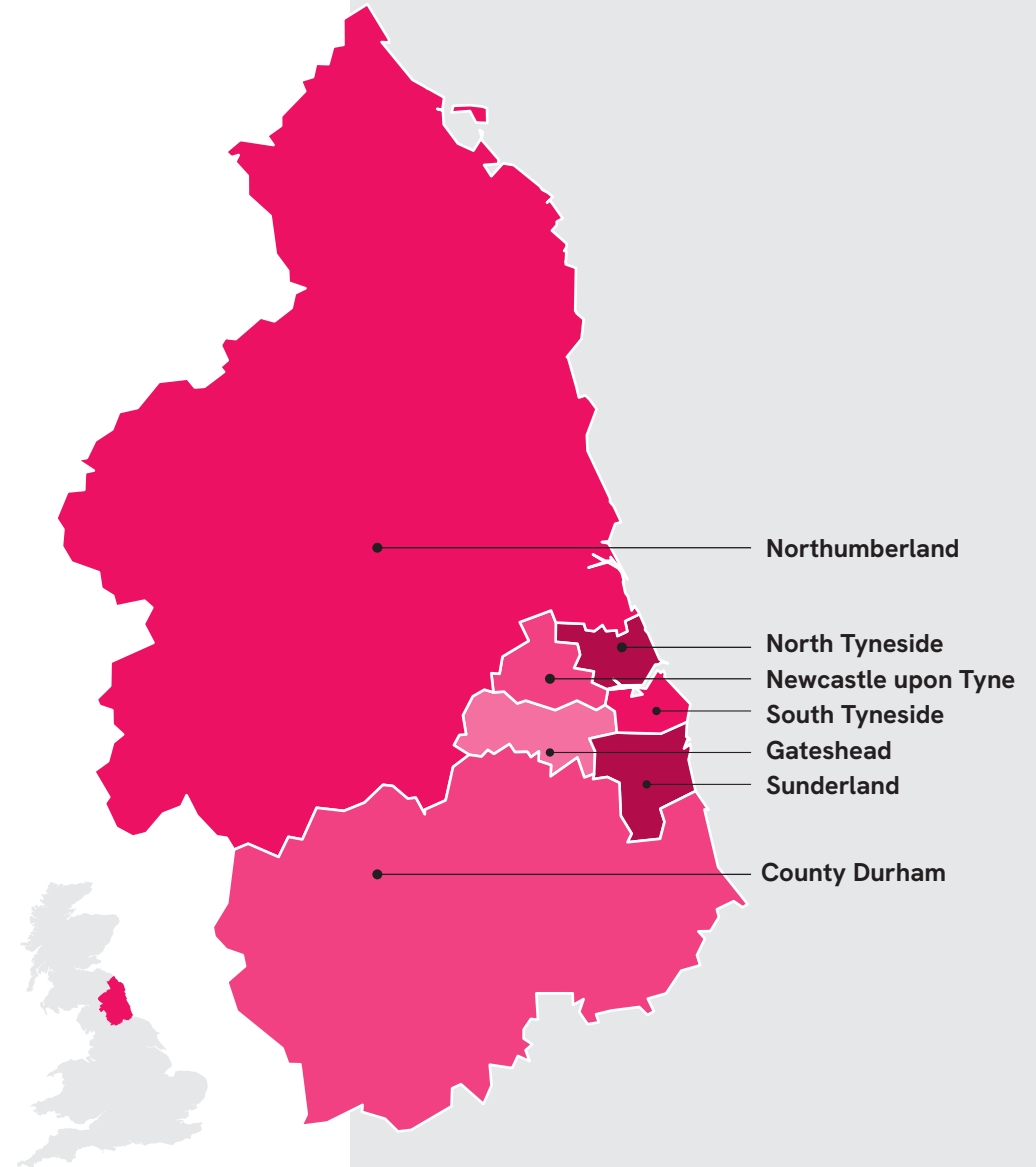
Our Combined Authority also spans some of the most affluent places in the north of England, and some of the

most deprived. This is not a simple picture: we know that communities facing real challenges can be found in our cities, towns and countryside alike, with poor housing and poor transport infrastructure and services — both significant barriers to opportunity.

Most of all, North East England has a powerful tradition of working in partnership to get things done. These partnerships work between public, private, education, voluntary and industrial sectors. It is also a home to world-class sporting and cultural venues and events, underpinned by eclectic and fast-changing grassroots creativity and energy.

Our Mayoral Combined Authority is well-placed to build on this tradition of partnership and the pride people have in the places they call home.

A journey through our region – from Berwick to Barnard Castle – is a unique experience, taking you from coastal and rural communities to vibrant city centres, passing cutting-edge industries and crossing rivers that will be home to a new energy revolution.



Our five 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



This Corporate Plan brings together many different strategies and documents, including the Mayor's manifesto and the Cabinet Portfolio Plans, in one document.

Our Corporate Plan is deliberately structured around the same five missions of the Local Growth Plan, reflecting our commitment to being a delivery-focused Combined Authority.

This Mayoral Combined Authority will focus on delivery, ensuring we have real impact. This means setting clear, long-term goals that contribute to a bold vision of change. This Corporate Plan lays out clear and ambitious plans, but also serves to ensure as an organisation we are not spread too thin or diverted off-course. Built into this plan are the long-term goals and the early steps that will get us there.

The Mayoral Combined Authority will own this Corporate Plan as its shared focus, empowering its team to deliver focused change. We will work with organisations including local authorities,



transport operators, businesses, trade unions, colleges and universities, and our NHS across the North East on a shared commitment to improving lives. We have a strong reputation for working in collaboration with government and we will build on this partnership approach.

The overall aim of these five missions is to increase opportunity, create more well-paid employment, improve transport connections, build a greener North East, and reduce child poverty. These aims are built into our Local Growth Plan and Cabinet Portfolio Plans. Our missions set out in this Corporate Plan are underpinned by detailed directorate delivery plans and our investment framework. Powering these missions is our commitment to devolving more powers out of Westminster wherever possible. The North East Combined Authority believes people acting locally produces better results than having our decisions taken for us from afar. We will continue to push for ambitious devolution deals and a single settlement with government.

Our Corporate Plan sets out our four-year plan and will be reviewed annually.

How will we track our progress?

Our ambitions are transformational, and we know change takes time.

We monitor our progress in a number of ways.

