

A meeting of the: **Cabinet**
will be held on: **Tuesday 28 January 2025**
at: **2.00 pm**
in: **Town Hall, South Shields**

The meeting will be livestreamed and available to view on the Authority's YouTube channel via (www.youtube.com/@NorthEast_CA/streams).

SUPPLEMENTAL AGENDA

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| 5. Appointment to Cabinet – Chair of Business and Economy Board
To consider and approve the appointment to Cabinet of a new member (and substitute member) to represent the business interests of the combined authority area. | 1 -2 |
| 9. 2025-26 Budget and Corporate Plan and the Medium-Term Financial Plan
To seek approval of the final draft 2025-26 Budget, Medium Term Financial Plan and Corporate Plan for the North East Combined Authority (North East CA). | 3 - 124 |

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Title: Appointment to Cabinet – Chair of Business and Economy Board
Report of: Henry Kippin, Chief Executive
Portfolio: All

Report Summary

This report proposes the appointment to Cabinet of a new member (and substitute member) to represent the business interests of the combined authority area.

Recommendations

Cabinet is recommended to appoint:

1. the Business Board Member (ie Chair of the Business and Economy Board); and
2. the Substitute Business Board Member (ie Vice Chair of the Business and Economy Board)

in accordance with paragraph 2.3 of this report.

A. Context

1. Background

1. The statutory order which created the combined authority provides that it must establish a business board whose purpose is to share with the Authority the views of business interests in the area. The order also provides that the chair of the business board is to be a non-voting member of Cabinet, referred to as “the Business Board Member”.
2. At the November meeting of Cabinet, Lucy Winskell OBE stood down from her role as Business Board Member and as chair of the Business Board.
3. At that meeting Cabinet agreed that a new business board with a wider remit should be established, which is to be referred to as the Business and Economy Board. The Board will support the Mayor and Cabinet to drive forward the development of the North East Local Growth Plan, providing expert advice and sectoral insights. Cabinet also agreed the terms of reference for the new Board at that meeting.

2. Recruitment process for the Chair of the Business and Economy Board

- 2.1 Following the November Cabinet meeting, a recruitment process for a new Chair of the Business and Economy Board has been undertaken. As set out above, the holder of this position will also be a non-voting member of Cabinet (ie the Business Board Member). Therefore, no remuneration is to be payable by the authority, other than allowances for travel and subsistence.
- 2.2 The role was advertised on the authority’s website and social media channels, North East Jobs and by way of a press release and email bulletin to business representation groups. Candidates were requested to provide a written Expression of Interest for the role to include a CV and personal statement addressing how they were suitable for the role. These applications were then reviewed by officers and were subject to a shortlisting and selection process with the Mayor and Chief Executive.
- 2.3 The proposed appointment to the role of the Business Board Member of Cabinet (who will also be the Chair of the Business and Economy Board) will be confirmed at the meeting of Cabinet on 28 January. The proposed appointment to the role of the Substitute Business Board Member of Cabinet (who will be the Vice Chair of the Business and Economy Board) will also be confirmed at that meeting.

B. Impact on North East Combined Authority Objectives

1. The approval of the matters set out in this report are part of the process of ensuring the Authority operates as required.

C. Key risks

1. None

D. Financial and other resources implications

1. None

E. Legal implications

1. The comments of the Monitoring Officer have been incorporated into this report.

F. Equalities Implications

1. In June 2024 the North East CA adopted equality objectives to reflect the different roles of the Combined Authority as an employer, a commissioner and deliverer of services, and a civic leader. These objectives have been reflected in the processes adopted for appointments to and the work of the advisory boards.

G. Consultation and engagement

1. Consultation and engagement has taken place with Cabinet, local authorities and relevant stakeholders on the proposed appointment in this report.

H. Appendices

None

I. Background papers

1. Cabinet Report of 26 November 2024 - Governance Update on Cabinet Portfolios and Advisory Boards

J. Contact officer(s)

Henry Kippin, Chief Executive, Henry.Kippin@northeast-ca.gov.uk
James Moore, Strategic Advisor james.moore@northeast-ca.gov.uk

K. Glossary

None

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 final draft 2025-26 Budget, Medium Term Financial Plan and 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 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 Corporate Plan as set out in section 2;
2. Agree the North East CA Corporate Budget for 2025-26 as set out in section 4;
3. Agree the overarching delivery budgets as set out in Sections 6-10;
4. Agree the following Transport Levies for 2025-26:

Durham County Council	£16,937,200
Northumberland County Council	£6,747,800
Tyne and Wear Councils	£72,409,000 (allocations detailed in Table 11)
5. Agree a transport revenue grant to Durham County Council for the delivery of transport services of £16,927,200, as outlined in section 17.2;
6. Agree a transport revenue grant to Northumberland County Council for the delivery of transport services of £6,737,800 as outlined in section 17.3;
7. Approve the Nexus 2025-26 revenue budget including proposed use of reserves, and agree a transport revenue grant to Nexus for the delivery of transport services in Tyne and Wear of £70,246,000 as outlined in section 17.5 and Appendix E;
8. Approve increases to Metro, Bus and Ferry fares together with a freeze in Under 16 concessionary products, as set out in section 17.7 and Appendix E;
9. Approve Nexus' three-year capital programme (2025-26 to 2027-28), noting that funding for a sizeable part of the 2026-27 programme is yet to be secured from CRSTS Round 1; funding for the 2027-28 programme is yet to be secured from CRSTS Round 2; and that £21.676m of reserve funding and £29.850m overprogramming has been factored in to the overall financing of the programme;
10. Approve the following BSIP fare caps for the period 1 April 2025 to 31 December 2025:
 - The £1 single fare and £3 daily cap for people aged 21 and under to be retained at the existing price points;
 - Adult multi-modal daily caps to be adjusted to £5 for Durham, £6 for Northumberland, £6.80 for Tyne and Wear and £7.50 for the entire North East CA area.

11. Approve the budget for the Tyne Tunnels set out in section 18, including the proposal to increase tolls for Class 2 vehicles to £2.50 (10p increase) and Class 3 vehicles to £5.00 (20p increase) and maintain the 10% discount for pre-paid customers;
12. Note the reserves position as set out in Section 20, which will be kept under review while consideration of additional information becomes available about the financial risks facing the North East CA and the proposed arrangements for managing those risks.
13. Authorise the Director of Finance and Investment to accept the grant offer from Government with respect to the Made Smarter, UKSPF and the Economic Inactivity Trailblazer programmes on behalf of the Authority, subject to the terms and conditions set out by Government.
14. Authorise the Chief Executive, in consultation with the Director of Finance and Investment and relevant Cabinet Member, to approve commencement of the associated procurement activity with respect to Made Smarter, UK SPF and the Economic Inactivity Trailblazer programmes and subsequent award of contracts.
15. Authorise the Chief Executive, in consultation with the Director of Finance and Investment, Monitoring Officer and relevant Cabinet Member to approve project applications and contracts brought forward through the approved Made Smarter, UK SPF and Economic Inactivity Trailblazer Delivery Plans, in line with the North East Single Assurance Framework.
16. Agree the Treasury Management Strategy and Prudential Indicators as set out in Appendix H.

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 saw 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, set out in Appendix A, 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.
- 2.6 The Performance Management Framework we will use to monitor our progress against the missions is being developed, including ensuring integration with our financial and risk reporting.

3. Autumn Budget Statement

- 3.1 The Autumn Budget Statement announced on 30 October 2024 set out key economic data and spending commitments, identified specific announcements about the North East, and provided detail on future regional policy and funding issues. Details of key announcements were set out in the November Cabinet Budget paper. The bullets below provide an update to those that have subsequently been clarified.
- The UK Shared Prosperity Fund, previously planned to end in March 2025, will continue at a reduced level for a further year with £900m of funding (national budget), with a total allocation to the North East CA of £54.691m (£16.720m capital and £37.971m revenue).
 - Central government-funded bus fare cap continuing to December 2025 but 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 North East CA Cabinet approved in December 2024 the decision to set the cap for the North East at £2.50 until December 2025.
 - The Budget committed funding for 2025-26 for Growth Hubs in England, and the Help to Grow: Management programme across the UK. Funding was also confirmed for the Made Smarter Adoption programme, which will double to £16m in 2025-26, enabling the programme to be expanded. Of the £37m funding in 2025-26, £1.2m has been allocated to the North East CA region.
- 3.2 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-Term financial plan.
- 3.3 Details of funding allocations to be made to the North East CA are subject to further confirmations, with some allocations being subject to the Spending Review.

4 The Corporate Budget

- 4.1 The Corporate Budget has been prepared 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 proposed Corporate budget for 2025-26 as set out in Table 1 below is based on the following principles:
- a) Present a holistic picture of the medium-term revenue requirements for the North East CA based on the commitments made by the Mayor, 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 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 Table 1 below 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: Proposed Corporate Budget 2025-26

Category	Base Budget*	Pay award and Inflation	Income Changes	Delivery Growth	2025-26 Budget
Expenditure	£m	£m	£m	£m	£m
Employees	14.250	0.500		1.610	16.360
Premises	0.632				0.632
Transport	0.008				0.008
Supplies and Services	92.211				92.211
Third Party Payments	0.399				0.399
Central Support and Other Recharges	13.896	(0.500)	(0.331)		13.065
Total Expenditure	121.396	0.000	(0.331)	1.610	122.675
Income	£m	£m	£m	£m	£m
Contributions Summary	(103.301)		(0.677)	(1.610)	(105.588)
Grant Contributions	(5.150)		1.008		(4.142)
Interest Summary	(1.730)				(1.730)
Other Income Summary	(0.834)				(0.834)
Recharges	(0.509)				(0.509)
Total Income	(111.524)	0.000	0.331	(1.610)	(112.803)
Total net expenditure before Tyne Tunnel funding	9.872	0.000	0.000	0.000	9.872
Funding towards costs from Tyne Tunnel	(9.872)	0.000	0.000	0.000	(9.872)
2025-26 Net Budget	0.000	0.000	0.000	0.000	0.000

*Represents 2024-25 budgeted expenditure before reallocations set out in the Budget Monitoring report to January 2025 Cabinet.

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 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 the North East CA, 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 2025-26 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 £398m 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 The current financial year has seen the approval of new investments through the approved Single Assurance Framework, and delivery continues of North of Tyne CA investment commitments as shown in Table 2. 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

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	£m	£m	£m	£m	£m	£m
Revenue funding	34.000	34.000	34.000	34.000	34.000	170.000
Revenue funding decisions made (2024-25)	(2.693)	(7.145)	(5.890)	(5.500)	(4.250)	(25.478)
Legacy programmes	(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)
Total committed revenue expenditure	(48.531)	(25.282)	(17.415)	(13.952)	(11.652)	(116.832)
Uncommitted funds	(14.531)	8.718	16.585	20.048	22.348	53.168
Investment fund reserve brought forward	38.340	23.809	32.527	49.112	69.160	
Revenue investment fund reserve carried forward	23.809	32.527	49.112	69.160	91.508	

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	£m	£m	£m	£m	£m	£m
Capital funding	14.000	14.000	14.000	14.000	14.000	70.000
Borrowing		10.000	8.000	7.000	5.000	30.000
Total available capital funding	14.000	24.000	22.000	21.000	19.000	100.000
Capital top slice	(1.400)	(1.400)	(1.400)	(1.400)	(1.400)	(7.000)
Early Capital match	(12.600)	(1.600)	0.000	0.000	0.000	(14.200)
Capital funding decisions made (2024-25)	0.000	(20.000)	(16.000)	(14.000)	(10.000)	(60.000)
Total committed capital expenditure	(14.000)	(23.000)	(17.400)	(15.400)	(11.400)	(81.200)
Uncommitted funds	0.000	1.000	4.600	5.600	7.600	18.800
Capital investment fund reserve brought forward	0.000	0.000	1.000	5.600	11.200	
Capital investment fund reserve carried forward	0.000	1.000	5.600	11.200	18.800	

7. Brownfield Housing Fund

7.1 Strategic Place-based funding: Brownfield Housing Fund (BHF). 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 was 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 allow projects to deliver in 2024-25 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	14.345	6.658	0.000	0.000	0.000	21.003
NECA	5.729	15.128	0.000	0.000	0.000	20.857
BHF Revenue costs	0.200	0.200	0.000	0.000	0.000	0.400
Total	20.274	21.986	0.000	0.000	0.000	42.260
Add previous years' actual spend						9.197
Total forecast all years						51.457
Actual Grant receivable						(49.214)
Indicative over-programme						2.243

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 & 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 below.

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

Investment Zones	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	Total £m
Flexible Revenue Funding	1.575	3.626	3.611	3.596	3.096	15.504
Additional Flexible Revenue Funding	0.235	1.059	0.824	0.589	0.589	3.296
Approved Business Cases	(1.575)	(1.361)	(1.411)	(1.363)	(2.324)	(8.034)
Pending decisions	0.000	0.000	(0.486)	(0.500)	(0.514)	(1.500)
Top slice	(0.640)	(0.640)	(0.640)	(0.640)	(0.640)	(3.200)
Balance	(0.405)	2.684	1.898	1.682	0.207	6.066
Flexible Capital Funding	2.437	3.988	4.002	3.517	3.517	17.461
Additional Flexible Capital	2.213	3.037	3.273	3.508	3.508	15.539
Approved Business Cases	(4.157)	(8.188)	(0.130)	(0.130)	0.000	(12.605)
Pending decisions		(4.000)	0.000	0.000	0.000	(4.000)
Balance	0.493	(5.163)	7.145	6.895	7.025	16.395

Note: approved business cases relate to MADE NE and NETPark; pending decisions in both revenue and capital relate to Energy Central.

9.4 The NEIZ 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 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 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

	2024-25	2025-26	2026-27	2027-28	2028-29
	£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 North East Investment fund (NEIF) has been in operation since March 2013 in the form of a 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 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 investments of the NEIF

Returns and investments	2024-25 £m	2025-26 £m	2026-27 £m	2026-27 £m	2027-28 £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 Mayor's and Cabinet'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	307.422
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	366.751

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 As reported to Cabinet in November, the Autumn Statement brought a number of significant announcements in respect of Transport Funding. Clarity on allocations to Local Transport Authorities (LTAs) and specific allocations for our region is expected to be provided by the forthcoming Spending Review.
- 13.5 The North East CA expects to receive confirmation of its £15.8m allocation from the Local Electric Vehicle Infrastructure programme in due course.

The table 10 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

Programme	2024-25	2025-26	2026-27	Total
	£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	10.852	62.153	0.000	73.005

Active Travel Fund	22.186	15.671	0.000	37.857
Active Travel Capability Fund	1.407	0.000	0.000	1.407
Levelling up Fund	16.737	1.481	0.000	18.218
Indicative LEVI Capital	0.877	2.633	12.319	15.829
Zero Emission Bus Regional Areas 2 (ZEBRA2)	1.477	5.908	0.000	7.385
Transforming Cities Fund	24.922	10.858	0.000	35.780
LEVI Capability	0.360	0.000	0.000	0.360
Total	199.700	262.427	166.954	629.081

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

- 14.1 The region was awarded £174.7m of BSIP funding over 3 years (April 2022 to March 2025), of which £100m is revenue funding, which is being used to subsidise fares and services. Agreement has been reached with DfT to allow for the continued use of unspent BSIP revenue funding to support bus services in 2025-26. This has recently been augmented by an additional allocation of BSIP funding of £23.6m revenue funding for the financial year 2025-26. Consequently £44.7m of revenue funding is available for NECA to support bus fares and services during the financial year 2025-26.
- 14.2 BSIP revenue funding is used to deliver the following interventions by NECA:
- A £1 single fare and £3 daily cap for people aged 21 and under. This intervention costs approximately £15m per annum and has been very successful: 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.
 - Adult multi-modal daily caps. These are currently set at £4 for Durham, £5 for Northumberland, £6 for Tyne and Wear, and £6.80 for the entire NECA area.
 - Secured bus services, where BSIP funding significantly augments existing levy-funded budgets. 47% of secured bus mileage in the North East is funded by BSIP revenue funding, at a cost of approximately £16 million per annum. This equates to 12% of the total bus network being reliant on BSIP revenue funding.
 - A range of measures aiming to improve the customer experience including a new website, additional staff to champion the network and variety of customer information initiatives.
- 14.3 A national, £2 cap on adult single bus fares has been in place, funded directly by central government. The Autumn Statement confirmed that the national adult bus fare cap would continue until 31 December 2025, but at the higher level of £3. In response, at an extraordinary meeting on 10th December 2024, the North East CA's Cabinet agreed to cap adult single bus fares in the region at £2.50 from 1 January 2025 until 31 December 2025, funded by up to £6.083m of BSIP revenue funding.
- 14.4 In addition to the introduction of the NECA adult single bus fare cap, the following BSIP fare caps are proposed for the period 1 April 2025 to 31 December 2025:
- The £1 single fare and £3 daily cap for people aged 21 be retained at the existing price points. This is estimated to cost £14.5m for April to December 2025;
 - Adult multi-modal daily caps to be adjusted to £5 for Durham (from £4), £6 for Northumberland (from £5), £6.80 for Tyne and Wear (from £6), and £7.50 for the entire North East CA area (from £6.80). Cabinet is asked to approve the revised levels of these fare caps, at an estimated cost of £4.4m for April to December 2025.
- 14.5 It is additionally proposed to make £16m available to Durham and Northumberland Councils and Nexus, to continue to provide BSIP-funded secured bus services over the course of the financial year.

