

## Cabinet

Tuesday, 30 January 2024 at 2.00 pm

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## SUPPLEMENTAL AGENDA

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5. <b>NTCA Investment Fund Update and Funding Approvals</b>	<b>1 - 16</b>
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7. <b>North East Mayoral Combined Authority 2025-2029 - Draft Corporate Plan, Draft Budget and Medium-Term Financial Plan Proposals</b>	<b>37 - 138</b>
12. <b>North East Local Enterprise Partnership (LEP) Transition</b>	

Members are requested to note the intention to circulate the above report on a supplemental agenda in accordance with the provisions of the Local Government (Access to Information) Act 1985

Contact Officer: Victoria Miller  
Tel: 0191 211 5118  
Email: [Victoria.Miller@northoftyne-ca.gov.uk](mailto:Victoria.Miller@northoftyne-ca.gov.uk)

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**Title:** Investment Fund Update and Funding Approvals  
**Report of:** Head of Strategy and Innovation  
**Portfolio:** Investment and Resources

### Report Summary

The purposes of this report are to update Cabinet on progress with the North of Tyne Investment, Brownfield Housing and UK Shared Prosperity Fund [UKSPF] programmes, and to set out work undertaken within the region and with Government to co-design the North East Investment Zone.

Good progress is being made with the NTCA's Investment Fund; £126m is committed to projects that are expected to create 5,377 jobs, with the first 2,348 people now in post and a further 1,959 jobs safeguarded – meaning there are 4,307 people today in employment as a direct result of NTCA investment. In addition, total commitments for the NTCA's UKSPF programme have risen to almost £40m, more than three-quarters of the available funding. This paper reports on the following funding approvals, delivering on previously agreed strategic priorities:

- **£1.0m** of Investment Fund resources to support 5G Innovation in an NHS healthcare setting, accelerating the adoption of new approaches to improve health outcomes, as part of the NTCA's 5G and Future Connectivity Programme.
- **£1.2m** of Brownfield Housing Funding to unlock housing development at the Hadston Industrial Estate, bringing forward 75 new homes including 8 affordable ones.
- **£1.5m** to provide residents with information and advice about how they can decarbonise their homes. One project is being supported by UKSPF and another from additional funding secured from Government.
- **£0.7m** to 17 projects which will be funded through the NTCA's UKSPF People and Skills Small Grants programme. In total, these community-based projects will help 1300 residents.
- **£23.4m** of investment in capital regeneration projects, using funding secured as a part of the North East devolution negotiations. The first tranche of projects supported include Gateshead Quays and Railway Quarter, alongside the next phases of development at the Aykley Heads and NETpark innovation districts.

Government has previously announced that the NE will benefit from having an Investment Zone, with the policy designed to accelerate economic growth in specific sectors. With a value of **£160m** over ten years, the Investment Zone is an important policy with significant implications for the region. The Zone will provide a range of benefits designed to meet the needs of key sites and sectors. This includes funding to support infrastructure, capital investment, skills and innovation, alongside tax incentives. The Zone also forms part of a wider set of interventions – enabled by the £4.2bn Devolution Deal – which collectively will ensure the economic and social benefits are scaled across the whole region.

The North East Investment Zone will focus on accelerating economic opportunities associated with:

- Offshore energy – at Blyth Energy Central and the Tyne Powered Corridor
- Batteries – at the International and Advanced Manufacturing Strategic Site (IAMSS) and Blyth Energy Central
- Electric vehicles – at the International Advanced Manufacturing Strategic Site
- Associated advanced low-carbon manufacturing, materials and research – at NETPark

We are now at a stage of development of the Investment Zone proposition where we are seeking approval from the NTCA to act as accountable body; in parallel, the Cabinets of Sunderland City Council, South

Tyneside Council and Northumberland County Council are being asked to agree the proposed business rate retention sites.