Our missions will inform everything we do. We'll track our progress by:



Regional indicators

Monitoring the region's progress against a set of national measures to ensure we are heading in the right direction



Activities

Collating what our investments and directorates are delivering across our region



Outputs

Capturing the short term results of our investments and delivery to understand immediate benefits

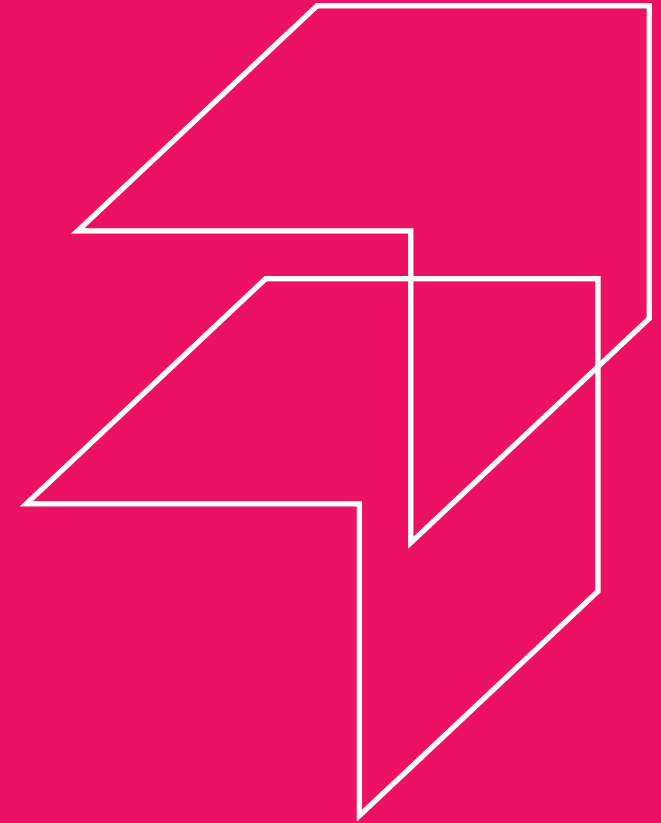


Outcomes and impact

Capturing and understanding the longer-term outcomes of our investments and delivery to determine regional impact

Our Performance Management Framework provides more information about how we will approach monitoring and reporting progress and performance.

Our missions



1. 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 policies which help to overcome those challenges – from skills training to child support.

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 help residents with multiple and complex needs at a personal level, providing training and help with transport costs.

By investing in our residents we will also ensure 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, and 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.

In the short term we will deliver:



A North East Child Poverty Reduction Unit.



Develop plans for a Mayor's childcare grant for people returning to work.



A Mayor's opportunity fund and social finance fund.



Launch a High Streets Commission to better support the local economy.



A New Deal for North East Workers, bringing together our skills support, job creation and good employer campaigns under one focused brand, supported by our Skills and Employment strategies.



2. 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 here. The North East Combined Authority delivers the strategies and programmes that help make this happen. From better transport to more social housing, from a thriving creative economy to sustainable rural communities, this Mayoral Combined Authority will deliver in a way that 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 housing stock meet the needs of residents. We'll also work to secure more devolved powers to support renters.



In the short term we will:



Implement the Mayor's Local Transport Plan, following extensive public consultation, improving transport for all users.



Work to bring buses back under public control with the Angel Network.



Transform the daily experience of Tyne and Wear Metro users by bringing the new trains into service.



Introduce a Spatial Development Strategy.



Deliver more good homes by reforming brownfield sites and building more affordable housing and social housing.



Establish and deliver a regional events and culture programme.



Implement a North East Environmental Stewardship, Coast, and Rural Growth Investment Plan.



3. 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 the region transitions to a digitally enabled economy that supports people in employment.

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

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



In the short term we will:



Agree and implement the North East's first Local Growth Plan, including support for the foundational economy throughout.



Ensure local businesses have access to investment support.



Invest in our creative industries, both in their physical infrastructure and access to skills training, in line with our Local Growth Plan.



Develop options for a Mayoral Development Corporation.



Deliver early Investment Zone priorities.



4. 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'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 one, which takes the people of the region with it. We will ensure there is a route for people to benefit from these economic and social changes.

In the short term we will:



Invest in infrastructure, innovation, and skills to drive forward the North East offshore wind industry and create new jobs and careers.



Create thousands more job opportunities in electric vehicle manufacturing.



Increase electric vehicle charge points and zero emission buses.



Work with our education providers to create a green energy super academy.



Create a Green Superport, providing a framework for our ports to collaborate and present our world-leading offer.



Explore plans set out in the Mayor's manifesto for a North East Carbon and Nature Marketplace to offset carbon in local projects, improving lives and restoring nature.



5. 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.



In the short term we will:



Secure more investment in the North East that leads to good quality jobs.



Expand our relationships with other countries to build links and opportunities for North East businesses.



Engage with potential inward investors; understanding their needs and helping them overcome barriers to locating in the region through an inward investment fund.



Implement refreshed Access to Finance/Regional Wealth programmes.



The role of the North East Combined Authority and how we operate



The role of the North East Combined Authority and how we operate

The North East Combined Authority exists to serve the people of the region by delivering the Mayor's manifesto in line with the devolution deals agreed with government. Our purpose is to create a better North East on their behalf, ensuring people here have access to opportunity and that the economy thrives.

We give local people more control over the things that matter most to them.

Rather than central government making decisions about the area, a lot more can be decided here in the region by the Combined Authority. This close working between the councils means we can speak with one voice, which helps when we want to make the case for the North East nationally and internationally.

We secure devolved powers from Westminster for the people of this region and work in partnership with others both locally and nationally to deliver a shared vision for the North East.

Our vision is set by the Mayor and her Cabinet, and the Mayoral Combined Authority delivers on this vision through the five key missions set out in this document.

The North East Combined Authority is a purpose-driven organisation that will measure its success on the impact of these missions.

We know working together is the best way to get more good done for the North East, so we work closely with organisations and people from all across the region. These include health trusts, emergency services, voluntary organisations and local businesses.

In 2024 we began work on the Local Growth Plan, a plan that sets out our joint endeavour alongside government to deliver opportunity across our region. As an organisation we are committed to delivering this economic masterplan on behalf of the North East.



Our governance

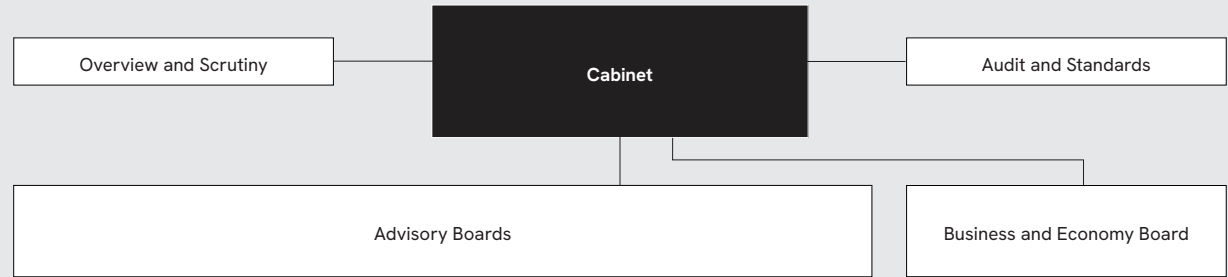
The North East Combined Authority is democratically governed by the Mayor and the Cabinet.

The Combined Authority makes its decisions with transparency, efficiency, and accountability. How we do this is outlined in our Constitution and our Single Assurance Framework, which explain how we manage our:

Governance

Communication

Programme Assurance



Cabinet

Cabinet is the decision-making body of the North East Combined Authority and is chaired by the Mayor. Cabinet is made up of the Mayor, and the Leaders and Mayors from the seven local authorities which form the North East Combined Authority. There are two non-voting members representing the business and community and voluntary sectors.

Committees

We have two committees.

The Audit and Standards Committee is concerned with the robustness of the Combined Authority's arrangements to implement its policies and to manage its resources. It is also responsible for promoting and maintain high standards of conduct by members of the Combined Authority and its committees.