BSIP revenue funding for future years

- 14.6 Whilst BSIP funding has been confirmed until March 2026, funding from that point onwards is less clear:
- Post-BSIP revenue funding for buses is currently under consideration by the Government.
 - The Government's forthcoming Spending Review is expected to address the problem.
 - It is also possible, but far from certain, that the discussion becomes related to single settlement and/or CRSTS2.
 - There may be some residual BSIP revenue funds to rollover further into 2026-27, subject to DfT approval.
- 14.7 The uncertainty of BSIP revenue funding beyond March 2026 impacts the ability of some delivery partners to renew bus contracts that expire between now and March 2026 because replacement contracts would run into periods that are currently unfunded. If no further action is taken this could lead to cuts in the secured bus network over the course of the coming financial year (2025-26).
- 14.8 On the assumption that a longer-term source of revenue funding for bus services will ultimately be made available, and considering NECA's objective of growing public transport accessibility, it is clearly undesirable for there to be widespread cuts to secured services. 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.
- 14.9 Cabinet is therefore recommended to agree that NECA should instruct delivery partners in Durham County Council, Nexus and Northumberland County Council 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 requires NECA to underwrite the financial risk of national Government funding ultimately not being available in 2026-27. The level of this risk materialising is currently considered to be low.
- 14.10 If, following the Government's 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.
- 14.11 Options will be prepared for future funding of fares beyond March 2026, as clarity emerges about the Government's intention for future bus funding. An exit strategy will be prepared to cater for the eventuality that current subsidised fares cannot continue past December 2025.

15. New Programmes

- 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, the North East CA's 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 As set out in the Autumn Budget (October 2024) and Get Britain Working White Paper (November 2024) building a thriving and inclusive labour market and increasing the number of people in work is central to growing the economy. **Economic Inactivity Trailblazers** are one of a suite of measures intended to provide opportunities for residents to participate and progress in work. DWP has committed £125m to mobilise eight trailblazer areas in England and Wales that will bring together and streamline health, employment and skill services to improve the support available for people who are economically inactive.
- 15.7 As part of the eight inactivity trailblazers, the North East is one of three areas that has been selected to deliver joint activity with the NHS. The North East and North Cumbria Integrated Care System (NENC ICS) has been selected as an NHS England Health and Growth Accelerator and will develop evidence of the impact of targeted action on the top health conditions driving economic inactivity. North East CA will work in partnership with the NENC ICS to maximise and integrate the existing and emerging work, health and skills offer to tackle economic inactivity. The funding associated with this Trailblazer activity is £10m for the North East CA, to deliver activity across 2025-26. Further funding for the ensuing two years may be available, but is not yet confirmed.
- 15.8 £1.2m for the **Made Smarter** programme extension (2025-26 only), following confirmation of the North East CA's allocation from the overall amount announced in the Chancellor's Autumn Statement. This is subject to approval by Finance and Investment Board following delegation from Cabinet.
- 15.9 The **North East Screen Industries Partnership** (NESIP) targets the sustainable development of the screen industries in the region, directly supporting the ambitions of the North East CA Corporate Plan and the emerging Local Growth Plan. NESIP is a 5 year programme of £11.4m, split £6.65m/£4.75m between NECA and TVCA respectively, and is coming towards the end of its third year of delivery. The programme has been successful to date in exceeding its outputs and economic impact targets, as evidenced through a recent independent interim evaluation. Following the NESIP board in October 2024, it is proposed that the North East CA invests an additional £875,000 in NESIP via the North East Production Fund. This proposal is scheduled go to Technical

Officers' Group on 10 February for approval in line with Cabinet-agreed delegations. This is matched by £625,000 additional investment from Tees Valley CA (subject to their approval in January), with the relative amounts determined by the number of constituent authorities.

16. Update on funding streams deemed 'at risk' at November 2024

- 16.1 At the time of reporting in November, a number of funding streams were uncertain for 2025-26 and beyond, with implications for the North East CA and the region.
- 16.2 The **UK Shared Prosperity Fund and Multiply** were the most material in value. The Autumn Statement announced that the UK Shared Prosperity Fund, planned at the time to end in March 2025, would continue at a reduced level for a further year with £900m of funding nationally. The allocation for the North East CA region has subsequently been confirmed at £54.691m, of which £9.873m is a capital allocation directly for the Combined Authority. For 2025-26 the Multiply programme will not continue as a specific, ringfenced programme. Local authorities retain the flexibility to deploy their local allocation according to need, including a continuing ability to fund adult numeracy support alongside the wider suite of people and skills related activities.
- 16.3 We are working with constituent authorities to agree the process for distributing this funding and working with them to maximise value from previous years' funding, which is not available for carry forward into 2025-26.
- 16.4 Careers and Enterprise funding – careers provision in schools funding of £0.439m is confirmed to August 2025.

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 The proposed levy for public transport activity in Durham for 2025-26 is £16.937m, of which £16.927m will be paid as a transport revenue grant to Durham County Council for the delivery of public transport services and £10,000 retained to support central North East CA Transport costs. This compares with a budget of £16.905m for 2024-25 (0.2% increase). A breakdown is shown in Appendix D.
- 17.3 The proposed levy for public transport activity in Northumberland for 2025-26 is £6.748m, of which £6.738m will be paid as a transport revenue grant to Northumberland County Council for the delivery of public transport services and £10,000 retained to support central North East CA Transport costs. This compares with a budget of £6.562m for 2024-25 (2.8% increase). A breakdown is shown in Appendix D.
- 17.4 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 that level for 2025-26 and future years.
- 17.5 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), therefore the total proposed Tyne and Wear levy is £72.409m, of which £70.246m will be paid as a

grant to Nexus. In line with the Transport Levying Bodies regulations, the Tyne and Wear levy must be apportioned between the Tyne and Wear councils on the basis of population, giving the apportionments set out in Table 11 below:

Table 11: Tyne and Wear Levy 2025-26

	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	0.571	17.647
Total	70.300	2.109	72.409

- 17.6 Details of the Nexus revenue budget for 2025-26 and medium-term financial plan are set out in Appendix E. Since the report to Cabinet in November 2024, finalisation of Nexus budgets has identified additional challenges, most notably a further deterioration in Metro fare revenue but also an increase in Employer National Insurance Contributions. The budget proposal allows for protection of essential services.
- 17.7 The Metro, Bus and Ferry fares review aims to balance the competing needs of addressing this budgetary pressure, whilst also maintaining the attractiveness of Metro. Cabinet members will be aware that Metro and ferry fares changes normally take effect from 1 April. The recommendation in this paper is that Cabinet approves Metro and ferry fares changes to take effect from 1 July 2025, instead of 1 April, in recognition of the recent disruption felt by Metro passengers, which was exceptional with the impact of the closure of Gateshead flyover having a huge impact across the whole system. The fares increases are summarised below:
- Application of an average increase of RPI inflation + 1% based on July 2024 rates (3.6% + 1%);
 - Continuing to drive the transition from paper tickets to Pop Pay as You Go, offering customers a way to avoid the steepest price rises;
 - Returning certain ticket prices to where they would otherwise be, in line with the increase in the price of BSIP funded multi modal day tickets;
 - Simplifying the product range by removing the Junior Blue smartcard;
 - Keeping young persons 'commercial' single tickets frozen at £1;
 - Increasing Gold Card prices to £15 per annum, the first rise for a decade;
 - Increasing Park & Ride prices for the first time since 2021, with the cost of a day's parking increasing by £0.30 to £1.50; and
 - In addition, ferry fares are also proposed to increase by 4.9%, also effective from 1 July 2025 and the price of concessionary products for young people in Tyne and Wear will be frozen at 60p for a single and £1.10 for a CAT all day ticket (eligible with an Under 16 Pop Card).
- 17.8 These proposals are expected to generate £1.5m in additional fare revenue in 2025-26. While these increases were implicit in the draft Nexus budget included in the November Cabinet papers, full detail by fare type was not available at that point.
- 17.9 The full list of proposed Metro, Ferry and Tyne and Wear secured service bus fares is included at Appendix E.

18. Tyne Tunnels

- 18.1.1 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, rounded to the nearest 10p. 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) is recommended for approval by Cabinet. This increase would come into effect no earlier than 1 May 2025.

Table 12: Current and proposed tolls

	Class 2 toll (Cars)	Discounted toll for pre-paid customers (Cars)	Class 3 toll (HGVs)	Discounted toll for pre-paid customers (HGVs)
Current toll	£2.40	£2.16	£4.80	£4.32
Proposed toll from May 2025	£2.50	£2.25	£5.00	£4.50

Table 13: Summary Tyne Tunnels Budget

	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	All years £m
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)
Net income	0.184	(0.001)	0.000	0.000	(0.001)	0.182
Reserve brought forward	9.626	9.810	9.809	9.809	9.809	9.626
Reserve carried forward	9.810	9.809	9.809	9.809	9.808	9.808

19 Treasury Management including 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 have all provided their consent to the proposed regulations and we are awaiting the conclusion of the parliamentary process to make the regulations.

- 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. The debt cap for 2024-25 was agreed at £238m, and must be re-agreed on an annual basis. The 2025-26 debt cap is expected to be agreed with HM Treasury later this financial year.
- 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 The Treasury Management and Investment Strategy for 2025-26 is set out at Appendix H and includes further details of the strategy for the management of borrowing and cash investments as well as the treasury management and prudential indicators by which the Authority is required to measure its activity.

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; and the creation of a Strategic Capacity Reserve.
- 20.3 The Strategic Capacity Reserve will provide for the ongoing costs of the transition period, 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 November report envisage a potential call on reserves of £0.827m due to uncertainty surrounding the continuation of certain programmes. Following clarifications, which are described elsewhere in this report, there is now no anticipated use of reserves in 2024-25.
- 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

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. Engagement continues among key stakeholders across the region.
2. Cabinet considered initial 2025-26 Budget, Medium Term Financial Plan and Corporate Plan proposals at its meeting on 26 November 2024 and they have been subject to engagement and consultation since then.
3. Members of the Overview and Scrutiny Committee were presented with the Authority's initial 2025-26 Budget, Medium Term Financial Plan and Corporate Plan proposals at a meeting on 10 December 2024 when the proposals were examined and discussed with the Chief Executive and Director of Finance and Investment.
4. Members agreed to hold a workshop to consider in more detail the revised Budget and Corporate Plan proposals following the consultation period. The workshop was held on 14 January 2025 when members were presented with:
 - a) the latest budget monitoring information;
 - b) details of changes made to the proposed budget since the meeting held on 10 December 2024, including details of fare changes underpinning Nexus' budget, the finalised transport levies and confirmation of the inclusion of new programmes;
 - c) preparations for an integrated financial settlement; and
 - d) an overview of the Corporate Plan, Investment Framework and Performance Management Framework and an explanation of how they work together to guide investment and track progress.

5. Members also reflected on the progress made to date by the Overview and Scrutiny Committee in developing its role, capacity and processes within the Authority.
6. At the conclusion of the workshop members agreed not to put forward comments and/or recommendations for consideration by Cabinet. In doing so they expressed a need to develop and strengthen mechanisms within the Authority to provide the Overview and Scrutiny Committee with the information and understanding required in order that they may make informed and evidence-based recommendations. Learning from this first year of North East CA operations, it was suggested that in future years the Committee should receive supplementary information, in addition to the reports presented to Cabinet, to better understand the rationale for the budget proposals and to enhance the scrutiny exercise.

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 and Fares
 Appendix F – Nexus Capital Programme
 Appendix G – Reserves
 Appendix H – Treasury Management Strategy 2025-26 and Prudential Indicators

I. Background papers

None

J. Contact officer(s)

Mags Scott, Director of Finance and Investment, Mags.Scott@northeast-ca.gov.uk
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K. Glossary

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

L. Sign-off.

1) Cabinet Member Yes/No	2) Director Yes/No	3) Chief Finance Officer: Yes/No	4) Monitoring Officer: Yes/No	5) Chief Executive: Yes/No
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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

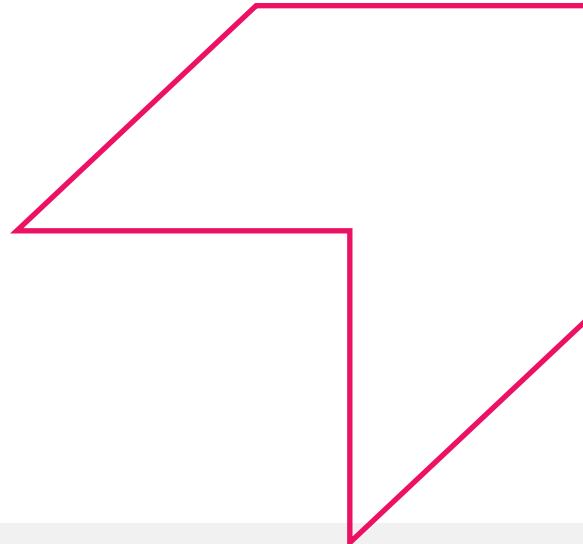
Chief Executive, Dr Henry Kippin

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.

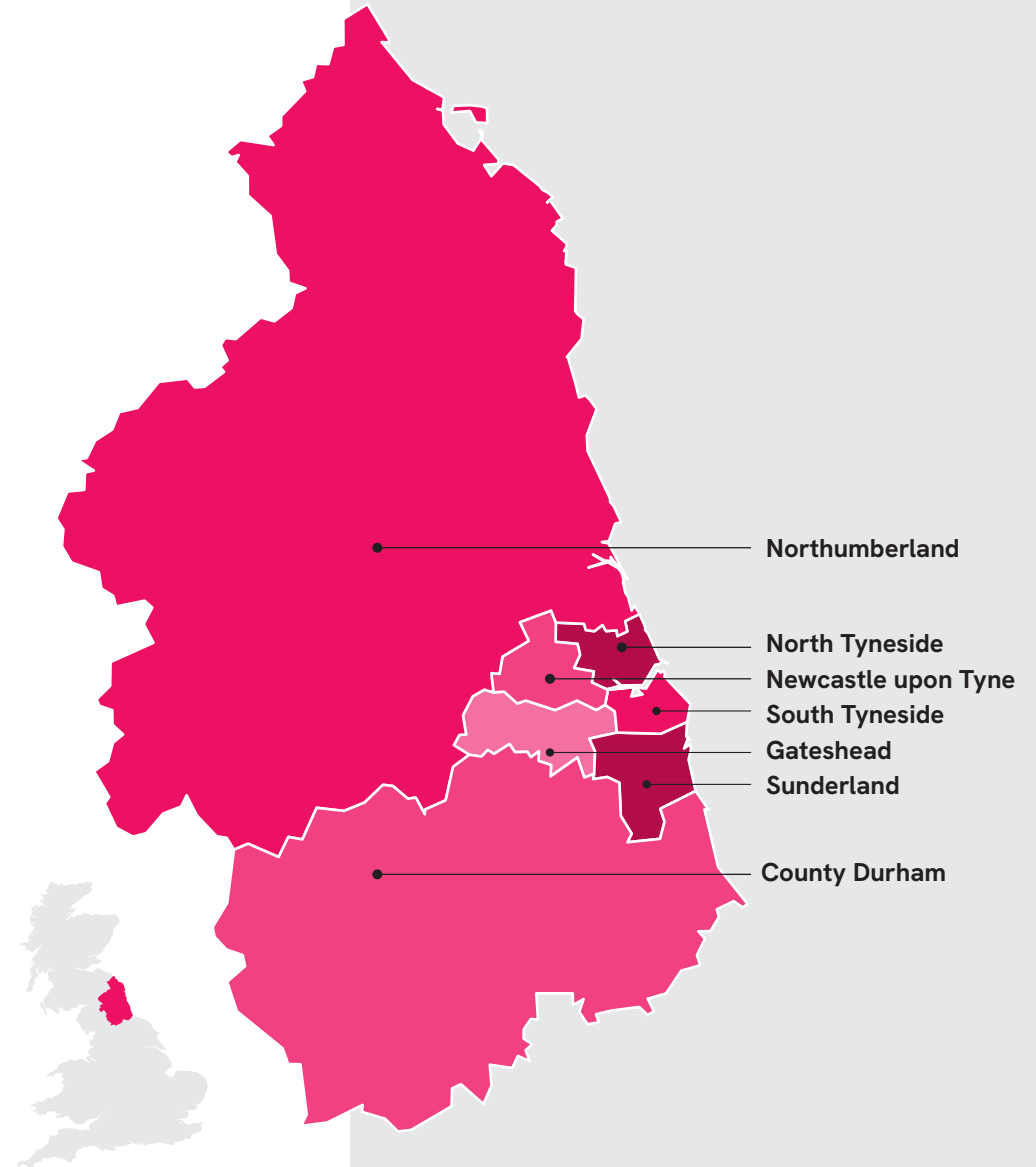
Our Combined Authority also spans some of the most affluent places in the north of England, and some of the

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.

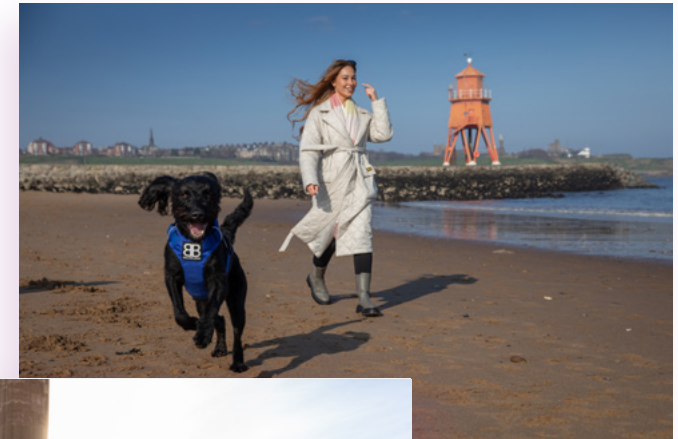
We secure devolved powers from Westminster for the people of this region and work in partnership with others both locally and nationally to deliver a shared vision for the North East.