## Recommendations

Cabinet is recommended to:

1. Note progress to date on the Investment Fund, UKSPF and BHF programmes, achievement of key milestones and ongoing project development work, particularly in respect of new job creation for residents as a direct result of our investments.
2. Note that the NTCA will act as accountable body for a programme of capital investment in regeneration projects secured as a part of devolution negotiations. The first three projects have now been agreed by the Chief Executive.
3. Note that the Chief Executive will make final approvals and associated decisions relating to implementation, in accordance with existing delegations, for the £27.8m of project funding described in this report, using Investment Fund, UKSPF, Brownfield Housing and NEMCA devolution resources.
4. Note the advanced stage of development achieved in relation to the North East Investment Zone proposition and delegate approval to the Chief Finance Officer and Chief Executive for the submission of final documentation to Government.
5. Agree that the North of Tyne Combined Authority should act as accountable body for the North East Investment Zone, once it is established in April 2024.
6. Note that Northumberland County Council, Sunderland City Council and South Tyneside Council Cabinets will be asked to approve proposals around Investment Zone business rate retention sites.
7. Note the proposals in this report around business rates retention and delegate authority to the Chief Finance Officer, in consultation with the Monitoring Officer, to prepare and complete an agreement with Northumberland County Council, Sunderland City Council and South Tyneside Council to operationalise the Investment Zone Business Rates Reinvestment Strategy.

## A Context

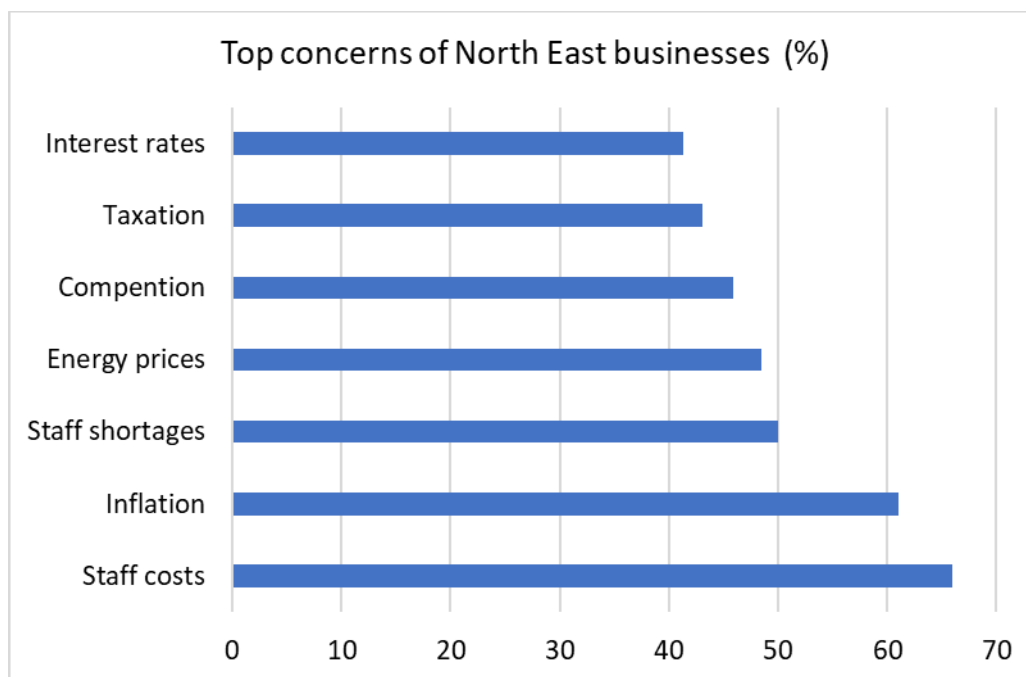
### 1. Background and Economic Context

- 1.1. The latest data show that the UK economy remains weak, with a slight contraction in economic output (GDP) in the last quarter. The most recent forecast from the OECD is for the UK to return to modest growth in 2024, but at less than half its historic average rate. More positively, the UK inflation rate, at 4.0%, has fallen significantly over the past year.
- 1.2. The latest survey from the North East Chamber paints a slightly more upbeat picture of the economy in the region, with the Chamber reporting<sup>1</sup>:  
*“Survey results from the final quarter of 2023 show an improving picture regarding business concerns around inflation, exchange rates and energy prices. This quarter’s results also show an improvement in UK orders and sales, together with an increase in export orders and sales... there are signs of positivity as our businesses think about the year ahead.”*
- 1.3. The Chamber also asks businesses about their biggest concerns – with staff costs, inflation and staff shortages currently the most frequently cited issues (Chart 1). Energy costs also remain a concern for many firms, although the proportion of firms highlighting this issue has declined over the recent quarter.