The Overview and Scrutiny Committee scrutinises policy decisions and other action taken by the Mayor and Cabinet, its impact on the area and its inhabitants, and seeks to influence decision-makers by making reports and recommendations.

Advisory Boards

We have member-led advisory boards aligned to the seven Cabinet portfolio areas and a Business and Economy Board. All of these Boards support members of the Combined Authority in overseeing the delivery of the vision, ambitions and programmes of activity set out in the Corporate Plan and associated plans and strategies.

Our Cabinet and portfolios

The Cabinet of the North East Combined Authority works together with the Mayor to create a better North East. Their Cabinet portfolios are embedded in the five organisational missions.

Our Cabinet is made up of the leaders and Mayors of the seven local authorities which came together to start the devolution journey on behalf of the region.



North East Mayor Kim McGuinness

Economy

Kim unites the North East voice. She chairs the North East Combined Authority Cabinet and ensures all communities have a say in the future of the North East. The Mayor leads delivery of her manifesto, holds specific devolved powers, including over transport arrangements, and leads for the Cabinet on North East economic growth.



Councillor Michael Mordey

Finance and Investment

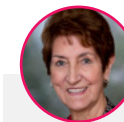
The Finance and Investment portfolio is responsible for the ongoing success of the North East in securing opportunities from inward investment, including by maximising the impact of the Investment Zones. The portfolio is responsible for ensuring that the Combined Authority makes the best use of its financial resources and for overseeing its project assurance processes; this includes ensuring that we incorporate the impact on reducing child poverty within our assessment processes.



Councillor Amanda Hopgood

Culture, Creative, Tourism and Sport

This portfolio will leverage and realise the region's cultural, creative, heritage, visitor and sport assets, and opportunities to help deliver a vibrant, sustainable and inclusive economy and better outcomes for our residents. We will seek to increase leisure and business tourism and ensure a thriving creative sector, including supporting music, writing and screen industries.



Dame Norma Redfearn DBE

Housing and Land

The Housing and Land portfolio is responsible for developing policy approaches around housing, strategic regional infrastructure, and spatial planning and regional growth. This includes unlocking more new homes, including more affordable and social housing; taking steps to improve the vitality of our high streets, town and city centres; reducing CO2 emissions; and to improving housing quality.



Councillor Tracey Dixon

Education, Inclusion and Skills

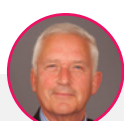
Through the work of the Education, Inclusion and Skills portfolio we will work with a diverse range of partners, employers and communities to deliver new and ambitious approaches to growing a more inclusive economy, including encouraging good work that helps to lift residents – especially our children – out of poverty.



Councillor Martin Gannon

Transport

The Transport portfolio is responsible for creating a greener, more inclusive and integrated transport network which is aligned with the economic needs of the region and which benefits our residents through better health outcomes.



Councillor Glen Sanderson

Environment, Coast and Rural

The Environment, Coast and Rural portfolio will develop new solutions to natural environment, coastal and rural challenges. We will deliver sustainable, inclusive growth; and tackle inequality, improving the wellbeing and quality of life of all our people, communities and businesses.



Councillor Karen Kilgour

Public Sector Reform

This portfolio carries out a convening role for the reform of public service in our region, bringing together local authorities, cross-sector partners, and national government to transform the North East's public services and tackle underlying inequalities. The role has a particular focus on child poverty and health inequalities, as well as leading on the Radical Prevention Fund identified in the North East devolution deal.

Our people and culture

Our values

Strive for brilliance

One team

Make it happen

Be inclusive

Drive sustainability



Corporate culture: our vision for the future

At the North East Combined Authority, we aspire to build a culture that reflects the values and ambitions of a new, forward-looking organisation. As we grow, we want to nurture a diverse and talented team committed to delivering meaningful outcomes for the people of our region. We will be purposeful in everything we do, where each individual not only takes ownership of their role but also contributes to the collective success of the organisation.

Our vision is to create a community that fosters inclusivity, where every voice is heard, and everyone feels a sense of belonging. We are committed to nurturing an environment where our colleagues can thrive; where opportunities for career growth, personal development, and continuous learning are abundant. As one united team, we will inspire each other to reach our fullest potential, creating a joyful and fulfilling workplace that enables us to deliver our best every day.

Wellbeing will be at the heart of our culture. We aim to ensure that every individual feels safe, supported, and well-balanced in their personal and professional lives. Flexible working arrangements, access to health and wellness programmes, and a focus on work-life balance will underpin our commitment to wellbeing, enabling our team to bring their best selves to work.

Our design for success

Our organisational design will reflect a commitment to our policies, mission, and strategic objectives. Built on a foundation of shared values and purpose, this structure will support our culture and drive our success. We will continuously innovate, evaluate, and refine our model to ensure it remains aligned with the needs of our organisation and the region we serve.

Our people: building a passionate workforce

We want to attract people who share our values, bring enthusiasm, and seek challenges that allow their skills, knowledge, and experience to benefit the wider team. We are committed to investing in future talent through graduate and apprenticeship programmes, building lasting careers that contribute to the growth of our local communities.

Above all, we will care for one another and take pride in the work we do - for each other and for the communities we serve - making our mark as we strive to make a lasting impact on our region.

Equality, diversity and inclusion

Inequality is one of the biggest challenges facing our region. It drives poor social and economic outcomes for many of our citizens and communities. It also poses a significant risk to realising the full potential presented by the North East devolution deal.

But inequality is not inevitable. We are on a mission to be known as the home of real opportunity. A place where people's life chances are not dictated by where they live or the personal characteristics they hold. Where everyone has the chance to contribute to the region's success and is able to access what they need to live well, now and in the future.

Our approach to advancing equality in every aspect of our work includes:

Publishing equality objectives that focus on priority equality issues and lead to improvements in policy-making, service design, resource allocation and employment.

Using equality impact assessments to design and deliver programmes that focus on increasing access to opportunities for our most marginalised citizens and communities.

Developing a strategic relationship with our voluntary, community and social enterprise sector, recognising their role as anchors in their neighbourhoods, supporting some of our most marginalised citizens and communities.

Developing an approach to co-design and collaboration that ensures that the voices of our most marginalised citizens and communities are reflected in our plans.

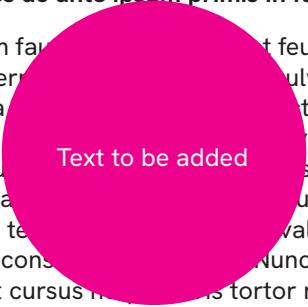
Taking steps to ensure the diversity of our workforce reflects the populations we serve.