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

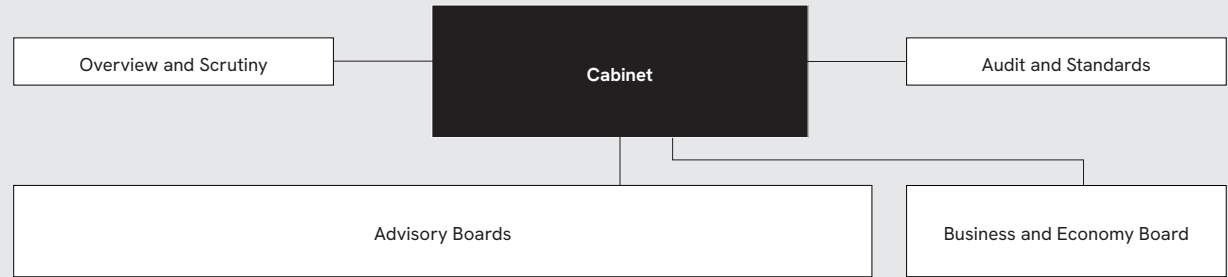
The North East Combined Authority is democratically governed by the Mayor and the Cabinet.

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 Cabinet portfolio areas, set out on the next page, 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. The Boards are not decision makers but are an important part of ensuring the work of the North East CA is inclusive and collaborative by bringing together key stakeholders and expertise to provide advice and a regionwide view to their portfolio lead.

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

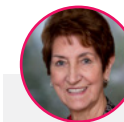
The Finance and Investment portfolio is responsible for the ongoing success of the North East in securing opportunities from inward investment, including by maximising the impact of the Investment Zones. The portfolio is responsible for ensuring that the Combined Authority makes the best use of its financial 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:

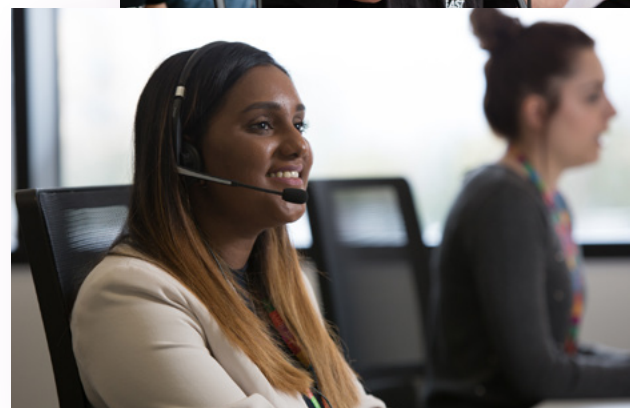
Publishing equality objectives that focus on priority equality issues and lead to improvements in policy-making, service design, resource allocation and employment.

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.

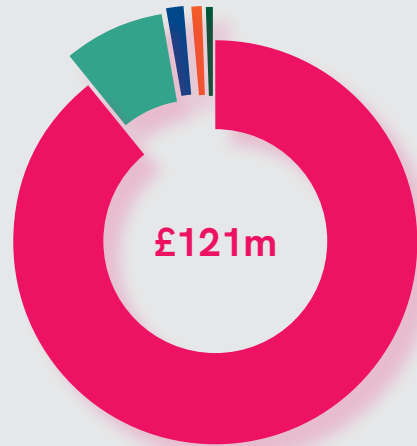


Our resources

In delivering the missions and objectives set out in this corporate plan, we manage our resources in a way that maximise value for money when weighed against the benefits they deliver. Our investment framework and assurance processes are the tools we use to do this: these set the principles we apply in deciding where and how to invest; and how we appraise, monitor and evaluate specific programmes of work.

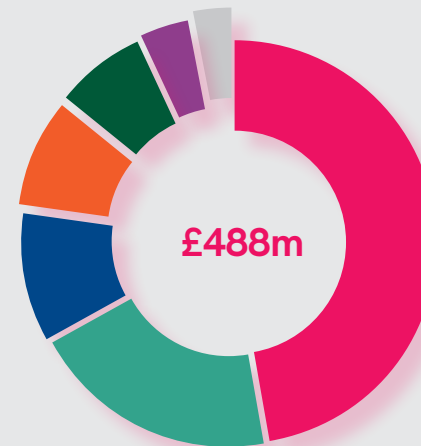
The pictures on the right set out where our funding comes from and how it is spent. The proposed investment plans indicate the areas in which we expect to invest in the coming year, whilst the two corporate budget and expenditure charts show the costs we incur in running the Combined Authority. Of our £121m corporate budget, [£90m] is funding to Nexus, Northumberland County Council and Durham County Council for the running of buses and Metro, whilst the majority of the remainder relates to the salaries of the employees of the North East CA.

Draft funding of 2025-26 Corporate Budget



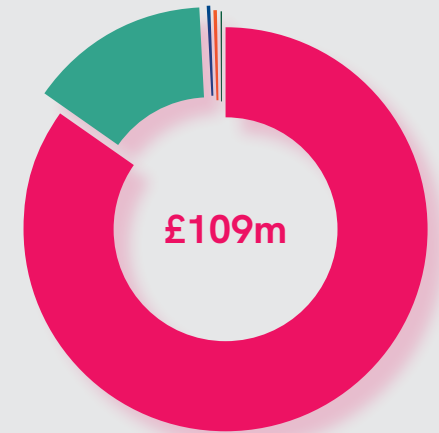
● Grants and contributions	£107.861m
● Tunnel tolls	£9.872m
● Interest	£1.730m
● Other income	£0.834m
● Recharges	£0.509m

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

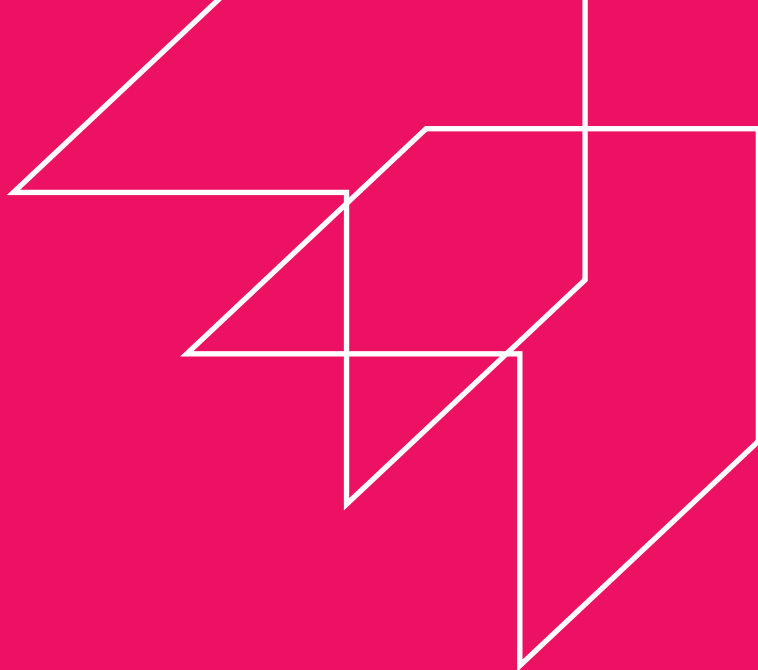
Evaluation is essential for measuring the effectiveness of our initiatives, refining strategies, and optimising resource allocation. Through the Gateway Review – a government-mandated evaluation that enables access to future investment funds – we commit to a cycle of continuous improvement in our strategic 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	3.372	2.337	3.936	2.923	2.685	1.108	16.360
Premises	0.632						0.632
Transport					0.008		0.008
Supplies and Services	0.577	1.593	1.463	0.057	88.488	0.033	92.211
Third Party Payments		0.012			0.387		0.399
Central Support and Other Recharges	0.401	10.854			1.780	0.030	13.065
Total Expenditure	4.982	14.795	5.399	2.980	93.348	1.171	122.675
Contributions Summary	(0.288)	(11.542)	(1.610)		(92.029)	(0.120)	(105.588)
Grant		(0.852)	(2.407)		(0.883)		(4.142)
Interest Summary		(1.730)					(1.730)
Other Income Summary	(0.149)			(0.090)	(0.595)		(0.834)
Recharges					(0.509)		(0.509)
Total Funding	(0.437)	(14.124)	(4.017)	(0.090)	(94.015)	(0.120)	(112.803)
Corporate Budgets	4.545	0.671	1.382	2.890	(0.667)	1.051	9.873
Funding towards costs from Tyne Tunnel		(9.872)					(9.872)
After Correction for Tunnel Funding	4.545	(9.201)	1.382	2.890	(0.667)	1.051	0.000
Use of Reserves							
Net Budget	4.545	(9.201)	1.382	2.890	(0.667)	1.051	0.000



**NORTH EAST COMBINED AUTHORITY
INVESTMENT FRAMEWORK**

January 2025

EXECUTIVE SUMMARY

At the heart of the North East 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.

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 sectors. The Framework is both informing and aligned with the forthcoming North East 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.

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. It is expected that the Investment Framework will be updated following finalisation of the North East Local Growth Plan, which will identify joint priorities with national Government, outcomes and resources.

In summary, 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.

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INTRODUCTION TO THE INVESTMENT FRAMEWORK

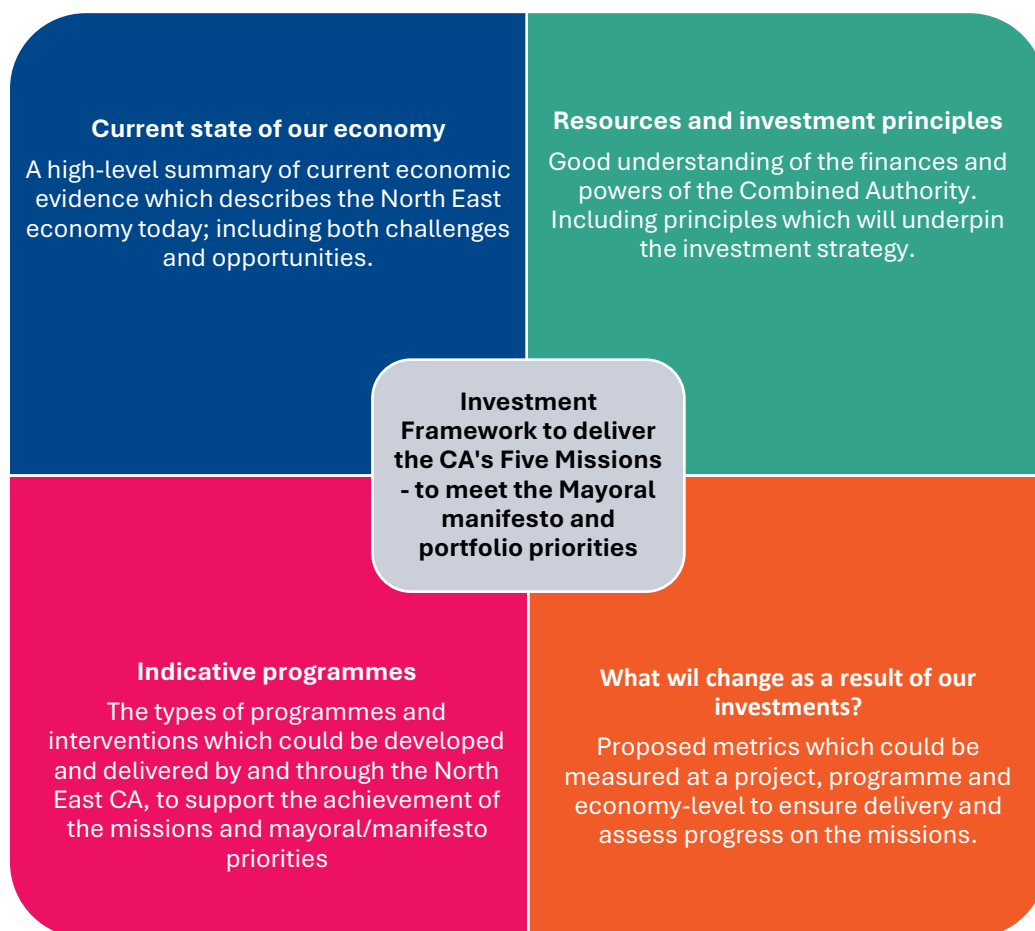
ABOUT THE INVESTMENT FRAMEWORK

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.

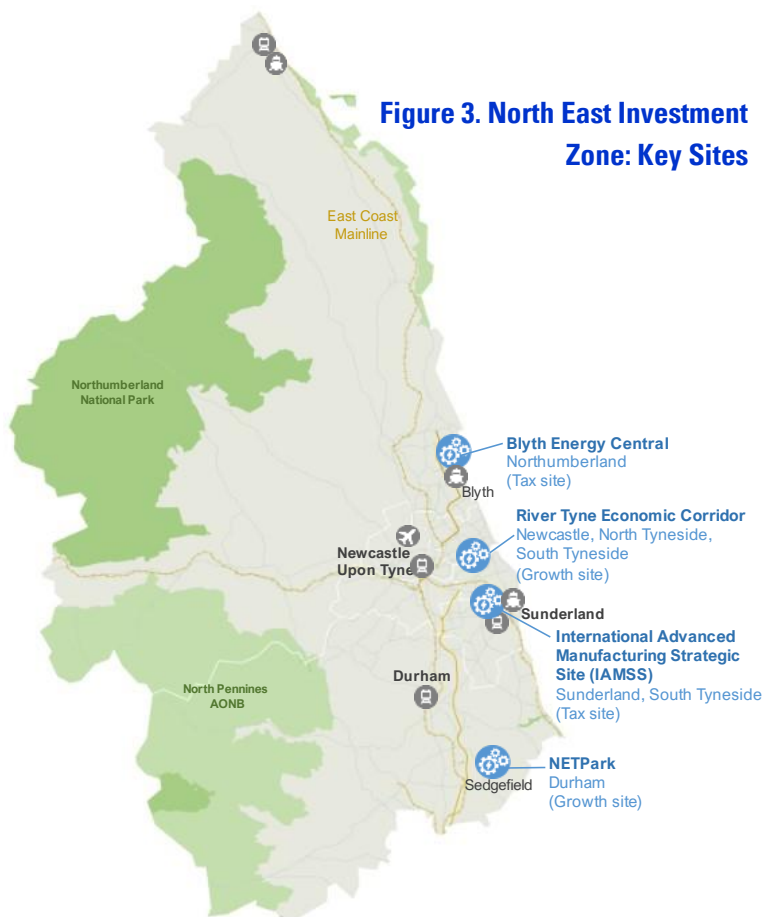


Figure 3. North East Investment Zone: Key Sites

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

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

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

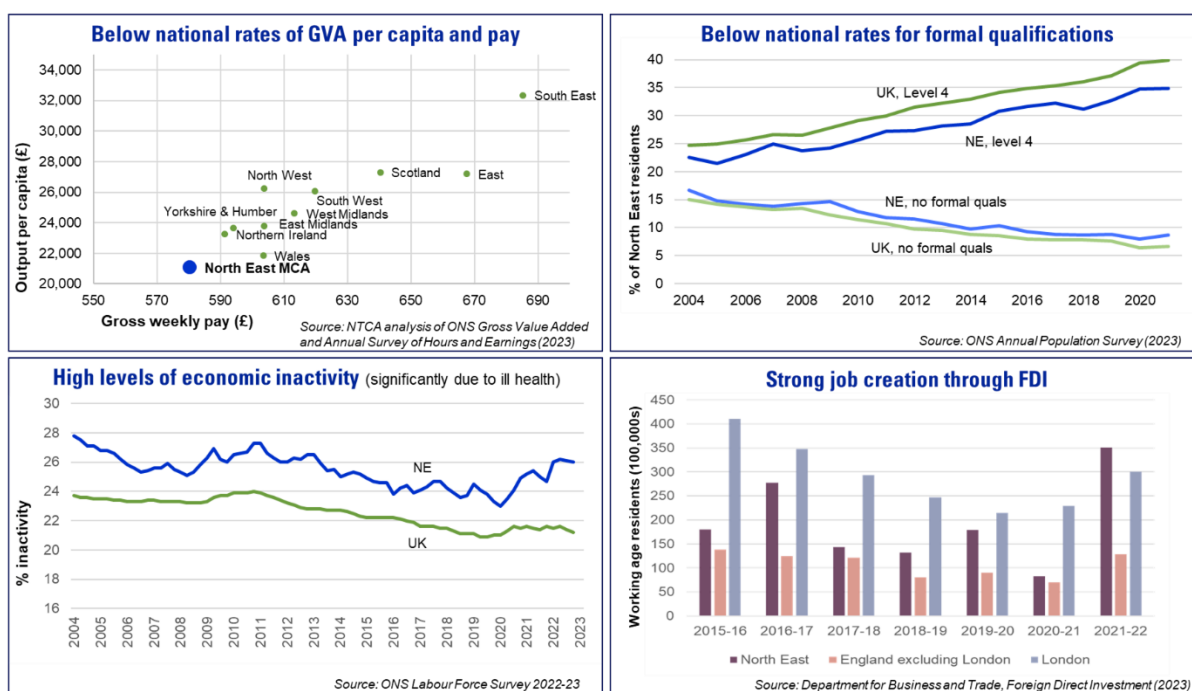
While in 2019, health and life sciences turned over £1.7bn with a high level of productivity per job. The NE has particular specialism in pharmaceutical manufacturing, with 10% of the UK's output.

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

ECONOMIC CHALLENGES

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

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



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

SUPPORT FOR DELIVERY

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

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

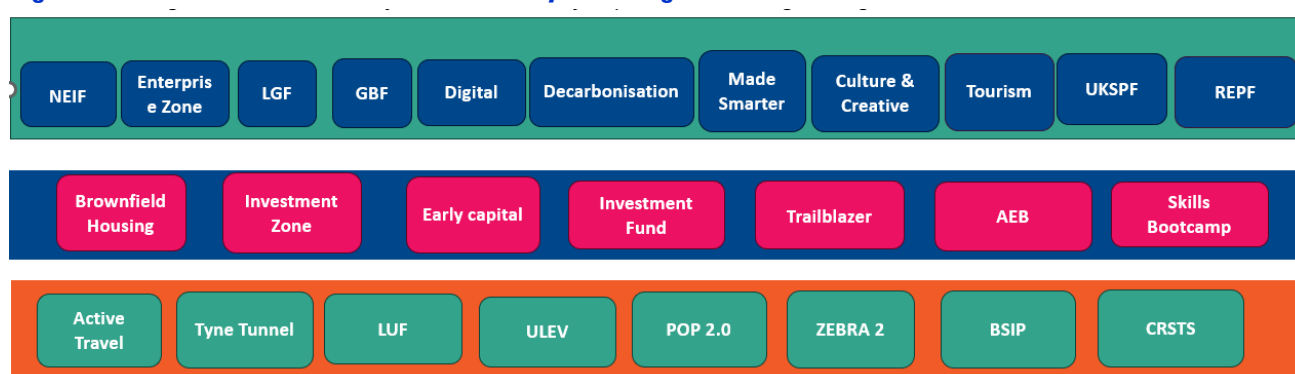


Figure 6. The North East Combined Authority's funding April 2025 to March 2026 (total value: £488m)

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.

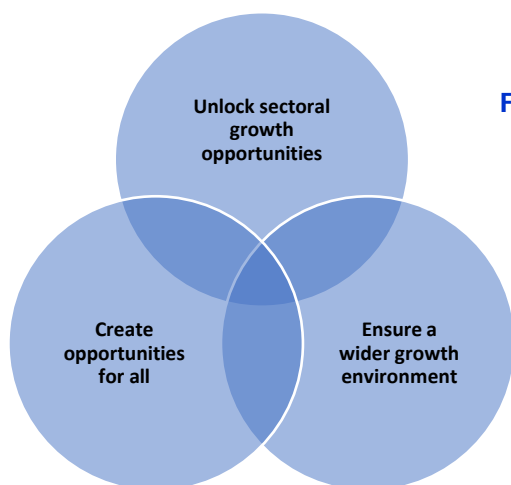


Figure 8. Approach to Growth Mission

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

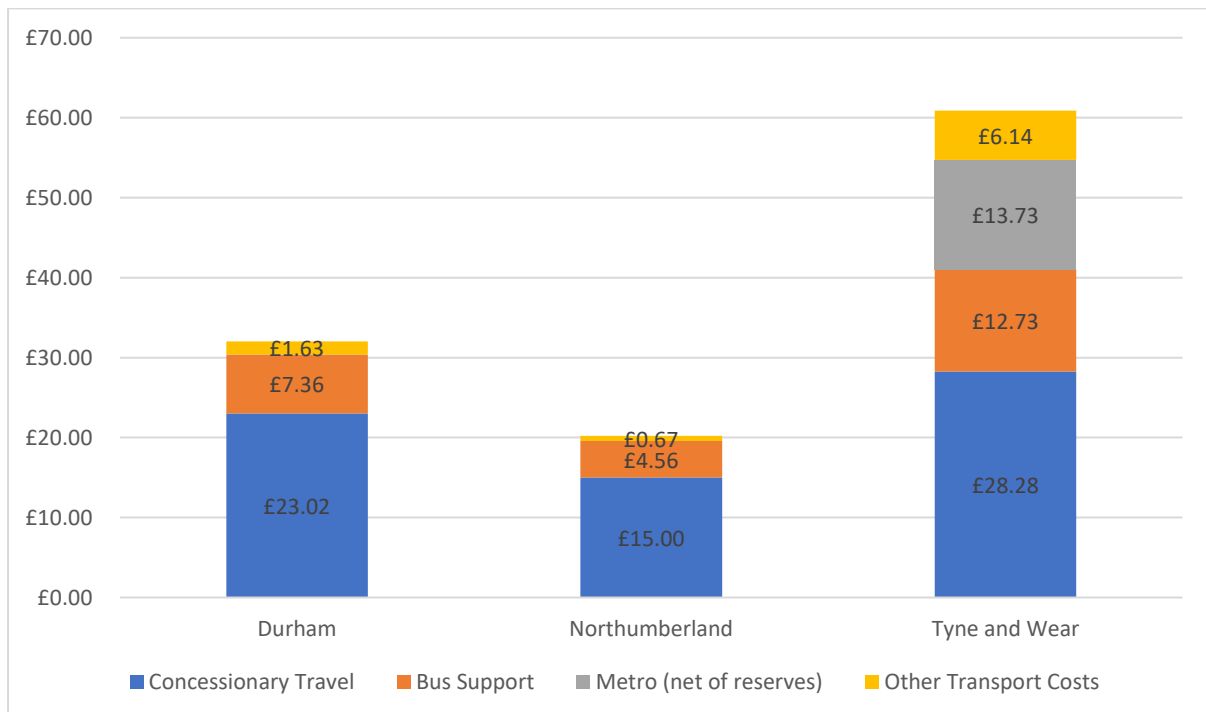
Proposed programmes over the next 5 years include:

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

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. The difference in transport costs and levies between the three areas can be seen in the chart below which considers the 2024-25 levies.



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)

Durham County Council Levy

The proposed budget and levy for public transport activity in Durham is £16.937m for 2025-26. This compares with a budget of £16.905m for 2024-25. The Council is still to approve its 2025-26 budget proposals. The change between years is due inflationary increases on costs relating to staffing, bus shelters and bus stations. Savings on the concessionary fares and secured bus services budgets have been re-allocated across other budget lines with no overall impact on the bottom line.

	2024-25 Budget	2025-26 Budget	Change between Years
	£	£	£
Concessionary Fares	12,155,398	12,015,058	(140,340)
Subsidised Bus Services	3,887,679	3,723,178	(164,501)
Bus Stations	312,000	464,701	152,701
Bus Shelters	(303,252)	(171,103)	132,149
PT Information	51,019	71,636	20,617
Staffing	792,655	823,735	31,080
Total Grant	16,895,499	16,927,205	31,706
Share of NECA Transport Costs	10,000	10,000	-
Transport Levy	16,905,499	16,937,205	31,706

Northumberland County Council Levy

The budget and levy for public transport activity in Northumberland is £6.748m for 2025-26. This compares with a budget of £6.562m for 2024-25. The Council is still to approve its 2025-26 budget proposals. The change between years is due to estimated inflationary increases. The budget and levy for 2024-25 and 2025-26 is summarised in the table below.

	2024-25 Budget	2025-26 Draft Budget	Change between Years
	£	£	£
Concessionary Fares	4,864,620	5,058,250	193,630
Subsidised Bus Services	1,480,400	1,461,020	(19,380)
Bus Services	29,330	30,200	870
PT Information	25,000	25,000	0
Staffing	152,730	163,330	10,600
Total Grant	6,552,080	6,737,800	185,720
Share of NECA Transport Costs	10,000	10,000	0
Transport Levy	6,562,080	6,747,800	185,720

Summary of North East Transport Levies budget 2025-26

	Durham	Northumberland	Tyne and Wear	Total
	£m	£m	£m	£m
Statutory Concessionary Travel	11.821	5.058	34.345	51.224
Discretionary Concessionary Travel	-	-	2.440	2.440
Subsidised Bus Services	3.957	1.461	10.947	16.365
Bus Stations/Infrastructure	0.614	0.030	2.623	3.267
Public Transport Information	0.072	0.025	1.268	1.365
Metro (inc. Discretionary Travel)	-	-	27.179	27.179
Ferry	-	-	1.961	1.961
Staffing in Durham/Northumberland	0.940	0.163	-	1.103
Reserves Funding	-	-	(10.517)	(10.517)
Transport Grant	17.404	6.738	70.246	94.387
JTC Central Costs/former TWITA costs	0.010	0.010	2.163	2.183
Transport Levy	17.414	6.748	72.409	96.570

Appendix E

Nexus Revenue Budget 2025/26, Medium Term Financial Plan and April 2025 Fares Proposal

Background

1. When the North East CA Cabinet met on 26 November 2024, Nexus highlighted that in order to protect services, an increase in the Tyne and Wear transport levy commensurate with the 3.0% uplift that was signalled in the budget report to the North East Joint Transport Committee (JTC) in January 2024, will be required, although it should be stressed that an increase at this level does not eliminate Nexus' underlying deficit, which at the time of the JTC meeting in January 2024 was estimated at £5.5m in 2025/26, reducing to £5.2m in 2026/27.

2023/24 Budget / Projected Outturn

2. In the current year (2024/25), to set a balanced budget and enable Nexus' services to be maintained, the JTC approved a levy increase of 3.7% (£2.5m) and agreed a contribution of £4.8m from Nexus' reserves.
3. During 2024/25, Nexus has faced a significant challenge in relation to Metro fare revenue, where the forecast for the year is now estimated to be £4.0m less than budget. Other notable pressures include:
 - Concessionary fares, because of DfT imposed changes to the reimbursement calculator and where, as a short-term response, Bus Services Improvement Plan (BSIP) funding is underpinning the bus services budget, meaning that in addition to supporting additional services, there has been no diminution in the secured services core network;
 - Metro Rail Grant, where indexation has not been applied by DfT;
 - HV power; and
 - Metro Car availability, where investment in additional resources at Gosforth depot has been necessary to improve the Metro service.
4. There are, however, compensating savings in the form of additional investment income, a reduction in Metro Car maintenance costs arising from commercial negotiations with Stadler (and which are helping fund the investment in Metro Car availability referred to above) additional secured bus services income and employee slippage arising from vacancies taking longer to fill than planned.
5. The following table shows the latest forecast, at service level:

	Revised Budget ¹	Spend to Date ²	24/25 Forecast ³	24/25 Variance
	£m	£m	£m	£m
Concessionary Fares	32.8	21.6	35.6	2.8
Metro	21.0	10.0	21.2	0.2
Bus Services	14.8	11.1	17.7	2.9
Other	5.2	3.0	5.1	(0.1)
TOTAL	73.8	45.7	79.6	5.8
NECA Grant/TW Levy	(68.2)	(41.7)	(68.2)	-
BSIP	(0.8)	(4.5)	(8.4)	(7.6)
Deficit Funded from Reserves	4.8	(0.5)	3.0	(1.8)
Traincrew Reserve	-	0.1	1.6	1.6
Deficit Funded from Reserves	4.8	(0.4)	4.6	(0.2)

6. This latest forecast indicates that Nexus will still need to use £4.6m of reserves to balance the 2024/25 budget. This is, however, an improvement of £0.2m against the base.

Budget Planning – Overall Resourcing and Key Issues

Report to Cabinet – November 2024

7. When Cabinet met in November 2024, it was advised that Nexus was preparing its budget for 2025/26 and refreshing its medium-term financial plan. At that time, Cabinet was informed that Nexus continued to face financial challenges but that the position was broadly the same as previously notified to the JTC.
8. Finalisation of budgets for 2025/26 has identified additional challenges, most notably that Metro fare revenue has deteriorated further (as highlighted in paragraph 3) but also because of an increase in Employer National Insurance Contributions (NICs) which is explained further in paragraphs 22 and 23.
9. Nexus' reserves position has also improved, and this provides options that still allow the protection of essential services. Reserves are discussed further at paragraphs 29 to 34.

Metro Fare Revenue

10. Since Metro fare revenue has not performed in line with expectations, it has been necessary to adjust the base budget by £4.0m.
11. Against this backdrop, the fares review to be implemented from 1 July 2025 aims to balance the competing needs of addressing this budgetary pressure, whilst also maintaining the attractiveness of Metro. The fares increase is scheduled for July, three months later than is usually the case, which recognises the exceptional disruption

¹ The allocation of budget across service areas has been updated following the processing of the annual pay award.

² Spend to date shows expenditure to the end of period 8 (to 9 November 2024).

³ 2024/25 Forecast to the year end is based on current estimates of the likely outturn.

caused to customers at the end of 2024 when the central tunnels were closed at short notice. These fares increases are summarised below:

- Application of an average increase of RPI inflation + 1% based on July 2024 rates (3.6% + 1%);
- Continuing to drive the transition from paper tickets to Pop Pay as You Go, offering customers a way to avoid the steepest price rises;
- Returning certain ticket prices to where they would otherwise be, in line with the increase in the price of BSIP funded multi modal day tickets;
- Simplifying the product range by removing the Junior Blue smartcard.
- Keeping young persons 'commercial' single tickets frozen at £1;
- Increasing Gold Card prices to £15 per annum, the first rise for a decade;
- Increasing Park & Ride prices for the first time since 2021, with the cost of a day's parking increasing by £0.30 to £1.50; and
- In addition, ferry fares are also proposed to increase by 4.9%, also effective from 1 July 2025 and the price of concessionary products for young people in Tyne and Wear will be frozen at 60p for a single and £1.10 for a CAT all day ticket (eligible with an Under 16 Pop Card).

12. These proposals are expected to generate £1.5m of additional fare revenue in 2025/26, if implemented from 1 July 2025.

13. In addition, the impact of the introduction of the new fleet of trains, together with revisions to the timetable to take advantage of not just the new fleet, but also the introduction of track dualling in South Tyneside after delivery of the Metro Flow project, is expected to have a positive impact in the second and third years of the medium-term financial plan. The table below shows Nexus' latest estimate of Metro fare revenue across this timeframe:

	25/26 £m	26/27 £m	27/28 £m
Base b/fwd	48.3	45.8	48.7
2024/25 base adjustment	(4.0)	-	
Fares review	1.5	1.0	1.0
Impact of new fleet	-	1.4	-
Impact of revised timetable	-	0.5	0.4
Total	45.8	48.7	50.1

Tyne and Wear Transport Levy

14. During budget setting for 2024/25, although it was not formally agreed by the JTC, it was highlighted that it would be necessary to increase the Tyne and Wear Transport Levy further in 2025/26 (and 2026/27).

15. The table below shows the impact on Tyne and Wear Councils from a proposed 3.0% increase in the levy in 2025/26 (Nexus element only):

	2024/25 Levy (before population change)	Proposed Increase (+3.0% and incl population change)	2025/26 Proposed Levy
	£m	£m	£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

Metro Rail Grant

16. Metro Rail Grant is revenue support paid direct to Nexus by the DfT to part fund Metro operations.
17. In lieu of additional grant received from DfT in both 2021/22 and 2022/23 financial years, which was provided in response to the ongoing effects of both the Covid pandemic and the cost-of-living crisis, DfT did not uplift MRG in line with inflation in April 2024. As explained in paragraph 3, this introduced a budget pressure during the current year and as paragraph 32 highlights, the consequence of MRG not being indexed in future years is significant.
18. Discussions with DfT officials have been positive, and in November 2024, Nexus received confirmation that MRG will be indexed from April 2025. The amount of indexation provides for an inflationary uplift on the 2023/24 grant, meaning that in 2025/26, MRG will be reinstated in real terms, to £29.5m.

Bus Services and Concessionary Fares

19. As mentioned in paragraph 3, Nexus has taken advantage of BSIP funding during the current financial year, to address an increase in concessionary fares reimbursement and introduce additional services across its secured network.
20. As reported to Cabinet in November 2024, delivery partners, including Nexus have been instructed 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.
21. This will help ensure network stability across Tyne and Wear and Nexus' budget and medium-term financial plan is predicated on this advice, together with an increase of 6.8% in secured services fares, effective from April 2025 (which is estimated to generate an additional £0.140m in revenue). Fare changes are summarised below:
- Single tickets will increase by 20p (up to £2.00 for a 'short hop' and £2.50 for a 'standard journey');
 - Day tickets will increase by 30p to £4.00;
 - Weekly tickets will increase by £1.00, up to £18.00; and
 - Fares for young people will remain frozen, with a single ticket remaining £1.00 for those aged 21 and under.

Employers' National Insurance Contributions

22. In the Chancellor's November 2024 budget, an increase in employers' national insurance contributions (NICs) was announced, lowering the threshold above which NIC's are payable, as well as increasing the applicable rate to 15%. This will be introduced effective from April 2025 and creates an ongoing budget pressure of £1.1m.
23. Whilst the Chancellor's budget also announced funding for the public sector to accommodate the increase in 2025/26, with similar amounts available in every other year of this parliament, Nexus is still awaiting confirmation as to whether it will be in receipt of any rebate and to the extent it is eligible, whether the increase will be met in full or in part.

Inflation and Key Contracts

24. Although 'double digit' inflation experienced during 2022 has dissipated, its effects are built into the base budget. Further, whilst estimates of inflation for the medium-term financial plan are in line with Bank of England forecasts, this still means that in protecting essential services, pressures on pay and key contracts, where RPI is generally used to inform adjustments to contract prices, need to be accommodated.
25. On the positive side, further reductions in the cost of High Voltage Power are estimated in 2025/26 and 2026/27 (although at £1.7m, the budget in 2025/26 is still some £4.1m or 49% higher than before the energy crisis).