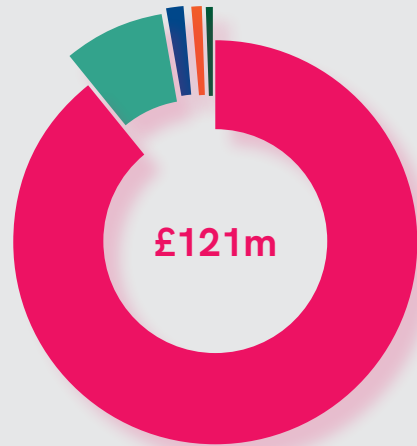
Our resources

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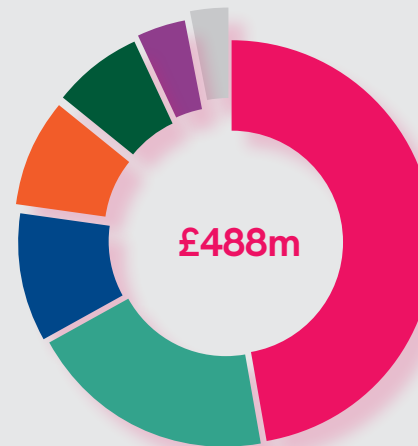


Draft funding of 2025-26 Corporate Budget



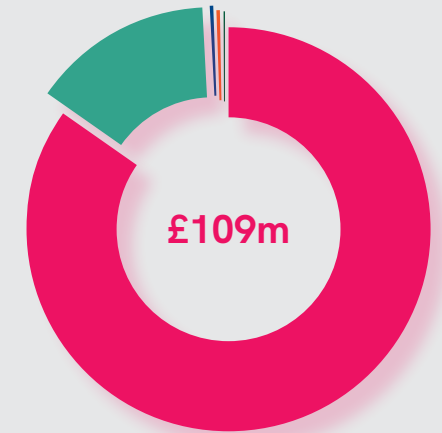
Grants and contributions	£107.861m
Tunnel tolls	£9.872m
Interest	£1.730m
Other income	£0.834m
Recharges	£0.509m

Proposed investment plans 2025-2026



Sustainable transport	£231.144m
Skills	£96.285m
Programme and Business Support	£49.502m
Tyne Tunnel	£42.792m
Investment sites	£35.615m
Housing	£18.680m
Growth of low carbon sectors (Investment Zone)	£13.886m

Draft 2025-26 Corporate Expenditure Budget (including transport levies)



Supplies and services	£92.226m
Employees	£15.450m
Premises	£0.433m
Third party payments	£0.399m
Transport	£0.008m

A team that enables delivery

The North East Combined Authority has centralised corporate services to enable the organisation to grow and operate productively and efficiently. They all play a central role in our team.

Governance

The Governance Team facilitate decision making and ensure other people can see that happening. The team supports the Cabinet and committee structures of the North East CA, its Advisory Boards and other meetings and provides advice to its Members, its officers and the public on how decisions are made and the application of the rules and procedures set out in the Constitution to meet the requirements of the law and associated regulations.

Communications

Communications is a strategic enabler that ensures the organisation is clear, consistent and impactful. It aligns stakeholders with the organisation's vision, builds public trust, and drives audience engagement. By effectively promoting initiatives and successes, our approach to communications strengthens organisational reputation and ensures messages support strategic goals, drive activity and inspire action.

Transformation

Transformation drives our ability to adapt and thrive in a rapidly changing environment. It enables the assessment, review, and implementation of new, effective ways of working. Investing in transformation will nurture an innovative culture, ensuring processes and systems continuously improve to meet the future demands of our organisation.

Performance management

Performance management is crucial for aligning the organisation's resources and efforts with strategic objectives. By setting clear targets, tracking progress, and maintaining accountability through regular reporting and feedback, it enables a delivery focused, impact-driven culture while championing continuous improvement.

Evidence and insights

Evidence and insights form the foundation for informed strategic planning, by anchoring investment decisions in data and intelligence that aligns with our core missions. Our goal is to craft strategies and delivery plans that directly address the needs of the North East and its communities, ensuring that we achieve maximum impact. By incorporating qualitative insights such as lived experiences and individual stories, we add depth to our data, making it more actionable and relevant to our missions.

Evaluation

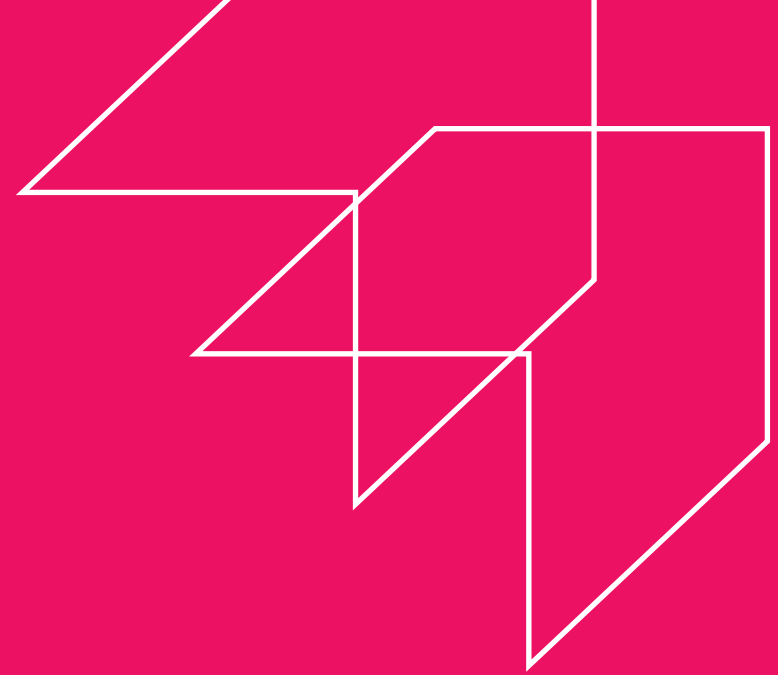
Evaluation is essential for measuring the effectiveness of our initiatives, refining strategies, and optimising resource allocation. Through the Gateway Review – a government-mandated evaluation that enables access to future investment funds – we commit to a cycle of continuous improvement in our strategic priorities and delivery. Evaluation also allows us to adopt best practices and reflect on lessons learned, ensuring that each project aligns with our mission and drives meaningful, impactful results.

Finance and investment assurance

Finance and investment assurance ensure resources are deployed effectively, in line with internal and external regulations, and aligned with strategic priorities. They provide oversight, mitigate risks and help to guarantee that investments deliver both value for money and impact. By evaluating and reporting on the financial health and long-term sustainability of budgets, projects and programmes, they ensure the organisation is fiscally responsible and capable of achieving its strategic goals, fostering trust and accountability.

Business support

Supporting programme delivery with outstanding, comprehensive business support services creates an environment where core teams have the resources, information and support they need to operate efficiently, adapt quickly and grow sustainability, achieving positive outcomes for the organisation, its partners and stakeholders.



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Appendix B– Corporate Budget Revisions by Directorate

Proposed Corporate Budget for 2025/26

PROPOSED BUDGET 2025/26	B91001- Operations	B91002- Finance & Investment	B91004- Economic Growth & Regeneration	B91003- Skills, Inclusion & Public Reform	B91005- Transport	B91000- Chief Executive	Grand Total
	£m	£m	£m	£m	£m	£m	£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 unprecedented 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?

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INTRODUCTION TO THE INVESTMENT FRAMEWORK

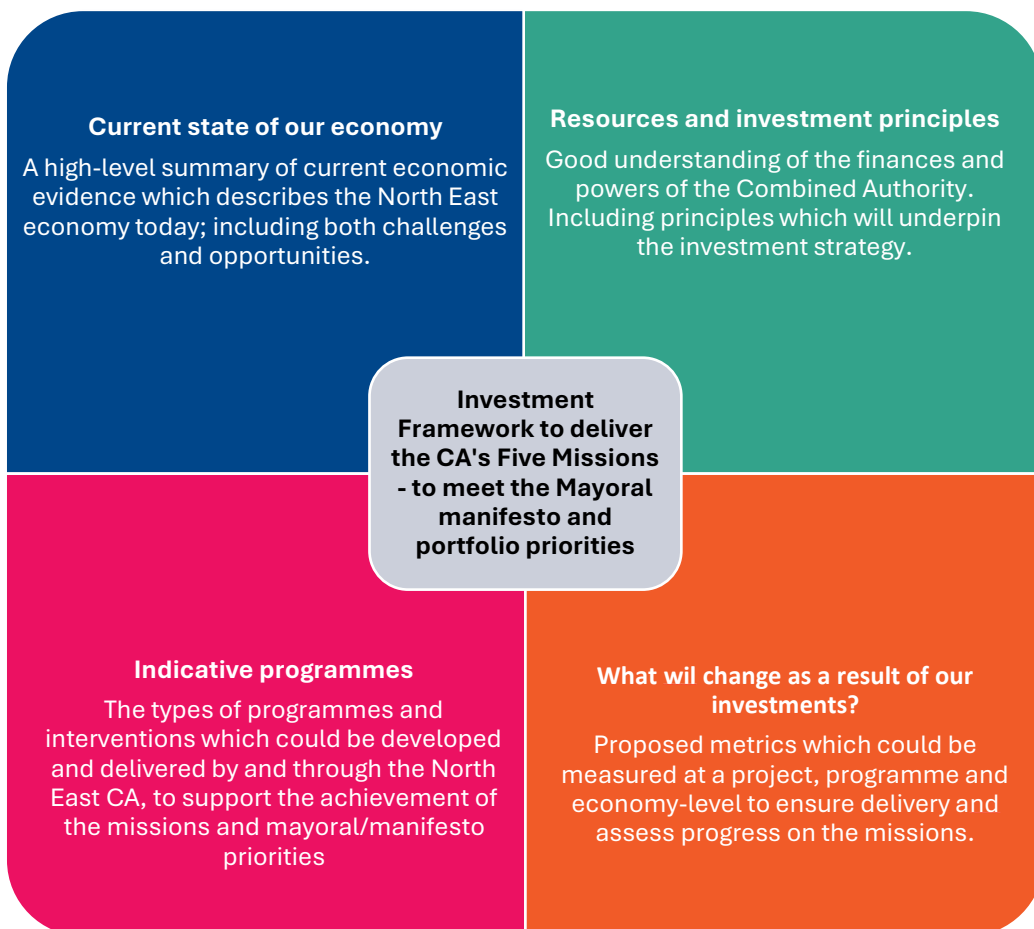
ABOUT THE INVESTMENT FRAMEWORK

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.

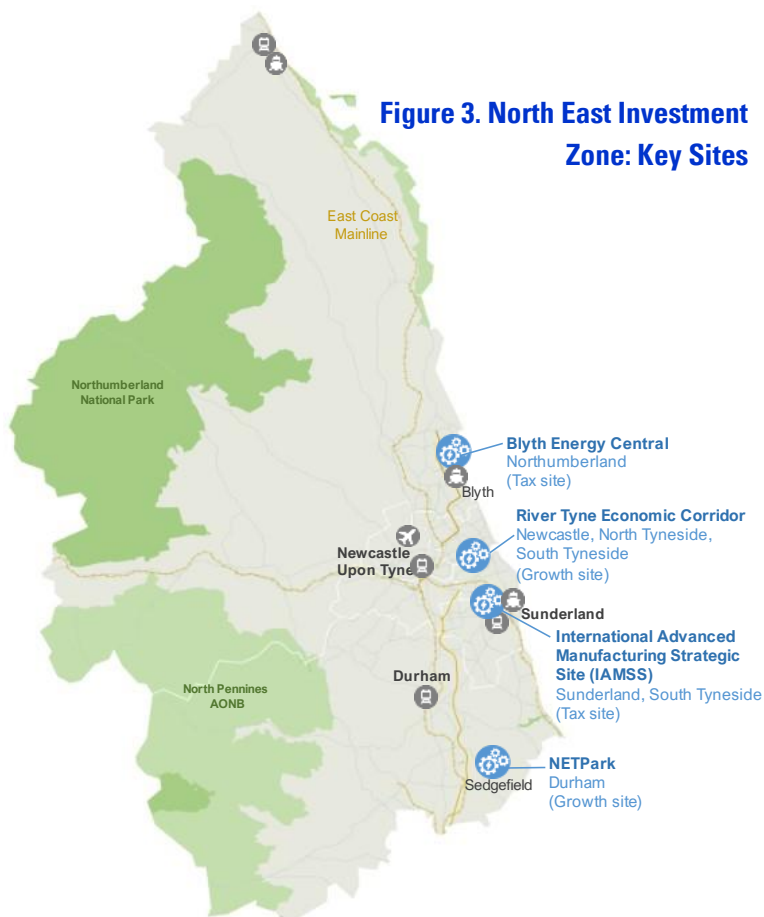
The North East hosts an increasingly significant low carbon economy, while CO₂ emissions have halved since 2005. Further innovation and industrial solutions in development will continue the regional journey to Net Zero, as well as help to drive national and international decarbonisation. A recent government 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.



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,

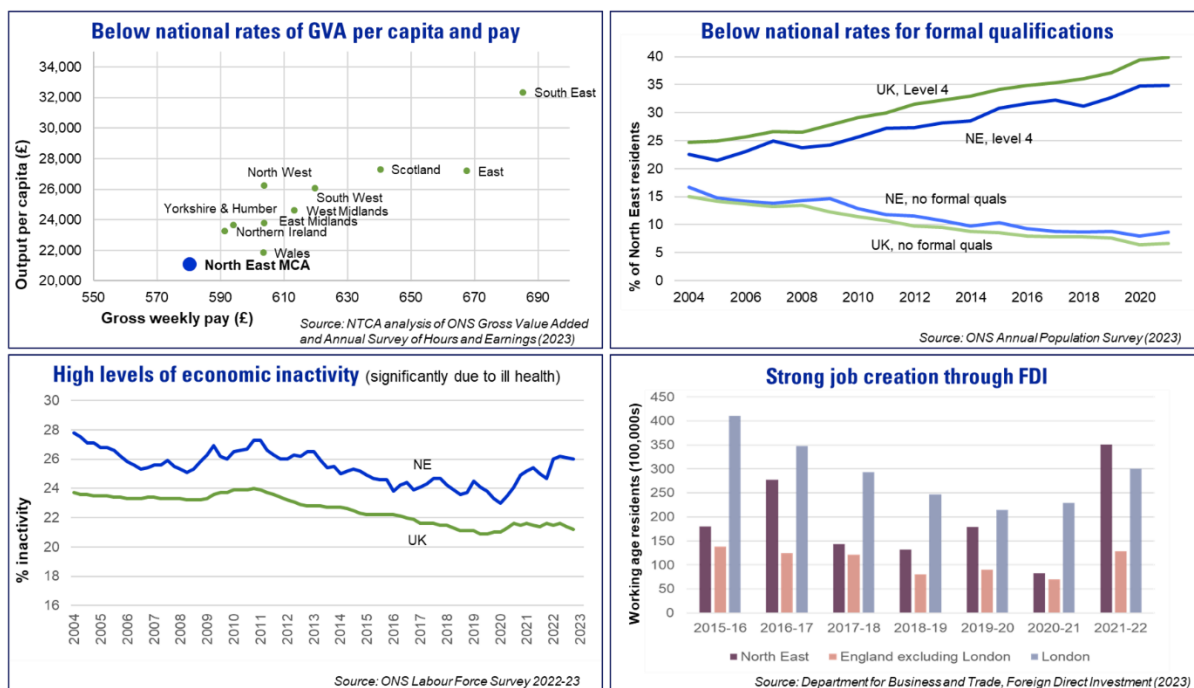
While in 2019, health and life sciences turned over £1.7bn with a high level of productivity per job. The NE has particular specialism in pharmaceutical manufacturing, with 10% of the UK's output.