Relocation of Nexus' Headquarters

26. The lease at Nexus House expires in December 2025 and given the condition of the building and the ongoing cost of the lease, it was determined that relocating to a more modern, environmentally compliant building would offer better value, as well as providing an improved working environment, which will assist with recruitment and retention as well as facilitating wider cultural change.
27. The move to a new headquarters requires entering a new lease before the expiration of the Nexus House lease, and this will introduce a temporary (one-off) budget pressure of £0.7m in 2025/26.
28. The new headquarters (at the Spark in central Newcastle), is part of a wider programme of works, for which funding has been set aside within the capital programme, with the aim of improving facilities throughout the Nexus estate, following the construction of the Learning Centre in South Shields and new depot facilities in Gosforth and Howdon. The 'Nexus Places' programme includes upgrades to other office accommodation e.g. at Gosforth, as well as mess and other facilities for frontline employees.

Earmarked Reserves

29. Nexus continues to assess, and earmark reserves commensurate with risks that the organisation faces as well as the need to protect essential services and fund investment in its asset base.
30. When the JTC approved Nexus' 2024/25 budget at its meeting in January 2024, the expectation was that £4.1m of reserves would be needed to balance the 2023/24 budget. With further improvements in financial performance to 31 March 2024, a surplus of

£0.9m (after tax) was generated, a positive variation of £5.0m. The current forecast for 2024/25, as highlighted in paragraph 6, requires £0.2m less reserves to balance this year's budget.

31. During the year, and as highlighted in paragraph 4, the saving from a reduction in Metro Car maintenance costs (net of investment to improve Metro Car availability) will allow £1.6m of this year's under spend to be specifically earmarked to accommodate a phased (natural) reduction in the number of Traincrew, commensurate with resourcing requirements for the revised timetable mentioned in paragraph 13.
32. In addition, other reserves that Nexus had previously earmarked concerning the risk that MRG would not be indexed in April 2025 (£5.1m) and tax liabilities that will no longer arise (£4.7m) are now available to support the revenue budget.
33. In total, Nexus has £28.9m of reserves for this purpose between 2024/25 and 2027/28.
34. As explained throughout this report, given future forecasts of income and expenditure in 2025/26, it will be necessary to apply additional reserves than had been previously anticipated, for essential services to be protected.

Revenue Budget 2025/26

35. The following table shows that with cost pressures exceeding changes in income and the redirection of current spending, the deficit forecast in 2025/26 has worsened, and if essential services are to be protected, will require application of those additional reserves highlighted in paragraph 32:

	£m
Cost Pressures	10.4
Change in Income	(2.4)
Redirection of current spending	(1.9)
	6.1
B/Fwd deficit	4.8
Deficit in 2025/26	10.9

36. The major cost pressures faced in 2025/26 includes £5.7m of inflation in respect of pay and key contracts, growth of £0.7m (some of which relates to previous year's commitments, with the remainder only to be brought forward if there is a compelling case), HQ leasing costs of £0.7m (which is one-off and only applicable in 2025/26), additional traincrew costs of £2.2m (which will be fully met from a combination of grant funding and a specific earmarked reserve) and Employer NIC's of £1.1m (for which a rebate might be receivable from central government).
37. The change in income takes into account the £4.0m budget adjustment in respect of Metro fare revenue (paragraphs 10 and 13 refer) as well as the expected growth of £1.5m in Metro fare revenue arising from the proposed fares increase to be implemented from 1 April 2025 (paragraphs 11 to 13 refer).
38. In addition, revenue will increase by £2.1m in respect of the Tyne and Wear transport levy, £0.9m in respect of Metro Rail Grant, £0.7m in respect of secured bus services and £0.7m relating to residual Fleet Replacement Grant, which will be available to partially

offset the increase in traincrew costs. The remaining increase in revenue is attributable to growth in other commercial income and a small increase in investment income.

39. The redirection of current spending includes a £1.7m reduction in the High Voltage power budget plus efficiency savings.
40. In terms of how the 2025/26 budget is utilised across the services that Nexus provides, together with the main sources of funding, are summarised in the table below and in more detail, at Appendix A and Appendix B.

	Gross Exp⁴ £m	Comm Revenue £m	Grants (excl Levy) £m	Net position £m
Statutory Concessions	34.5	(0.2)	-	34.3
Discretionary Concessions	3.3	(0.9)	-	2.4
Metro	156.0	(50.3)	(78.1)	27.6
Ferry	2.9	(0.7)	(0.2)	2.0
Bus Services	23.8	(3.9)	(9.0)	10.9
Bus Infrastructure	3.6	(0.6)	(0.4)	2.6
Public Transport Information	1.6	(0.3)	-	1.3
TOTAL	225.7	(56.9)	(87.7)	81.1
NECA Grant / TW Levy				(70.2)
Deficit Funded from Reserves				10.9

Forecasts for 2026/27 and 2027/28

41. The forecasts for 2026/27 and 2027/28 are subject to significant variability and will need to be updated, once key risks and uncertainties become clearer. Indicative estimates are set out below:

	Gross Exp £m	Comm Revenue £m	Govt Grant £m	Levy £m	Deficit Funded from Reserves £m
2026/27	220.1	(59.6)	(80.5)	(72.4)	7.6
2027/28	222.3	(60.4)	(80.5)	(74.5)	6.9
					14.5

⁴Including central support service costs and overheads.

42. This means that across the term of the MTFP, Nexus will require £25.4m of reserves to balance its budget. As explained in paragraphs 29 to 34, Nexus has the financial wherewithal to do this.
43. Looking at the second and third years of the MTFP, the scale of the projected deficit reduces as cost pressures recede and sources of income are forecast to keep pace with increases in expenditure. At £6.9m, the deficit is still significant in 2027/28 however, and a strategy will be required to eliminate the deficit from the 2028/29 financial year

Nexus Revenue Budget 2025/26

Revenue Budget 2025/26	Direct Costs £m	External Income £m	Net Costs £m	Indirect Costs £m	Indirect Income £m	Grants (excl. Levy) £m	Loan Interest £m	Asset Financin g £m	Net £m
ENCTS	33.606	-	33.606	0.910	(0.171)	-	-	-	34.345
Discretionary CT	3.144	(0.892)	2.252	0.232	(0.044)	-	-	-	2.440
Metro	136.911	(48.005)	88.906	18.110	(2.322)	(37.214)	1.005	(40.906)	27.579
Ferry	1.612	(0.445)	1.167	1.254	(0.260)	-	0.013	(0.213)	1.961
Bus Services	22.102	(3.521)	18.581	1.719	(0.360)	(9.002)	0.009	-	10.947
Bus Infrastructure Public Transport Information	2.496	(0.458)	2.038	0.893	(0.172)	-	0.216	(0.352)	2.623
	0.556	(0.103)	0.453	0.993	(0.205)	-	0.027	-	1.268
Total requirement	200.427	(53.424)	147.003	24.111	(3.534)	(46.216)	1.270	(41.471)	81.163
NECA Grant (levy)									(70.246)
Deficit									10.917

Nexus Detailed Budget 2025/26

Service Area	Direct Costs £m	Income £m	Net Indirect Costs £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
ENCTS	33.606	-	-	-	-	-	33.606
ENCTS	33.606	-	-	-	-	-	33.606
Discretionary CT	3.144	(0.892)	-	-	-	-	2.252
Discretionary CT	3.144	(0.892)	-	-	-	-	2.252
METRO							
Metro Farebox	0.875	(45.755)	-	-	-	-	(44.880)
PFN Income	-	(0.441)	-	-	-	-	(0.441)
Car Park Income	0.016	(0.221)	-	-	-	-	(0.205)
Ticketing & Gating	1.240	-	-	-	-	-	1.240
Automatic Fare Collection	1.756	-	-	-	-	-	1.756
Fare Collection & Revenue	3.887	(46.417)	-	-	-	-	(42.530)
Contracts & Commercial	21.287	(1.302)	-	-	-	-	19.985
Contracts & Commercial	21.287	(1.302)	-	-	-	-	19.985
System Development	7.085	-	-	-	-	-	7.085
System Development	7.085	-	-	-	-	-	7.085
Planning & Performance	1.230	-	-	-	-	-	1.230
Service Delivery	2.931	-	-	-	-	-	2.931

Customer Information	5.491	(0.025)	-	-	-	-	5.466
Howdon Depot	0.334	-	-	-	-	-	0.334
Operations Delivery	15.375	(0.041)	-	-	-	-	15.334
Metro Operations	25.361	(0.066)	-	-	-	-	25.295
Insurance & Claims	1.927	-	-	-	-	-	1.927
Rates	1.671	-	-	-	-	-	1.671
Utilities	1.604	-	-	-	-	-	1.604
Metro Marketing	0.710	-	-	-	-	-	0.710
Metro pensions and provisions	1.208	-	-	-	-	-	1.208
Depreciation	42.003	-	-	-	-	-	42.003
Metro - Other	49.123	-	-	-	-	-	49.123
HV Power	12.476	-	-	-	-	-	12.476
Safety & Assurance Metro	3.530	-	-	-	-	-	3.530
Engineering	0.292	-	-	-	-	-	0.292
Buildings & Facilities	3.446	-	-	-	-	-	3.446
IMSM/facilities	1.998	-	-	-	-	-	1.998
Civils & Structures	1.978	(0.129)	-	-	-	-	1.849
Rail Management & Administration	0.130	-	-	-	-	-	0.130
Permanent Way	1.596	(0.012)	-	-	-	-	1.584
Power Supplies	0.906	-	-	-	-	-	0.906
Signalling	1.708	-	-	-	-	-	1.708
Stores	0.234	(0.020)	-	-	-	-	0.214
ID Admin & performance	1.110	-	-	-	-	-	1.110
Office Accommodation	0.066	-	-	-	-	-	0.066
Infrastructure Management	29.470	(0.161)	-	-	-	-	29.309
Major Projects	0.698	(0.059)	-	-	-	-	0.639
Major Projects	0.698	(0.059)	-	-	-	-	0.639

Metro	136.911	(48.005)	-	-	-	-	88.906
Ferry	1.612	(0.445)	-	-	-	-	1.167
Ferry	1.612	(0.445)	-	-	-	-	1.167
Contract Management	0.543	-	-	-	-	-	0.543
TaxiCard	0.145	(0.018)	-	-	-	-	0.127
Secured Bus Services	21.414	(3.503)	-	-	-	-	17.911
Bus Services	22.102	(3.521)	-	-	-	-	18.581
Bus Infrastructure	2.496	(0.458)	-	-	-	-	2.038
Bus Infrastructure	2.496	(0.458)	-	-	-	-	2.038
Information	0.556	(0.103)	-	-	-	-	0.453
Public Transport Information	0.556	(0.103)	-	-	-	-	0.453
INDIRECT							
Pensions & Provisions	-	-	2.268	-	-	-	2.268
Investment Income	-	-	(2.822)	-	-	-	(2.822)
Democratic Services & Executive	-	-	1.470	-	-	-	1.470
Central Other	-	-	0.916	-	-	-	0.916
Media & Communications	-	-	0.509	-	-	-	0.509
Print & Distribution	-	-	0.228	-	-	-	0.228
Marketing	-	-	0.438	-	-	-	0.438
Customer Services	-	-	1.462	-	-	-	1.462
Customer Services & Communications	-	-	2.637	-	-	-	2.637

Human Resources	-	-	0.936	-	-	-	0.936
Learning & Development	-	-	2.210	-	-	-	2.210
Continuous Improvement	-	-	0.619	-	-	-	0.619
Corporate Planning	-	-	1.571	-	-	-	1.571
People & Culture	-	-	5.336	-	-	-	5.336
Administration & Secretarial	-	-	0.186	-	-	-	0.186
Legal Services	-	-	0.504	-	-	-	0.504
Finance & Audit	-	-	1.787	-	-	-	1.787
Procurement	-	-	0.363	-	-	-	0.363
Estates	-	-	1.507	-	-	-	1.507
ICT	-	-	4.990	-	-	-	4.990
Finance & Resources	-	-	9.337	-	-	-	9.337
ICT Projects	-	-	0.155	-	-	-	0.155
ISTP	-	-	0.234	-	-	-	0.234
Major Projects	-	-	0.389	-	-	-	0.389
QHSSSE	-	-	1.962	-	-	-	1.962
QHSSSE	-	-	1.962	-	-	-	1.962
Indirect	-	-	20.577	-	-	-	20.577
Loan Charges	-	-	-	-	1.270	-	1.270
Released from:							
Released from Capital Grants	-	-	-	-	-	(39.805)	(39.805)
Released from Capital Reserves	-	-	-	-	-	(1.666)	(1.666)
Asset Financing	-	-	-	-	1.270	(41.471)	(40.201)

Bus Operators Grant	-	-	-	(0.891)	-	-	(0.891)
BSIP	-	-	-	(8.750)	-	-	(8.750)
Metro Rail Grant	-	-	-	(29.490)	-	-	(29.490)
NECA system development grant	-	-	-	(7.085)	-	-	(7.085)
Grants	-	-	-	(46.216)	-	-	(46.216)
TOTAL REQUIREMENT	200.427	(53.424)	20.577	(46.216)	1.270	(41.471)	81.163
NECA Grant / Levy	-	-	-	(70.246)	-	-	(70.246)
NECA Grant / Levy	-	-	-	(70.246)	-	-	(70.246)
DEFICIT / (SURPLUS)	200.427	(53.424)	20.577	(116.462)	1.270	(41.471)	10.917

Appendix A – Short term ticket price changes from 1st July 2025

Metro Fares - short term ticket prices effective 1st July 2025						
Product	2024	2025	Change	%	Sales (000s) - based on 23/24 data	Journeys (000s) - based on 23/24 data
Single 1 Zone (A, B, C)	£2.80	£3.00	£0.20	7.1%	1039	3002
Single 2 Zone (A+B, B+C)	£3.80	£4.00	£0.20	5.3%	944	
Single All Zones (A+B+C)	£4.50	£4.70	£0.20	4.4%	817	
Single 1 Zone PAYG (A, B, C, D)	£1.80	£2.00	£0.20	11.1%	n/a	3188
Single 2 Zone PAYG (A+B, B+C, C+D)	£2.70	£2.90	£0.20	7.4%	n/a	
Single 3 Zone PAYG (A+B+C, B+C+D)	£3.40	£3.60	£0.20	5.9%	n/a	
Single All Zones PAYG (A+B+C+D)	£3.80	£3.80	£0.00	0.0%	n/a	
Daily Cap 1 Zone PAYG (A, B, C, D)	£2.90	£3.10	£0.20	6.9%	n/a	
Daily Cap 2 Zone PAYG (A+B, B+C, C+D)	£4.00	£4.20	£0.20	5.0%	n/a	
Daily Cap 3 Zone PAYG (A+B+C, B+C+D)	£5.00	£5.20	£0.20	4.0%	n/a	6547
Daily Cap All Zones PAYG (A+B+C+D)	£6.20	£6.20	£0.00	0.0%	n/a	
Day 1 Zone (A, B, C)	£4.40	£4.60	£0.20	4.5%	810	
Day 2 Zone (A+B, B+C)	£5.60	£5.80	£0.20	3.6%	1087	26
Day All Zones (A+B+C)	£5.90	£6.70	£0.80	13.6%	930	
Transfare 1 Zone (T1)	£4.10	£4.40	£0.30	7.3%	3	
Transfare 2 Zone (T2)	£5.10	£5.40	£0.30	5.9%	7	~
Transfare 3 Zone (T3)	£5.90	£6.20	£0.30	5.1%	6	
Add Zone 1 Day 1 Zone (Season add on)	£4.40	£4.60	£0.20	4.5%	0.2	
Add Zone 1 Day 2 Zone (Season add on)	£5.60	£5.80	£0.20	3.6%	0.8	~
Add Zone 1 Day 3 Zone (Season add on)	£5.90	£5.90	£0.00	0.0%	~	~

Appendix B – Season ticket price changes from 1st July 2025

Metro Fares - adult season ticket prices effective 1st July 2025						
Product	2024	2025	Change	%	Sales (000s) - based on 23/24 data	Journeys (000s) - based on 23/24 data
Metro Season 1 Week 1 Zone (A, B, C, D)	£13.20	£13.80	£0.60	4.5%	77	2812
Metro Season 1 Week 2 Zone (A+B, B+C, C+D)	£19.40	£20.30	£0.90	4.6%	92	
Metro Season 1 Week 3 Zone (A+B+C, B+C+D)	£25.70	£26.90	£1.20	4.7%	38	
Metro Season 1 Week All Zones (A+B+C+D)	£30.00	£30.00	£0.00	0.0%	~	~
Metro Season 4 Week 1 Zone (A, B, C, D)	£50.70	£53.00	£2.30	4.5%	2	856
Metro Season 4 Week 2 Zone (A+B, B+C, C+D)	£72.50	£76.00	£3.50	4.8%	5	
Metro Season 4 Week 3 Zone (A+B+C, B+C+D)	£94.00	£98.30	£4.30	4.6%	2	
Metro Season 4 Week All Zones (A+B+C+D)	£105.00	£105.00	£0.00	0.0%	~	~
Metro Season Annual 1 Zone (A, B, C, D)	£559.00	£585.00	£26.00	4.7%	<0.1	905
Metro Season Annual 2 Zone (A+B, B+C, C+D)	£780.00	£816.00	£36.00	4.6%	<0.1	
Metro Season Annual 3 Zone (A+B+C, B+C+D)	£864.00	£904.00	£40.00	4.6%	0.2	
Metro Season Annual All Zones (A+B+C+D)	£985.00	£985.00	£0.00	0.0%	~	
Corporate Metro Season 1 Zone (A, B, C, D)	£480.00	£500.00	£20.00	4.2%	4	
Corporate Metro Season 2 Zone (A+B, B+C, C+D)	£630.00	£658.00	£28.00	4.4%		
Corporate Metro Season 3 Zone (A+B+C, B+C+D)	£680.00	£710.00	£30.00	4.4%	4	
Corporate Metro Season All Zones (A+B+C+D)	£790.00	£790.00	£0.00	0.0%	~	

Appendix C – Fares for young people, price changes from 1st July 2025

Metro Fares - fares for young people effective 1st July 2025						
Product	2024	2025	Change	%	Sales (000s) - based on 23/24 data	Journeys (000s) - based on 23/24 data
Pop blue 21 and Under Single PAYG (A+B+C+D)	£1.00	£1.00	£0.00	0.0%	n/a	1500
Pop blue 21 and Under Day PAYG (A+B+C+D)	£2.20	£2.20	£0.00	0.0%	n/a	
18 and Under Metro Season 1 Week (A+B+C+D)	£9.50	£10.00	£0.50	5.3%	3	25
18 and Under Metro Season 4 Week (A+B+C+D)	£36.90	£38.60	£1.70	4.6%	5	
Junior blue Under 16 Single PAYG (A+B+C+D)	£1.00	£1.00	£0.00	0.0%	n/a	1256
Junior blue Under 16 Day PAYG (A+B+C+D)	£1.90	£2.20	£0.30	15.8%	n/a	
Child Commercial Single (A+B+C)	£1.00	£1.00	£0.00	0.0%	351	
Child DaySaver (A+B+C)	£1.90	£2.20	£0.30	15.8%	441	
Child Transfare (T3)	£1.40	£1.60	£0.20	14.3%	4	479
Student Metro Season 4 Week Inner Newcastle	£34.10	£35.70	£1.60	4.7%	7	
Student Metro Season 4 Week Inner Sunderland	£34.10	£35.70	£1.60	4.7%	~	
Student Metro Season 4 Week (A+B+C+D)	£66.50	£69.50	£3.00	4.5%	2	
Student Metro Season Annual Inner Newcastle	£380.50	£398.00	£17.50	4.6%	0.1	
Student Metro Season Annual Inner Sunderland	£380.50	£398.00	£17.50	4.6%	~	
Student Metro Season Annual (A+B+C+D)	£497.00	£518.50	£21.50	4.3%	1	

Appendix D – Miscellaneous ticket price changes from 1st July 2025

Metro Fares - misc prices effective 1st July 2025						
Product	2024	2025	Change	%	Sales (000s) - based on 23/24 data	Journeys (000s) - based on 23/24 data
Business Pass	£222.50	£232.00	£9.50	4.3%	~	~
Class Pass - 1 Pass 1 Day	£33.10	£34.60	£1.50	4.5%	~	~
Class Pass - 2 Passes 1 Day	£52.30	£54.70	£2.40	4.6%	~	~
Class Pass - 1 Pass 1 Term	£100.50	£105.00	£4.50	4.5%	~	~
Class Pass - 2 Passes 1 Term	£165.70	£173.00	£7.30	4.4%	~	~
Class Pass - 1 Pass Annual	£258.50	£270.00	£11.50	4.4%	~	~
Class Pass - 2 Passes Annual	£458.60	£480.00	£21.40	4.7%	~	~
Single Inner Zone Rail Add On	£2.70	£3.00	£0.30	11.1%	~	~
Return Inner Zone Rail Add On	£3.60	£4.00	£0.40	11.1%	~	~
7 Day Inner Zone Rail Add On	£11.80	£12.50	£0.70	5.9%	~	~
Single Outer Zone Rail Add On	£3.70	£4.70	£1.00	27.0%	~	~
Return Outer Zone Rail Add On	£5.40	£5.80	£0.40	7.4%	~	~
7 Day Outer Zone Rail Add On	£21.20	£22.10	£0.90	4.2%	~	~

Appendix E – Ferry ticket price changes from 1st July 2025

Ferry Fares - prices effective 1st July 2025						
Product	2024	2025	Change	%	Sales (000s) - based on 23/24 data	Journeys (000s) - based on 23/24 data
Pop blue (21 and under) Ferry Single	£1.00	£1.00	£0.00	0.0%	~	162
Pop blue (21 and under) Ferry Day	£2.20	£2.20	£0.00	0.0%	~	
Ferry Single	£2.50	£2.60	£0.10	4.0%	23	
Ferry Single - PAYG	£1.50	£1.60	£0.10	6.7%	6	
Ferry Day	£3.90	£4.10	£0.20	5.1%	47	
Ferry Day - PAYG	£2.70	£2.80	£0.10	3.7%	9	
Ferry Season 1 Week	£12.00	£12.50	£0.50	4.2%	1	
Ferry Season 4 Week	£45.00	£47.00	£2.00	4.4%	0.1	
1 Zone Transfare	£4.10	£4.40	£0.30	7.3%	<0.1	
2 Zone Transfare	£5.10	£5.40	£0.30	5.9%	<0.1	
3 Zone Transfare	£5.90	£6.20	£0.30	5.1%	<0.1	
Child Commercial Single	£1.00	£1.00	£0.00	0.0%	1	
Child Transfare	£1.30	£1.40	£0.10	7.7%	~	

Appendix F – Secured Bus ticket price changes from 1st April 2025

Secured Bus Fares - prices effective 1st April 2025						
Product	2024	2025	Change	%	Sales (000s) - based on 22/23 data	Journeys (000s) - based on 22/23 data
Adult Single (short journey)	£1.80	£2.00	£0.20	11.1%	253	420
Adult Single (long journey)	£2.30	£2.50	£0.20	8.7%		
Adult Day Ticket	£3.70	£4.00	£0.30	8.1%	35	
Adult Weekly ticket	£17.00	£18.00	£1.00	5.9%	1.5	
Child Commercial Single	£1.00	£1.00	£0.00	0.0%	80	

Appendix F - Nexus Capital Programme 2025/26 to 2026/27

Background

1. Nexus' planned capital programme for 2025/26 to 2027/28 includes investment in the following main areas:
 - The Metro Asset Renewal Programme (MARP) for which £39.3m of capital grant is available from DfT in 2025/26 and a further £19.1m in 2026/27, with grant funding thereafter not yet confirmed, but expected to be provided by the North East Combined Authority through its City Regional Sustainable Transport Settlement, Round 2 (CRSTS2);
 - The Fleet Replacement Programme (FRP) for which £40.6m of capital grant is available from DfT in 2025/26, with the balance of capital expenditure being met from reserves; and
 - Other Capital Projects, for which funding is provided through a number of external sources, the majority of which is still subject to confirmation.

Metro Asset Renewal Programme

2. In developing the MARP for 2025/26 to 2027/28, several challenges have manifested, namely that cost estimates for projects already in the MARP have increased and/or new projects have been identified as being necessary (and in some cases, likely to be a higher priority than projects previously approved for inclusion within the MARP that the North East Joint Transport Committee approved in January 2024). Examples include:
 - **Felling to Heworth Plain Line Refurbishment** (£2.514m, new project) – To address defects identified by new ultrasonic rail scanning equipment, with access to specialist rail grinding plant being unavailable since 2022.
 - **Rail defect removal** (£0.807m, new project) – To address defects identified by new ultrasonic rail scanning equipment, with access to specialist rail grinding plant being unavailable since 2022.
 - **Lift Replacements** (£1.014m, increase) – Works required to renew Benton station lifts because of asset deterioration.
 - **Rail Traffic Management System (RTMS)** (£0.654m, increase) – Project scoping has enabled improved understanding of works required which in turn has provided greater certainty to cost estimates.
 - **Cyber Security** (£0.453m, new project) – Works that continue protecting Nexus systems against cyber threats.
 - **Howdon Viaduct Interim Structural Works** (£0.392m, increase) – Project scoping has enabled improved understanding of works required which in turn has provided greater certainty to cost estimates.
 - **Airport to South Gosforth Plain Line Refurbishment / Overhead Line Renewal** (£4.069m, increase) – Revision of estimate to combine track replacement with overhead line renewal, with the objective of significantly reducing customer disruption from delivering different components of this project

in different years. Delivering both components in the same blockade also provides the opportunity to carry out additional works e.g. lineside vegetation management. Project scoping has also improved understanding of works required which in turn has provided greater certainty to cost estimates. In addition, the inflationary impact is higher because works have been deferred until 2027/28.

- **Overhead Line Fixed to Auto-Tensioning** (£1.883m, increase) – Revision of estimate to reflect updated material cost information and delivery programme.

3. In addition, slippage from the current year will need to be accommodated in the 2025/26 MARP.
4. Cabinet should be aware that in developing the three-year MARP, it has been necessary to prioritise projects based on criteria including safety risk, operations, asset condition and maintenance requirements.
5. The three-year MARP contains the following key projects:

	25/26	26/27	27/28	28/29
SCADA				
FEL to HTH Plain Line Refurbishment				
CRD to HOW Plain Line Refurbishment				
Airport Route (Plain Line / Overhead Line)				
Lift Replacement				
Escalator Replacement				
Fire Safety Improvements				
Relocation from Nexus House				
Relocation of OHL Team				
Control Centre Improvements				
Cyber Security				
Howdon Viaduct Track Renewal				
Overhead Line Renewal				

6. At asset category level, the three-year MARP is summarised below:

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
Civils	4.763	1.192	2.241	8.196
Permanent Way	10.635	0.127	9.083	19.845
Overhead Line	3.710	6.402	10.438	20.550
Stations	1.373	0.150	0.250	1.773
Communications	-	0.460	-	0.460
Signalling	6.503	1.896	0.169	8.568
Level Crossings	0.024	0.025	-	0.049
Plant	1.083	1.658	3.271	6.012
Mechanical and Electrical	6.842	3.729	3.783	14.354
Capital Maintenance	3.902	4.552	4.832	13.286

Miscellaneous	1.670	-	1.387	3.057
Safety Related Projects	0.891	0.891	0.648	2.430
ICT Infrastructure	1.348	0.855	0.575	2.778
Smart Ticketing Enhancements	0.009	-	-	0.009
Nexus Places Projects	4.955	-	0.830	5.785
Signalling System Replacement	1.000	1.200	-	2.200
Risk and Resource	7.197	7.315	7.493	22.005
	55.903	30.451	44.999	131.353

Fleet Replacement Programme (FRP)

7. In October 2017, government announced £336.8m of grant funding for the replacement of Nexus' fleet of Metrocars. This was augmented by a £25.0m local contribution. The funding profile was confirmed in January 2020 based on the key milestones to be delivered within the programme and is detailed below:

	18/19 £m	19/20 £m	20/21 £m	21/22 £m	22/23 £m	23/24 £m	24/25 £m	25/26 £m	Total £m
DfT Capital	-	21.6	29.8	44.0	78.6	117.7	43.6	1.5	336.8
Local Cont.	1.1	7.6	16.3	-	-	-	-	-	25.0
	1.1	29.2	46.1	44.0	78.6	117.7	43.6	1.5	361.8

8. During 2024/25 the profile has evolved further with completion now expected in 2026/27. Delays have increased project costs to £366.5m, with additional funding secured from reserves, increasing the local contribution to £29.7m as below:

	to 23/24 £m	24/25 £m	25/26 £m	26/27 £m	27/28 £m	Total £m
DfT Capital	253.3	43.0	40.5	-	-	336.8
Local Cont.	18.5	-	2.4	8.3	0.5	29.7
	271.8	43.0	42.9	8.3	0.5	366.5

9. It is envisaged that over the next two years, the Manufacture and Supply Agreement (MSA) will progress through to completion, leading to the delivery of all 46 new trains¹. The following expenditure is forecast:

	2025/26 £m	2026/27 £m	2027/28 £m
New Train Fleet (MSA)	35.781	5.867	-
Gosforth Depot (DCC)	-	-	-
Project Delivery	2.900	1.344	0.538
Risk Contingency	4.189	1.075	-
	42.870	8.286	0.538

¹ Four additional trains, increasing the MSA order from 42 to 46, were financed at a cost of £19.492m from the Transforming Cities Fund in previous years

Other Capital Projects

Ferry

10. During the three years of the proposed programme, Nexus will complete delivery of a range of projects relating to the cross Tyne ferry, including the relocation of the North Shields Ferry Landing to a new site on North Shields Fish Quay, which is subject to a confirmation of CRSTS1 funding. The following table shows the programme for the ferry:

	2025/26 £m	2026/27 £m	2027/28 £m
North Landing Repairs	0.648	0.028	-
North Landing Relocation	2.990	9.081	0.182
Ferry Vessels	0.233	0.060	0.097
South Landing Refurbishment	1.247	0.585	-
	5.117	9.753	0.279

City Regional Sustainable Transport Settlement (CRSTS) – Other

11. There are other projects where CRSTS Round 1 revenue grant has been secured to develop business cases. To advance these projects through construction to completion, bids for CRSTS1 funding will be submitted. These projects include:

	2025/26 £m	2026/27 £m	2027/28 £m
Regent Centre Station	2.137	3.293	-
Callerton Parkway Station	0.807	2.502	0.019
Additional Metro Gatelines	-	2.500	-
Regional Smart Ticketing	-	10.377	-
	2.944	18.672	0.019

12. It should be noted that in developing these proposals, funding profiles might be subject to change before funding is confirmed.

13. There are other projects which do not feature within the capital programme, but where external funding is being sought to enable asset renewals and enhancements to the customer environment/experience, as well as seeking to build in environmental improvements. It is anticipated that a funding submission will be prepared to secure development funding for these projects from CRSTS Round 2. These projects include:

- Electric Charging Facilities for Buses (at Gateshead Interchange)
- Gateshead Interchange

- Monument Metro Station
- Station Renewal Projects (i.e. Airport, Byker, Chichester, Heworth)
- Clean Ferry
- Replacement of the Pride of the Tyne Ferry

Bus Services Improvement Plan (BSIP)

14. BSIP funding has been secured to enable delivery of a programme of bus shelter replacement as set out below:

	2025/26 £m	2026/27 £m	2027/28 £m
Bus Asset (Shelter) Renewal	1.299	-	-
	1.299	-	-

Levelling Up Fund

15. Nexus has previously secured Levelling Up Funding to enable the delivery improvements to its electric vehicle infrastructure as set out below:

	2025/26 £m	2026/27 £m	2027/28 £m
EV Vehicle Infrastructure	0.326	-	-
EV Public Car Parks	0.469	-	-
	0.795	-	-

Developer Funding

16. There are two projects which do not feature within the capital programme but are anticipated to be funded by private developers as part of planning obligations. Internal resource is currently supporting the development of these projects and to ensure that requirements are captured as they progress through the planning and development stages. These projects concern:

- Murton Gap Metro Station
- Woolsington Level Crossing

Metro to Washington

17. During the life of the capital programme, Nexus expects to develop the strategic outline business case for the Wearside Loop Metro expansion. This is currently funded from revenue grant provided by the North East Combined Authority, with construction subject to sufficient capital funding being secured.

Financing the Programme

18. The recommendations of this report result in the following summary capital programme for 2025/26 to 2027/28 (with more detail contained within Appendix A):

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
MARP	55.903	30.451	44.999	131.353
Fleet Replacement	42.870	8.286	0.538	51.694
Other	9.360	28.427	0.298	38.085
	108.133	67.164	45.835	221.132

19. Assumed funding for the programme is set out in the following table:

	2025/26 £m	2026/27 £m	2027/28 £m	Total £m
CONFIRMED / APPROVED				
Metro Rail Grant	39.300	19.079	-	58.379
Fleet Replacement Grant	40.613	-	-	40.613
LUF	0.770	-	-	0.770
TCF	2.990	1.221	0.067	4.278
Reserves	6.334	13.839	1.503	21.676
	90.007	34.139	1.570	125.716
TO BE APPROVED				
CRSTS1	5.240	26.469	-	31.709
CRSTS2	-	-	32.754	32.754
BSIP	1.104	-	-	1.104
	6.344	26.469	32.754	65.567
Overprogramming	11.782	6.556	11.512	29.850
TOTAL	108.133	67.164	45.835	221.132

	2025/26 £	2026/27 £	2027/28 £
Civils			
Structural Assessments - overbridges	225,000	225,000	225,000
Structural and Building/Station Detailed Examinations	212,000	-	-
Howdon Viaduct - Track System Renewal	-	-	-
Howdon Viaduct - Structural Works	891,651	-	-
Stoddart Street bridges - repair/waterproofing	-	-	-
Multi Storey Car Parks refurbishment	993,801	-	621,232
Surface Car Parks Refurbishment	452,932	-	-
Bridges - condition and assessment led repairs/painting	500,000	500,000	500,000
Earthworks GST-SSS (repairs from assessments)	300,000	-	500,000
Station- Heworth Interchange- Construction - Roof	-	-	-
Felling Footbridge	514,000	114,000	-
WTL internal Footbridge	129,472	283,670	-
Byker Viaduct Drainage	400,000	-	-
A19 Underbridge Strike safety	58,180	-	-
Flat Roof Surveys	-	-	-
Wansbeck Rd and Ponteland Rd Re-Waterproofing	85,667	59,637	-
Manor Road Bridge Renewal	-	9,800	241,815
North Shields Tunnels and Retaining Walls	-	-	153,073
Benton Curve Subway Removal	-	-	-
Total Civils	4,762,703	1,192,107	2,241,120
Permanent Way			