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 comprises³:

- 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

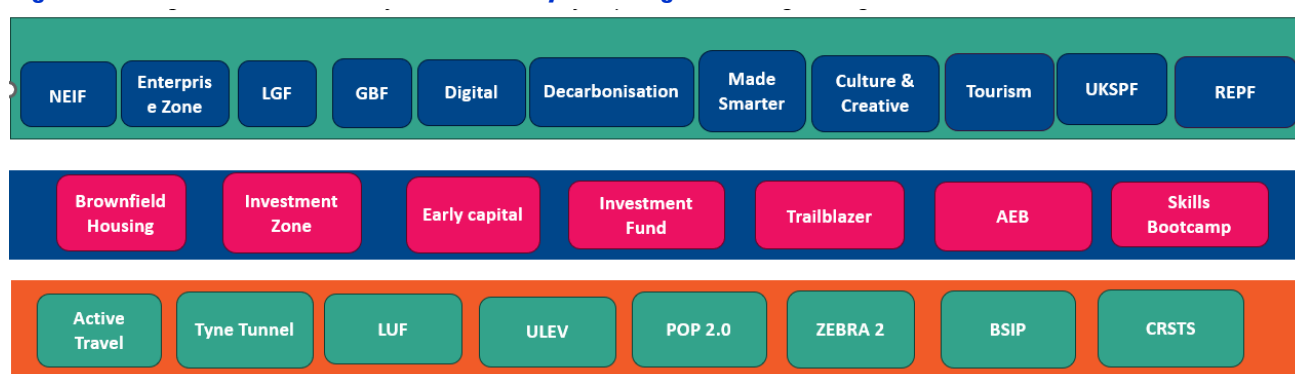


Figure 6. The North East Combined Authority’s funding April 2025 to March 2026 (total value: £488m)

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
<ul style="list-style-type: none"> • Tackling child poverty • New deal for working people, including: <ul style="list-style-type: none"> *Skills support *Job creation and good employer campaigns • Public Service Reform • High Streets Commission 	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Implementation of the Local Growth Plan • Creative industries • Foundational Economy • Business and investment support • Employment sites, including exploring MDCs • Investment Zone • Enterprise Zones 	<ul style="list-style-type: none"> • Offshore wind • Electric vehicles • Decarbonisation and progress to net zero • Environment and nature 	<ul style="list-style-type: none"> • 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 policies 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

HOMETO 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.

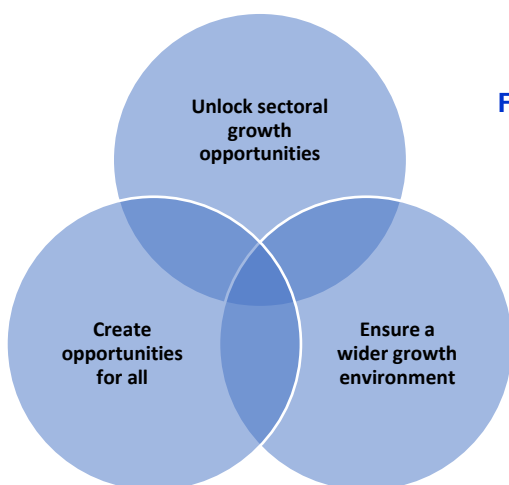


Figure 8. Approach to Growth Mission

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 D – 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 \(ons.gov.uk\)](https://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 crystallise 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

- 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

- 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.
- 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)
- 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)
Enterprise 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 updated 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 updated 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 Whitelley, 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.

10 December 2024

Title: Overview and Scrutiny Work Programme

Report of: Michael Robson, Senior Governance Officer & Scrutiny Officer

1. Report Summary

- 1.1 This report presents the latest version of the Overview and Scrutiny Committee work programme for review and, if necessary, revision.

2. Recommendations

- 2.1 The Overview and Scrutiny Committee is invited to:
- a) review the contents of the Overview and Scrutiny Work Programme as set out in Appendix A; and
 - b) if necessary, propose any additions or changes to the work programme.

3. Context

- 3.1 At its previous meeting the Committee agreed that its work programme be reported to each Committee meeting to enable all members of the Committee to review the work programme, suggest items for inclusion and, if necessary, agree any changes. This would provide flexibility to react to changes within the Authority and so scrutiny can be undertaken on policy development as it evolves. The Chair and Vice Chair will also continually review and revise the work programme as necessary.

4. Potential Impact on Objectives

- 4.1 The Overview and Scrutiny Committee enables local councillors, on behalf of their communities, to scrutinise and challenge the Cabinet and the Mayor on delivery of the Authority's ambitions and objectives and to consider matters of strategic importance to residents within the Authority's area with a view to influencing their decisions.

5. Equalities Implications

- 5.1 The Overview and Scrutiny should be mindful of its Public Sector Equality Duty and to consider whether its activities and the work it is scrutinising eliminates discrimination, harassment and victimisation; advances equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and fosters good relations between persons who share a relevant protected characteristic and persons who do not share it.

6. Consultation and Engagement

- 6.1 Discussions with the Chair, Vice Chair and senior officers within the authority have culminated in the production of the work programme. The work programme is regularly reported to the Committee and the Authority's Senior Leadership Team.

7. Appendices

Appendix A – Overview and Scrutiny Committee Work Programme

8. Background Papers

Minutes of the Overview and Scrutiny Committee held on 5 November 2024

[Overview and scrutiny: statutory guidance for councils, combined authorities and combined county authorities - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/guidance/overview-and-scrutiny-statutory-guidance-for-councils-combined-authorities-and-combined-county-authorities)

[Scrutiny Protocol for English institutions with devolved powers - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/guidance/scrutiny-protocol-for-english-institutions-with-devolved-powers)

[Centre for Governance and Scrutiny - Overview and scrutiny in combined authorities: a plain English guide 2nd Edition](#)

9. Contact Officers

Michael Robson, Senior Governance Officer and Scrutiny Officer

Michael.robson@northeast-ca.gov.uk 0191 277 7242

The North East CA has appointed an Overview and Scrutiny Committee to enable local councillors, on behalf of their communities, to scrutinise and challenge the Cabinet and the Mayor and to consider matters of importance to residents within the Authority's area with a view to influencing their decisions. Effective scrutiny arrangements are an essential component of local democracy, enhancing accountability and transparency of decision making.

This work programme sets out how the Committee intends to fulfil this role. The programme will be regularly reviewed and refreshed by the Committee so that it can react to changes within the Authority and so scrutiny can be undertaken on policy development as it evolves.

When deciding whether an item should be included in the work programme, the Committee should consider the following evaluative questions:

- Do we understand the benefits scrutiny would bring to this issue?
- How could we best carry out work on this subject?
- What would be the best outcome of this work?
- How would this work engage with the activity of the executive and other decision-makers, including partners?"

Anyone who has any suggestions for inclusion in the work programme can contact:

Michael Robson

Senior Governance Officer

Email: michael.robson@northeast-ca.gov.uk

Tel: 0191 277 7242

Part A – Work Programme

The Committee intends to undertake the following scrutiny exercises.

10 December 2024 – Committee Meeting (Newcastle Civic Centre)		
<p>Initial Budget and Corporate Plan Proposals</p> <p>a) To consider the Cabinet and Mayor's initial budget and Corporate Plan proposals (including performance management framework) and accompanying information; and</p> <p>b) make recommendations on these, where it is considered appropriate, to the Cabinet and Mayor.</p>	<p>Janice Gillespie Director of Finance and Investment</p> <p>Jackie Laughton Director of Operations</p>	
<p>Q2 Budget Monitoring Report</p> <p>To monitor the Authority's financial position for the Corporate Budget and all funding streams as at 30 September 2024.</p>	<p>Janice Gillespie Director of Finance and Investment</p>	<p>The Committee may prefer to receive a broader combined financial and non-financial CA performance report once the performance framework is finalised.</p>

<p>North East Environmental Stewardship, Coast and Rural Growth Investment Plan To consider a proposal for funding in principle for phase 1 of a programme.</p>	<p>Janice Rose, North East CA Rural Advisor</p> <p>Ross Lowrie, Principal Low Carbon & Net Zero Manager</p>	<p>Due to be considered by Cabinet in November 2024</p>
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14 January 2025 – Budget and Corporate Plan Workshop (Teams and The Lumen)		
<p>Revised Budget and Corporate Plan Proposals</p> <p>a) To consider the revised proposals following completion of the consultation process, together with relevant background information;</p> <p>b) to evaluate the proposals against that background information; and</p> <p>c) agree any recommendations and/or observations to the Mayor/Cabinet.</p>	<p>Mags Scott, Interim Director of Finance and Investment</p> <p>Jackie Laughton Director of Operations</p>	<p>An informal workshop.</p>

4 February 2025 –Committee Meeting (South Shields Town Hall)		
<p>Education Improvement Programme The CA is collaborating with the Department for Education and school leaders in co-designing the scope of an Education Improvement Programme. Councillor Dixon had suggested details of the programme could be presented to the Committee as they emerged.</p>	<p>Councillor Tracey Dixon</p> <p>Adrian Dougherty, Interim Strategic Leader for Skills, Inclusion and Public Service Reform</p> <p>Andrew Garrad, Senior Programme Manager</p>	

4 March 2024 – Committee Meeting (Quadrant, North Tyneside)		
<p>Overview and Scrutiny Committee Annual Report To approve the annual report for submission to Cabinet.</p>	<p>Michael Robson, Scrutiny Officer</p>	
<p>Q3 Budget Monitoring Report To monitor the Authority’s financial position for the Corporate Budget and all funding streams as at 31 December 2024.</p>	<p>Mags Scott, Interim Director of Finance and Investment</p>	<p>Or receive a broader combined financial and non-financial CA performance report.</p>
<p>Adult Education Budget and Skills</p>		<p>These items were included in the work programme in July 2024 and will require review and clarification.</p>
<p>Strategic Portfolio Delivery Plans Update</p>		
<p>Transport – first year in review</p>		

<p>Equality Objectives To review delivery of the Authority's initial equalities objectives set for 2024/25 and to contribute to the formulation of a set of longer term equality objectives to be agreed by Cabinet in May 2025.</p>	<p>Robin Fry, Inclusive Economy Advisor</p>	
<p>North East Local Transport Plan To receive and consider the feedback received during the public consultation exercise on the draft Local Transport Plan.</p>	<p>Tobyn Hughes Director of Transport Philip Miekle Rachelle Forsyth-Ward</p>	<p>Cabinet due to approve final LTP on 11 March 2025.</p>

July 2025		

Autumn 2025		
<p>Unlocking Finance for North East Businesses to start, and to grow To receive a progress report in relation to the management of the funds in 12 months time.</p>	<p>Rob Hamilton, Interim Strategic Leader for Economic Growth and Regeneration</p> <p>Mark Stamper, Head of Economic Delivery</p>	<p>Previously reported to the Committee on 5 November 2024.</p>

Spring 2025		

2025-26		
<p>Bus Reform To consider the outcome of the Bus Franchising Assessment.</p>	<p>Tobyn Hughes, Director of Transport</p> <p>Lucy Keating, Head of Bus Reform</p>	<p>Bus Reform Options were previously considered in Oct 2024.</p>

Part B – Potential Exercises

The following topics have been suggested as areas for examination but the timing and method of scrutiny have yet to be determined. There are a range of methods which may be used including formal committee meetings, the appointment of task and finish groups, meetings with the Mayor and Cabinet members, informal briefings, workshops, all day inquiries, fact finding visits or community engagement.

Scrutiny Exercise	Lead Cabinet Member /Officer(s)	Notes
<p>Local Growth Plan To contribute to the development of a local plan to grow the economy in the North East area.</p>	<p>Kim McGuinness, North East Mayor</p> <p>Rob Hamilton, Interim Strategic Leader for Economic Growth and Regeneration.</p>	<p>Likely to be ready around April time.</p>
<p>Community Infrastructure Fund Councillor Dixon offered to provide the Committee with more details of a proposed Community Infrastructure Fund when more details were available. The aim of the fund will be to help communities to secure community buildings and assets within their local area.</p>	<p>Councillor Tracey Dixon</p> <p>Mandi Cresswell Policy & Economy Adviser (Social Economy)</p>	
<p>Single Assurance Framework Councillor Michael Mordey indicated he would welcome the Committee’s input into the management of the assurance framework.</p>	<p>Councillor Mordey Director of Finance and Investment</p>	<p>The ASC and OSC to coordinate an approach to the SAF as the Audit and Standards Committee also intends to review the framework.</p> <p>OSC Members were invited to ASC workshop on 19 Nov 2024.</p>
<p>Visitor Economy Strategy and Destination Development Partnership Councillor Hopgood has invited the Committee to consider and make recommendations on options for delivery of a Tourism and Visitor Economy Strategy and whether there should be one organisation for the whole of the area or if they should remain separate.</p>	<p>Councillor Hopgood</p> <p>Mark Adamson Principal Sector Growth & Delivery Manager</p>	
<p>Employer Accreditation Scheme To consider proposals to establish a framework to help employers identify what ‘good work’ looks like, get recognised or make improvements.</p>	<p>Caroline Preston, Policy & Economy Adviser</p>	<p>The scheme is due to be launched at the end of January 2025.</p>
<p>Brownfield Housing Fund To examine the impact of the Brownfield Housing Fund Programme to remediate and revitalise brownfield sites across the area for the provision of new homes.</p>	<p>Mark Stamper, Head of Economic Delivery</p> <p>Heather Orton, Principal Housing Infrastructure Manager</p>	<p>Previously reported to the NTCA OSC in March 2024.</p>