	2025/26 £	2026/27 £	2027/28 £
Switches & Crossings - Monkseaton 2036A/B pts, 2034A, 2032 A/B pts	2,307,447	-	-
Plain Line Refurbishment. SGF to Airport (Col)	2,508,880	-	8,982,905
Plain Line Refurbishment - Chillingham to Howdon	2,594,729	99,244	-
S&C Gateshead 7001AB (crossover)	-	24,895	100,195
Felling to Heworth Re-Railing	2,463,093	1,418	-
High Fixiivity Track - Platforms	-	-	-
TYN - NPK Plain Line Refurbishment	-	-	-
Rail Defect Removal	760,820	1,890	-
Total Permanent Way	10,634,969	127,447	9,083,100
Overhead Line			
OHL renewal - Continued from Phase 2 ARP	3,709,697	6,401,738	4,845,322
Replacement of fixed tensioning with automatic	-	-	5,592,649
Total Overhead Line	3,709,697	6,401,738	10,437,971
Stations			
Interchange station GHD (Design)	147,300	-	-
Whitley Bay (Canopy)	-	-	-
Platform Renewals System Wide	-	-	100,000
Halt Stations	150,000	150,000	150,000
Monument Scope and Design	301,400	-	-
Regent Centre Scope and Design	-	-	-
Benton Station	120,000	-	-
Northumberland Car Park	654,434	-	-
Station Renewal Programme	-	-	-
Total Stations	1,373,134	150,000	250,000

	2025/26 £	2026/27 £	2027/28 £
Communications			
Radio	-	460,000	-
Total Communications	-	460,000	-
Signalling			
Location Rewire	197,503	199,687	-
Cable degradation - relay rooms	723,650	-	-
Troughing	100,000	100,000	100,000
Cable Testing and Replacement	322,431	253,750	-
Scada (and Mimic)	3,591,252	369,859	69,022
RTMS Upgrade / refresh	1,009,960	971,410	-
Passenger Information Displays	182,275	-	-
Point Heaters	348,395	882	-
LED Signal Replacement	-	-	-
Signalling componentary sundry	-	-	-
Remote condition monitoring	27,860	-	-
Total Signalling	6,503,326	1,895,588	169,022
Level Crossings			
Crossing Upgrade / repairs	24,180	24,810	-
Howdon Level Crossing Control Renewal	-	-	-
Total Level Crossings	24,180	24,810	-
Plant and Rolling Stock	-	-	-
Vehicle replacement Programme	150,000	400,000	985,000
Flashbutt Welder	-	12,600	2,027,300
Diesel Shunters Battery Locos (likely to be RRVs)	186,289	1,245,489	258,675

	2025/26 £	2026/27 £	2027/28 £
Infrastructure Vehicle Maintenance (RRV's, wagons, locos etc.)	746,576	-	-
Total Plant	1,082,865	1,658,089	3,270,975
Mechanical and Electrical			
Lineside Trunking	-	-	-
Escalators - Haymarket (No. 1&3) 1/2 Life Refurbishment	10,500	-	-
Tunnel Lighting	-	-	-
EV Vehicle Infrastructure	326,270	-	-
EV Public Car Parks	469,320	-	-
EV Infrastructure			
Escalator Replacements	1,233,252	1,363,380	-
Lift Replacements	2,823,024	1,657,966	902,000
Fire Safety Improvement Programme	922,500	-	1,565,621
Sump Pump Replacement Works	319,423	-	898,461
Lighting Control Programme	-	-	-
Decarbonisation Programme	-	-	(15,340)
BMS Programme	-	-	-
Traction Substation Flood risk assessment	-	-	69,674
Life Safety System renewal	425,425	557,875	-
Auto Door Renewals	-	-	212,261
Pelaw Down/Out Junction OLE Boundary	100,000	100,000	-
Interposing Relay Renewals	-	50,000	150,000
Sunderland Line Platform Line Painting - Safety Related	-	-	-
Disabled Alarm System Renewals	-	-	-

	2025/26 £	2026/27 £	2027/28 £
Lightning Protection Risk Assessments	-	-	-
Ventilation Systems Renewals	-	-	-
Traction Substation LV Changeover Switches Renewal	12,000	-	-
HV Improvements	-	-	-
LV Changeover Switches	200,000	-	-
Deutzer Survey	-	-	-
Total Mechanical and Electrical	6,841,714	3,729,221	3,782,677
Capital Maintenance			
Plain Line (Heavy Maintenance)	600,000	800,000	800,000
Capital Maintenance - Existing fleet and transition.	1,700,000	2,599,119	2,679,243
Rail Grinding	235,000	235,000	235,000
Metro Infrastructure Boundary	100,000	100,000	100,000
Off track enhancements to Embankments	950,000	500,000	700,000
Facilities & Estates Capital Maintenance Renewals	167,000	168,000	168,000
Plant & Power Distribution Capital Maintenance Renewals	150,000	150,000	150,000
Total Capital Maintenance	3,902,000	4,552,119	4,832,243
Miscellaneous			
Control Centre improvements	502,492	-	1,387,000
Business Development	-	-	-
Regenerative Braking	1,000,000	-	-
Benton Square Security	167,058	-	-
Total Miscellaneous	1,669,550	-	1,387,000
Safety Related Projects			
Tunnels - repairs and asbestos maintenance	640,755	640,755	397,936

	2025/26 £	2026/27 £	2027/28 £
Nexus Track Worker Safety	250,000	250,000	250,000
Total Safety Related Projects	890,755	890,755	647,936
Business Change and Technology			
Asset Management Software Replacement	279,000	-	-
Timetable & Driver Rostering	38,250	-	-
Digital Connectivity	122,544	-	-
Business Applications	75,000	75,000	75,000
Total Business Applications	514,794	75,000	75,000
Network IT Infrastructure/Hardware			
CCTV - Safety and Security led enhancements	50,000	50,000	50,000
Copper ICT 50 pair cable	110,000	110,000	-
Lift Help Points	-	-	-
PA Speakers and Cabling	50,000	50,000	50,000
PA Head End Upgrade	68,000	-	-
Cyber Security/Environmental Hardening	435,000	-	200,000
Laptop/Desktop replacement	-	200,000	200,000
Telephony architecture	-	200,000	-
Smartphone renewal	120,000	120,000	-
Conference Rooms (Teams)	-	50,000	-
Ticket Machine Refresh			
Total Network IT Infrastructure/Hardware	833,000	780,000	500,000
Fleet Replacement Programme			
MSA	35,780,793	5,867,208	-
Project Delivery	2,900,355	1,344,231	537,621

	2025/26 £	2026/27 £	2027/28 £
Risk Allowance	4,188,710	1,075,000	-
Total Fleet Replacement Projects	42,869,858	8,286,439	537,621
Smart Ticketing Enhancement			
Bank Note Acceptors	8,625	-	-
Total Smart Ticketing Enhancement Projects	8,625	-	-
Nexus Places			
Relocation from Nexus House to Spark	2,106,102	-	-
Relocation of the OHL Team	123,500	-	150,000
Relocation of the Print Unit	152,151	-	-
Refurbishment of Frontline team facilities	2,572,855	-	-
Feasibility studies for phase 2 projects	-	-	679,800
Total Nexus Places Projects	4,954,608	-	829,800
Other Capital Projects			
Ferry			
Ferry Vessels	232,392	60,450	97,108
Ferry North Landing Relocation	2,990,000	9,081,000	182,000
Ferry North Landing Refurbishment	648,162	28,000	-
South Landing works	1,246,629	584,544	-
Total Ferry	5,117,183	9,753,994	279,108
Signalling System Replacement			
Signalling System replacement development	1,000,000	1,200,000	-
Total Signalling System Replacement	1,000,000	1,200,000	-
Risk and Resource			
Delivery Costs	5,197,273	5,314,542	5,492,577

	2025/26 £	2026/27 £	2027/28 £
Risk	2,000,000	2,000,000	2,000,000
Total Risk and Resource	7,197,273	7,314,542	7,492,577
CRSTS Other			
Regent Centre Station	2,137,000	3,293,000	
Callerton Parkway Station	807,000	2,502,000	19,000
Additional Metro Gatelines	-	2,500,000	
Smart Ticketing	-	10,377,000	
Total CRSTS Other	2,944,000	18,672,000	19,000
BSIP			
Bus Asset (Shelter) Renewal	1,298,824		
Total BSIP	1,298,824	-	-
TOTAL	108,133,058	67,163,849	45,835,150

Appendix G – Summary of Reserves

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 the EU grant	(0.051)	0.051	(0.000)
North East Investment Fund (NEIF) (LEP)	(1.595)	1.595	(0.000)
Enterprise Zones (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	(4.000)	(4.000)
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	(1.459)	1.459	0.000
North East Flexible Pot (NEMCA)	(20.000)	11.856	(8.144)
Brownfield Housing Fund	(23.397)	22.860	(0.537)
United Kingdom SPF 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 – North East Combined Authority Treasury Management Strategy 2025-26 and Prudential Indicators

Purpose

- 1 In accordance with statutory guidance and the Authority’s Financial Procedure rules, this report presents the 2025-26 position for the Treasury Management Strategy, the Annual Cash Investment Strategy, Prudential Indicators, Minimum Revenue Provision (MRP) Policy and Treasury Management Policy Statement.

Background

- 2 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’.
- 3 The Authority operates a balanced budget, which broadly means that cash raised during the year will meet cash expenditure incurred. 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 the main aims of providing sufficient liquidity and security, with the achievement of the best possible investment returns ranking as less important.
- 4 The second main function of the treasury management service is to arrange the funding of the Authority’s capital programme, which will support the provision of the Authority’s services. The capital programme provides a guide to the borrowing need of the 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 the Authority’s risk or cost objectives. The North East Mayoral Combined Authority (‘The Authority’) will have powers to borrow for Transport responsibilities inherited from the former Tyne and Wear Integrated Transport Authority and will have powers to borrow for other activities subject to the negotiation of a debt cap with His Majesty’s Treasury.
- 5 The Authority adopts the latest CIPFA Code of Practice on Treasury Management (the Code) which is regarded as best practice in ensuring adequate monitoring of the Authority’s capital expenditure plans and its Prudential Indicators (PIs). This requires that Members agree the following reports, as a minimum:
- i. An annual Treasury Management Strategy in advance of the year (this report);
 - ii. A mid-year Treasury Management Review;
 - iii. An annual review following the end of the year describing the activity compared to the strategy.

The 2021 Prudential Code introduced a requirement for the monitoring and reporting of treasury management performance against forward looking indicators at least quarterly, and this information will be reported as part of the Combined Authority’s revenue and capital monitoring.

6 This report provides a summary of the following for 2025-26:

- Borrowing Strategy;
- Other Debt and Long-Term Liability Plans;
- Cash Investment Strategy;
- Non-Treasury Investments;
- Treasury Management Indicators;
- Prudential Indicators;
- MRP Policy Statement;
- Other Matters.

7 This covers the requirements of the various statutory requirements, codes and guidance that cover the Treasury Management activity, including the Local Government Act 2003, the CIPFA Prudential Code, Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and Communities and Local Government Investment Guidance.

Borrowing Strategy

8 Prior to the formation of the proposed Mayoral Combined Authority, borrowing is held by the North East Combined Authority (NECA) which primarily relates to Transport activity. On creation of the proposed Mayoral Combined Authority, borrowing liabilities will be transferred from NECA.

9 North East CA held £148.667m of loans at 7 May 2024, all transferred from former NECA and relating to transport investment. The balance had decreased to £130.333m at 31 December 2024 and is expected to be £130.000m at 31 March 2025, as detailed below:

	7 May 2024	2024-25	31 March 2025	Average	31 March 2025
	Actual Balance	Estimated Movement	Estimated Balance	Interest Rate	Average Life
	£m	£m	£m	%	years
Public Works Loan Board (PWLB)	79.667	(0.667)	79.000	4.10	22.8
Private Sector	69.000	(18.000)	51.000	4.38	48.3
Total borrowing	148.667	(18.667)	130.000		

10 NECA's principal objective when borrowing has been to strike an appropriate risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required.

11 The difference between the Authority's borrowing requirement and the actual borrowing undertaken is called under-borrowing. This represents the ability of the

Authority to use its balance sheet reserves to delay the date that loans are taken out. The strength of the Authority's balance sheet means it has no immediate need to borrow to fund its capital outlays and this means that using internal balances is the generally most cost-effective option. However, in the medium term the Authority may need to borrow to fund its capital programme.

12 No new borrowing has been undertaken during 2024-25 to date and none is anticipated for the remainder of the financial year.

13 The following sources of long-term and short-term borrowing have been identified for approval:

- Public Works Loan Board (PWLB);
- UK local authorities;
- Any institution approved for investments (see paragraph 36);
- UK public/private sector pension funds;
- European Investment Bank; and
- Local authority special purpose vehicles created to enable local authority bond issues (for example the Municipal Bonds Agency)

14 A major source of the Authority's borrowing is the PWLB, which is a lending facility operated by the UK Debt Management Office on behalf of HM Treasury. In order to have access to PWLB loans, the current arrangements require the Authority to confirm that they are not buying investment assets primarily for yield and that they are not borrowing in advance of need, with the aim of making a profit from the sums borrowed.

15 The Authority meets the borrowing criteria so taking out PWLB loans is an available option. Loan rates are fluid (PWLB rates change twice daily), and the Authority will continue to work with its Treasury Management advisors, Link Asset Services, to monitor rates and cash flow requirements to determine the timing for taking out further loans.

Policy on Borrowing in Advance of Need

16 The Authority will not borrow more than, or in advance of, its needs, purely to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be made within approved Capital Financing Requirement (CFR) estimates and following careful consideration, in order to demonstrate value for money and ensure the security of such funds.

17 Any risks associated with activity to borrow in advance will be subject to prior appraisal and will be subsequently accounted for in the Treasury Management report that follows.

Debt Rescheduling

18 As short-term borrowing rates will likely be cheaper than longer term fixed interest rates, there may be opportunities to generate savings by switching from long term debt to short term debt. Advantages of debt rescheduling would include:

- generating cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhancing the balance of the portfolio (amend the maturity profile and / or the balance of volatility).

However, these savings will need to be considered in light of the current treasury position and the cost of debt repayments (i.e. premiums).

- 19 Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

Other Debt and Long Term Liabilities Plans

- 20 The Combined Authority does not currently have any capital finance liabilities in the form of finance leases.

Cash Investment Strategy

- 21 The Authority holds a significant cash surplus from reserves in its balance sheet and from funds received before related expenditure is incurred. A strategy for the investment of these funds is required.

- 22 The revised 2021 Treasury Management Code requires all investments and investment income to be attributed to one of the following three purposes:

- a) Treasury Management – arising from the organisation’s cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use.
- b) Service Delivery – investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is “either related to the financial viability of the project in question or otherwise incidental to the primary purpose”.
- c) Commercial return – investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority’s financial capacity – i.e. that ‘plausible losses’ could be absorbed in budgets or reserves without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

The Combined Authority’s investments primarily relate to category a) and it holds no investments primarily for commercial return (category c). This strategy relates to the category a) Treasury Management investments.

- 23 The Authority’s cash investment policy is governed by Ministry of Housing, Communities and Local Government (MHCLG) guidance. Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security, liquidity and rate of return, or yield, of its investments. Of these

three criteria the first two, security and liquidity, are most important, ahead of achieving the highest 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.

24 In accordance with the guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the Authority will apply minimum acceptable credit criteria in order to generate a list of creditworthy counterparties, with investment limits set so that investments are diversified. Credit ratings agencies will be used but will not be the sole determinant of investment quality and the assessments will also take account of other information that reflects the opinion of the markets. To this end the Authority will engage with its advisers to maintain a monitor on market pricing (e.g. "credit default swaps") and overlay that information on top of the credit ratings. Information in the financial press, share price and other banking sector information will also be used as appropriate.

25 There are a wide range of Investment instruments which are available for the Authority to consider. These can be classified as either Specified or Non-Specified Investments and are listed below:

Specified Investments

26 These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Authority has the right to be repaid within 12 months if it wishes. These are considered to be low risk assets where the possibility of loss of principal or investment income is small and are not defined as capital expenditure. These would include the following sterling investments:

- Deposit with the UK Government – e.g. the Debt Management Office deposit facility, UK treasury bills or gilts with less than one year to maturity;
- Term deposits with a body that is considered of a high credit quality e.g. UK banks and building societies;
- Global bonds of less than one year's duration;
- Deposits with a local authority, parish council or community council;
- Certificates of Deposit;
- Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency.

Non-Specified Investments

27 These are investments which do not meet the specified criteria as outlined above. The Authority is therefore required to examine non-specified investments in more detail. As well as any of the above sterling investments that are of more than one-year maturity, non-specified investments include the following sterling investments:

- gilt edged securities with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity;

- deposits with the Authority's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible;
- loans and shares in local businesses, in order to encourage regeneration and economic development in the area. Any new investments will only be agreed after significant due diligence checks have been carried out;
- Any other funds.

Creditworthiness Policy

- 28 The primary principle governing the Authority's investment criteria is the security of its investments; although the yield or return on the investment is also a key consideration. After this main principle, the Authority will ensure that:
- it maintains a policy covering the categories of investment types it will invest in, the criteria for choosing investment counterparties with adequate security and arrangements for monitoring their security; and
 - it has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Authority's prudential indicators covering the maximum principal sums invested.
- 29 The Chief Finance Officer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit these to the Leadership Board for approval as necessary. These criteria provides an overall pool of counterparties considered to be high quality which the Authority may use, rather than defining what types of investment instruments are to be used.
- 30 The Combined Authority uses Link Group, Treasury solutions as its external treasury management advisors. The Combined Authority recognises that responsibility for treasury management decisions remains with the organisation and seeks to ensure that undue reliance is not placed upon external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors. The Combined Authority recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Combined Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed, documented, and subjected to regular review
- 31 Typically the minimum credit ratings criteria used by the Authority will be a short term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances, consideration will be given to the whole range of ratings available or other topical market information to support their use.
- 32 All credit ratings will be monitored regularly. The Authority is alerted to changes to ratings of all three agencies (Fitch, Moody's and Standard and Poor's) through its use of Link's creditworthiness service. If a downgrade results in the counterparty /

investment scheme no longer meeting the Authority’s minimum criteria, its further use as a new investment will be withdrawn immediately.