<p>Housing It was suggested that housing issues be included in the Committee's work programme, including details of new housing bills, the private rentals sector and new homes building.</p>		
<p>Adult Well-Being and Health and Ability to Work To examine adult well-being and health and its relationship to individuals' ability to work in the North East.</p>		<p>The NECA OSC held a one day conference in February 2024 with a view to informing the North East CAs work programme.</p>
<p>Inward Investment To examine the region's approach to attracting inward investment into the North East England.</p>	<p>Guy Currey, Head of Inward Investment</p>	
<p>Investment Zones To consider the impact of Investment Zones introduced by Government to catalyse the development of high-potential industry clusters. In November 2023, it was confirmed the North East would benefit from IZ status supported by £160 million investment over 10 years.</p>	<p>Rob Hamilton, Interim Strategic Leader for Economic Growth and Regeneration</p>	
<p>Devolution To consider the implications of emerging national policy on the CA and the region, particularly the White Paper on English Devolution.</p>	<p>Henry Kippin, Chief Executive</p>	
<p>North East Railways In querying the need for increasing freight capacity on the rail network it was suggested that members may wish to consider in more detail the Authority's ambitions for rail services and how these can be delivered in collaboration with Great British Railways.</p>	<p>Tobyn Hughes, Director of Transport</p>	
<p>Northumberland Line It is suggested that in order to review and assess the benefits of transport investment, members ought to undertake visits and they could begin with a train journey on the Northumberland Line to Ashington where the Committee could hold a future meeting. It was noted that an external review of the Northumberland Line project was being undertaken and its findings could be reported to the Committee</p>	<p>Northumberland CC</p>	<p>Officers have advised that this is a Northumberland CC scheme, not CA. They suggest an informal visit to the line, later in the year after May in the context of improving OSC's knowledge of developing and constructing rail schemes, with members of the Northumberland Line project to talking through the key features of the scheme and lessons learnt.</p>
<p>Metro Expansion and Leamside Line</p>	<p>Tobyn Hughes, Director of Transport</p>	

<p>To consider the Outline Business Case for the Washington Metro Loop and the Strategic Outline Case for the re-opening of the southern section of the Leamside Line.</p>		
<p>Nexus To review the performance of Nexus against its Corporate Business Plan for 2023/24</p>	<p>Catherine Massarella, John Fenwick and Stuart Clarke, Nexus</p>	<p>Previously reported to the JTC OSC in Oct 2023. In Sept 2024 Chair & Vice Chair agreed that performance info needed to be scrutinised but by another body not OSC.</p>
<p>North East Bus Enhanced Partnership and Bus Service Improvement Plan (BSIP) To examine progress in delivering the programme of interventions to reverse the decline in bus patronage and increase bus modal share.</p>	<p>Tobyn Hughes, Director of Transport Heather Jones, Head of Enhanced Partnerships</p>	<p>Previously reported to JTC OSC Discussed at meeting held on 8 Oct 2024.</p>
<p>North East Zero Emission Vehicle (ZEV) Strategy To examine delivery of the Strategy which seeks to expand the public charging network in the North East, support an increase in the uptake of zero emission vehicles and look at alternative fuels.</p>	<p>Rachelle Forsyth-Ward, Head of Transport Policy and Strategy Development</p>	<p>Previously reported to JTC OSC</p>
<p>North East Active Travel Strategy To examine delivery of the North East Active Travel Strategy which set a target for over half of all shorter journeys in the North East (under 5 miles) to be made by active travel by 2035, up from 37% in 2018/19.</p>	<p>Tobyn Hughes, Director of Transport</p>	
<p>Key Route Network To consider proposals for a Key Route Network (KRN) Strategy, the development and delivery of a single asset management plan for the North East road network and its relationship with National Highways.</p>	<p>Tobyn Hughes, Director of Transport</p>	

Part C – Member Development

In addition to conducting scrutiny exercises set out above, the Committee will also undertake other activities to enhance members’ knowledge and skills to effectively fulfil their role as scrutineers.

Activity	Detail	Timescale
Induction	<p>A presentation from the Chief Executive on the North East CAs vision, powers, priorities and structures.</p> <p>Introduction to the role of O&S, the difference between local and combined authority scrutiny, work programming and the role and expectations of a scrutiny members.</p> <p>Review of work programme and methods of working.</p>	July 2025
Pre-Meetings	The Committee will meet remotely and informally ahead of each Committee meeting and following publication of the agenda to prepare and co-ordinate key lines of enquiry.	To be held at 12noon on the Friday before each committee meeting via Microsoft Teams.
Informal Workshops	The Committee may wish to meet informally to review and determine its work programme, methods of working or undertake preparatory research ahead of formal meetings.	
Members’ Briefing	Members of the Committee will be sent regular written briefings containing details of news and developments relating to the North East CA.	Monthly
Specific Briefings	Members may request on line or in person briefings to gain a better understanding on specific areas of the Authority’s work and provide members with an opportunity to select topics for further more detail scrutiny.	
Centre for Governance and Scrutiny Training	It is proposed that the CfGS be commissioned to deliver a bespoke training session for OSC members.	To be arranged.
Centre for Governance and Scrutiny Training	Members will be encouraged to join the annual training programme delivered by the CfGS in the region.	
North East Scrutiny Network	Members will be encouraged to participate in the Network to liaise with other authorities and share good practice.	Quarterly Meetings

Part D – Action List

The action list below records and tracks the Committee’s requests for information.

Meeting Item	Requested Action	Outcome/Status	Owner
16 July 2024 Minute OSC5/7/24	Members asked that they be provided with supplementary information regarding expenditure on consultancy support for the City Region Sustainable Transport Settlement (CRSTS) programme.	Information circulated with written monthly briefing on 19 August 2024.	Jonathan Bailes Head of Transport Programmes Eleanor Goodman Finance Manager
8 Oct 2024 Note 2 of Appendix to Minutes	It was reported that multi-operator, multi-modal capped tickets targeted at those aged 21 and under had increased usage in the age group by 25%. Officers undertook to provide members of the Committee with further details.	Information circulated with written monthly briefing on 4 November 2024.	Heather Jones Head of Enhanced Partnerships
8 Oct 2024 Note 3 of Appendix to Minutes	Members asked that they be notified of the commencement of the public consultation exercise.	Information circulated with written monthly briefing on 4 November 2024.	Jen Robson Head of Business Transformation, Performance and Insights
5 Nov 2024 OSC13/11/24	A briefing note setting out initial progress on Unlocking Finance for North East Businesses to start, and to grow be provided to members of the Committee after 6 months.	Due May 2025	Mark Stamper Head of Economic Delivery
5 Nov 2024 OSC15/11/24	It was agreed that the OSCs comments regarding the Mayor’s Opportunity Fund be referred to relevant officers to be considered as part of the mobilisation of the Fund.	Comments referred to the Chief Exec, Director of Operations and Director of Finance on 11 Nov 2024.	Michael Robson Scrutiny Officer