33 In addition to the use of credit ratings, the Authority will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in the downgrade of an institution or removal from the Authority’s lending list.

34 Sole reliance will not be placed on the use of the service provided by Link. The Authority will also use market data and market information, information on sovereign support for banks and the credit ratings of that supporting government. This additional market information, for example credit default swaps and negative rating watches / outlooks, will be applied to compare the relative security of differing investment counterparties. The relative value of investments will be reviewed in relation to the counterparty size to ensure an appropriate ratio.

35 Forecast interest income for 2025-26 is £7.5m, of which £1.73m is included within the Corporate budget for the authority.

Investment Criteria

36 The criteria for providing a pool of high-quality investment counterparties (both specified and non-specified investments) is:

Banks 1 – good credit quality. The Authority will only use banks which are:

- UK banks and/or
- Non-UK banks domiciled in a country which has a minimum sovereign long-term rating of AA- and have, as a minimum, the following credit ratings (where rated):

	Fitch	Moody’s	Standard & Poor’s
Short Term	F1	P1	A-1
Long Term	A-	A3	A-

(N.B. viability, financial strength and support ratings have been removed and will not be considered in choosing counterparties).

- Banks 2 – Part nationalised UK banks - Royal Bank of Scotland. This bank can be included if it continues to be part nationalised or meets the ratings in Banks 1 above;
- Banks 3 – The Authority’s own banker for transactional purposes if the bank falls below the above criteria, although in this case, balances will be minimised in both monetary size and time;
- Bank subsidiary and treasury operation. The Authority will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above;
- UK Government (including gilts and the Debt Management Account Deposit Facility [DMADF]);
- Local authorities, parish councils etc.;
- Building societies. The Authority will use societies which:

- i. Meet the ratings for banks outlined above; or
- ii. Have assets in excess of £1 billion;
- Money market funds;
- Ultra-Short Dated Bond Funds;
- Property Funds.

Time and Monetary Limits applying to Investments

37 The time and monetary limits for institutions on the Authority’s counterparty list, covering specified and non-specified investments, are as follows:

Investment Type	Long Term Rating	Money Limit	Time Limit
Banks / Building Societies*	AA-	£40m	1 year
Banks / Building Societies*	A	£40m	1 year
Banks / Building Societies*	A-	£30m	6 months
Banks – part-nationalised*	N/A	£40m	1 year
Banks– Council’s banker*	A-	£40m	3 months
DMADF / Treasury Bills	AAA	unlimited	unlimited
Local Authorities	N/A	£30m each	3 years
Investment Type	Asset Size	Money Limit	Time Limit
Building Societies	+£1 billion	£20m	6 months
Investment Type	Fund Rating	Money Limit	Time Limit
Money Market Funds	AAA	£60m total	liquid
Money Market Funds CNAV	AAA	£20m each	liquid
Money Market Funds LVNAV	AAA	£20m each	liquid
Money Market Funds VNAV	AAA	£20m each	liquid

*For bank subsidiaries and treasury operations the limits depend on the rating of the subsidiary / operation or of the parent providing a guarantee

UK Banks – Ring Fencing

38 An additional factor must be taken into account when making investments with some UK banks from 1 January 2019. From this date the largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), are required, by UK law, to separate core retail banking services from their investment and international banking activities. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt to be included in the arrangements. Several banks are very close to the threshold already and so may come into scope in the future regardless.

39 Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be

focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.

40 While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Authority will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

Non-Treasury Investments

41 Separately from treasury investments, the Authority may make loans and investments in support of service priorities and this may mean they generate a commercial return.

42 Where an authority invests in other financial assets and property with the main aim of generating a financial return, the Prudential Code guidance is that the investments should be proportionate to the authority’s level of resources and the same robust procedures for the consideration of risk and return should be followed as for other investments.

43 The Authority recognises that investments such as these, taken for non-treasury management purposes, require careful investment management and that it is important that there are agreed processes to ensure there is effective due diligence and that the investments fit with the Authority’s agreed risk profile. This type of investment will require greater consideration by members and officers before being authorised for use.

Treasury Management Indicators

44 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.

45 Interest Rate Exposures – this indicator is set to control the Authority’s exposure to interest rate risk. The upper limits on fixed and variable rate interest rate exposures, expressed as the proportion of net principal invested is:

	2025-26 Limit
Upper limit on fixed interest rate exposure	100%
Upper limit on variable interest rate exposure	70%

46 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 are:

	Lower Limit	Upper Limit
Under 12 months	0%	20%
12 months to 2 years	0%	40%
2 years to 5 years	0%	60%
5 years to 10 years	0%	80%
10 years and above	0%	100%

47 Principal Sums Invested for Periods Longer than 365 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:

	2025-26	2026-27	2027-28
Principal sums invested > 365 days	£20m	£20m	£20m

a) Prudential Indicators

48 The Local Government Act 2003 requires the Authority to have regard to the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow.

49 The objectives of the Prudential Code are to ensure, within a clear framework, that the 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 Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

50 Capital Expenditure – this indicator summarises the Combined Authority’s capital expenditure plans for the current financial year and the three subsequent years, together with the proposed sources of financing.

	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m
Transport Capital Programme	126.054	207.896	163.974	66.200	66.200
Non-Transport Capital Programme	86.755	92.742	21.370	15.870	11.870
Total Capital Programme	212.779	300.638	185.344	82.070	78.070
Financed by:					
Capital Grants	200.841	261.238	159.944	59.670	61.670
Revenue and Reserves	10.538	8.000	0.000	0.000	0.000
Investment Fund	1.400	21.400	17.400	15.400	11.400

Net borrowing financing need for the year	0.000	10.000	8.000	7.000	5.000
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51 Capital Financing Requirement (CFR) – the CFR is a measure of the Authority’s underlying borrowing need for a capital purpose. The table below sets out the CFR relating to Transport activity which will be inherited on creation of the new Combined Authority and initial estimates of a new NEMCA capital financing requirement which will be subject to updating as plans are refined.

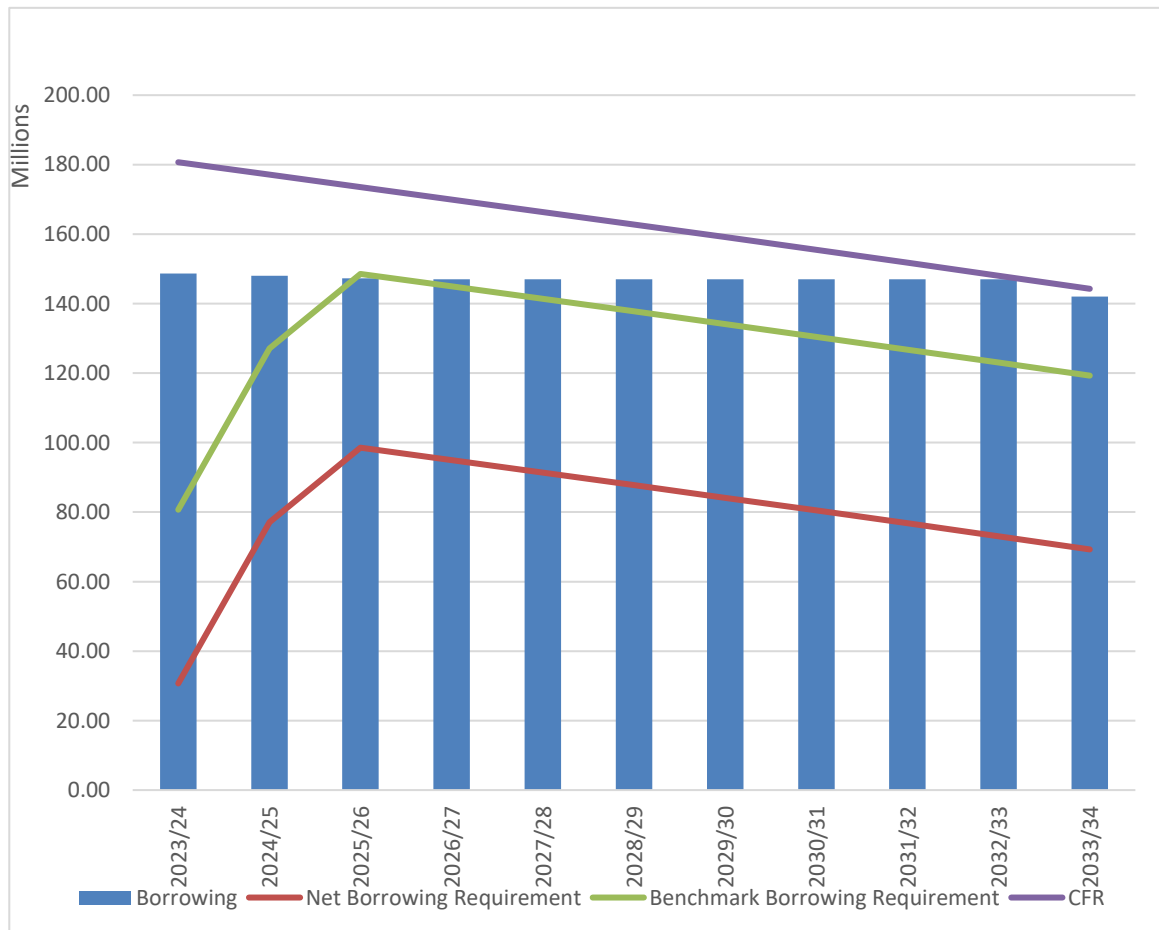
	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m
Transport Capital Financing Requirement	180.693	177.123	173.550	169.970	166.377
New NEMCA Capital Financing Requirement	0.000	50.000	50.000	50.000	50.000
Total CFR	180.693	227.123	223.550	219.970	216.377
Movement in CFR represented by:					
Net borrowing financing need for the year	0.000	50.000	50.000	50.000	0.000
Less MRP/VRP and other financing movements	(3.599)	(3.570)	(3.573)	(3.580)	(3.593)
Movement in CFR	(3.599)	46.430	(3.573)	(3.580)	(3.593)

52 Gross Debt and the Capital Financing Requirement – in order to ensure that debt will only be held for capital purposes, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. This is a key indicator of prudence. The table below shows how the Authority plans to comply with this requirement, which shows gross borrowing continues to be less than the CFR:

	2024-25 Estimate £m	2025-26 Estimate £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m
Debt at 1 April	148.667	130.000	139.333	147.000	154.000
Expected change in debt	(18.667)	9.333	7.667	7.000	5.000
Gross Debt at 31 March	130.000	139.333	147.000	154.000	159.000
Capital Financing Requirement	180.693	227.123	223.550	219.970	216.377
Over/(Under) borrowing	(50.693)	(87.790)	(76.550)	(65.970)	(57.377)

53 Debt Liability Benchmark – this benchmark has been introduced to show the link between the Capital Financing Requirement and the profile of the borrowing that the authority has taken out to finance this requirement, where:

- Net Borrowing Requirement – shows the need to borrow after taking account of reserve balances that can be used for internal borrowing;
- Benchmark Borrowing Requirement – shows the Net Borrowing Requirement plus a margin to ensure there is an adequate balance to manage cashflows effectively.



54 Operational Boundary and Authorised Limit – the Operational Boundary is the limit which external borrowing is not normally expected to exceed. Periods where the actual position is either below or above the boundary is acceptable subject to the authorised limit not being breached. The Authorised Limit 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.

The majority of the borrowing, and therefore the majority of the limits, relate to transport activity. The Authorised Limit has been set at the level of the Debt Cap agreed with HMT for 2024-25 (£238m) and the forecast Debt Cap which will be agreed for future years on an annual basis as the Authority’s plans develop further.

	2024-25 Actual £m	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
	£m	£m	£m	£m	£m
Operational Boundary	233.000	245.000	245.000	245.000	245.000
Authorised Limit (Debt Cap)	238.000	250.000	250.000	250.000	250.000

55 Actual and estimates of the ratio of financing costs to net revenue stream – this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue streams.

	2024-25 Estimate	2025-26 Estimate	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate
Ratio of financing costs to net revenue stream:					
Tyne and Wear Levy	1.74%	1.68%	1.67%	1.63%	1.61%
Tyne Tunnels Account	21.52%	21.18%	21.44%	20.73%	20.32%

The estimates of financing costs include current commitments and the proposals in the budget report, and currently relate to Transport borrowing only.

MRP Policy Statement

56 The CIPFA Prudential Code for Capital Finance in Local Authorities requires the Leadership Board to agree an annual policy for the Minimum Revenue Provision (MRP).

57 The MRP is the amount that is set aside each year to provide for the repayment of debt. The regulations require the authority to determine an amount of MRP which it considers to be prudent. The broad aim of a prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Revenue Support Grant (RSG), reasonably commensurate with the support provided through the RSG. The guidance provides recommended options for the calculation of a prudent provision but local authorities have significant discretion in determining the level of MRP which they consider to be prudent.

58 The Government updated its Statutory Guidance on MRP on 2 February 2018, with some elements of the guidance taking effect from 1 April 2018.

59 The Authority's annual MRP policy has been set in line with the following principles:

- Supported capital borrowing (pre-2008) debt – minimum revenue provision to be made on a 2% straight line basis.

- Supported capital borrowing undertaken on behalf of Nexus, being a 4% minimum revenue provision – this relates to historic debt (prior to 1 April 2008) only.
- For unsupported capital borrowing (Prudential Borrowing) undertaken on behalf of Nexus, making provision for the debt in equal annual instalments over the estimated life of the asset.
- For unsupported capital borrowing for the New Tyne Crossing, making provision for the debt over the life of the asset on an annuity basis. This basis is suitable for use on this particular project as it is consistent with the financial model which reflects an increase in traffic and tolls over the life of the concession contract. A 50-year asset life is assumed.
- For unsupported capital borrowing (prudential borrowing) in relation to Enterprise Zones, making provision for the repayment of debt over the life of the asset on an annuity basis (maximum of 25 years); or making provision for the repayment of the debt over a shorter period on an annuity basis for a period agreed by the CFO with reference to the estimate of business rates income receivable to repay the debt.
- For new (unsupported) borrowing for the Combined Authority's capital plans, the Combined Authority intends to take a more nuanced, principles-based approach to the calculation of MRP. The approach to the calculation will be guided by whether the borrowing is related to the creation or enhancement of an asset or whether the borrowing is to support the provision of a loan or other form of investment within another organisation.

60 Where the borrowing underpins the acquisition and enhancement of assets funded through borrowing, an Asset Life Method will be used to calculate MRP (Option 3 under the guidance). Under the guidance, there are two approaches that can be applied: Equal Instalments or the Annuity Method. The Authority will make the decision as to the specific approach to be adopted on a case-by-case basis determining what is most appropriate and prudent based on the underlying asset.

61 For capital expenditure that is classified as such under Regulation 25(1) of the Local Government Act 2003, the rebuttable presumption will be that a revenue provision will be made and that MRP will be calculated in accordance with Option 3 (Asset Life Method) applying the maximum life value detailed in the statutory guidance.

62 This presumption will be challenged on a case-by-case basis to the extent that the Authority is seeking to make a loan to a third party, the approach to making a prudent provision will be made giving due consideration to a variety of factors including the following:

- Whether the loan is being made on commercial or sub commercial rates.
- The duration of the loan.
- The financial standing of the borrower.
- The degree of perceived risk to the underlying capital sums invested.
- The strength or existence of covenants that underpin any loans; and
- The structure of the loan and subsequent repayments.

Where loans are made to support policy objectives or there is a degree of risk that the capital will not be repaid either in full or in part, then a revenue provision will be made using Option 3 as detailed above.

- 63 Where loans are made where there is a higher degree of confidence in repayment and the regular repayment over the life of the agreement, then the Authority will seek to set aside capital receipts arising from the repayment of the loan to reduce the Capital Financing Requirement.
- 64 Where loans are made where there is a high degree of confidence in repayment but where repayment is irregular or is on expiration of the loan, then the Authority will make a revenue provision in accordance with Option 3 using an asset life as determined through this method. To the extent that the loan is repaid over a shorter timescale, capital receipts from the repayment would be used to write down any remaining CFR liability relating to the loan.
- 65 The regulations allow the Authority to review its policy every year and set a policy that it considers prudent at that time. The impact of a revised MRP policy would be kept under regular review in order to ensure that the annual provision is prudent. The Authority retains the right to make additional voluntary payments to reduce debt if deemed prudent.

Other Matters

Training

- 66 The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny and training will be arranged as required. There is a further requirement that the training needs of treasury management officers are periodically reviewed.

Policy on use of external advisers

- 67 The Combined Authority uses Link Group, Treasury solutions as its external treasury management advisors. The Combined Authority recognises that responsibility for treasury management decisions remains with the organisation and seeks to ensure that undue reliance is not placed upon external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisors. The Combined Authority recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Combined Authority will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed, documented, and subjected to regular review
- 68 The range of services provided by the advisers currently includes:
- technical support on treasury matters and capital finance issues;
 - economic and interest rate analysis;
 - debt services which includes advice on the timing of borrowing;
 - debt rescheduling advice surrounding the existing portfolio;

- generic investment advice on interest rates, timing and investment instruments;
- credit ratings/ market information service, comprising the three main credit rating agencies