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<sup>1</sup> <https://www.necc.co.uk/chamber-survey-results-indicate-improving-regional-business-conditions/>

**Chart 1**



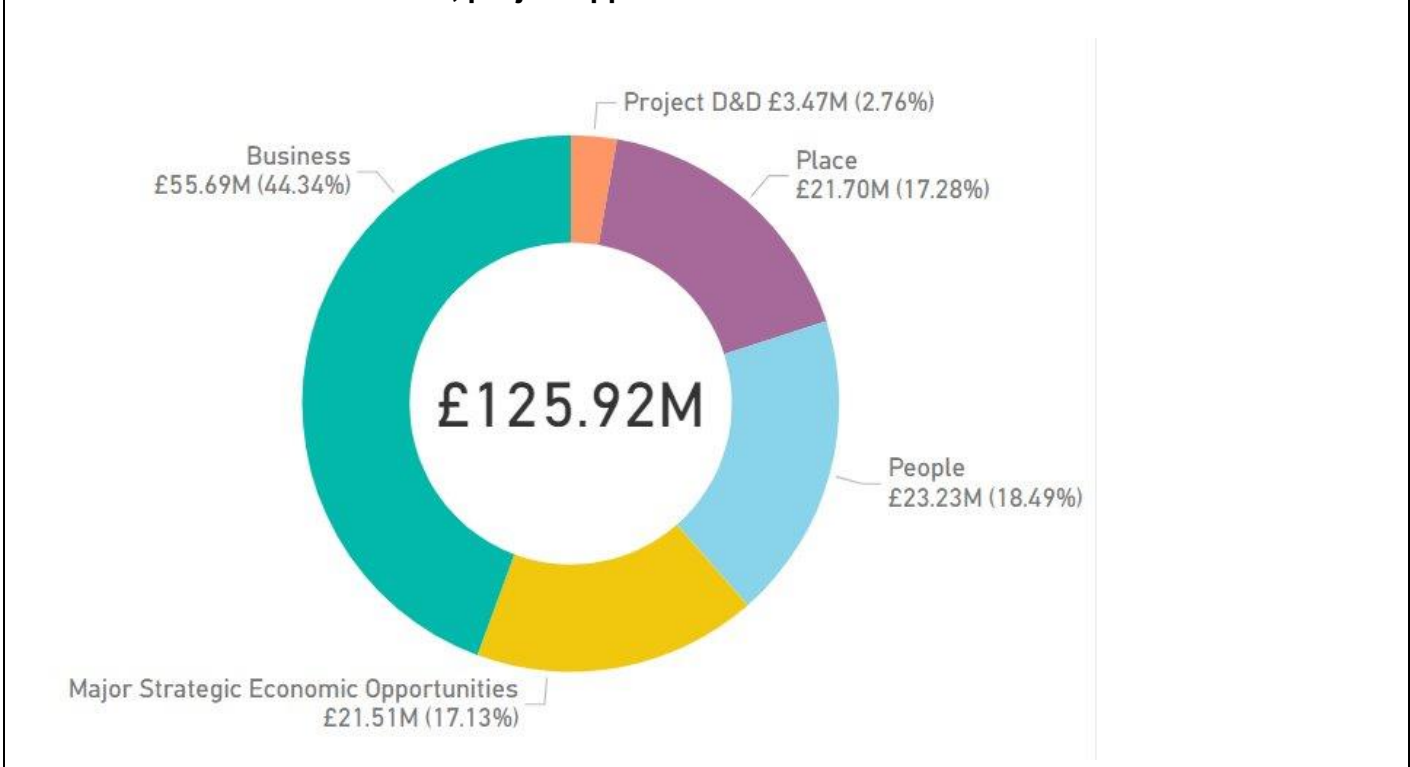
Source: North East Chamber of Commerce.

- 1.4. Against this backdrop, the Combined Authority continues to invest to support inclusive economic growth, and this report provides updates on:
- delivery of the Investment Fund, including substantial progress towards our 30-year 10,000 new jobs target;
  - project approvals in relation to digital innovation, housing development, decarbonisation advice, community-based support, and capital development; and
  - the North East Investment Zone.

## **2. Progress with Investment Fund, UKSPF and Brownfield Housing Fund**

- 2.1. Delivery of the Investment Fund Programme continues with 158 projects approved since the launch of the Combined Authority, providing direct support to residents, promoting business growth and investing in our communities. These projects are expected to create 5,377 jobs, more than half of our thirty-year target. The first 2,348 new jobs have been created and verified, with North East residents employed as a direct result of NTCA investment. In addition, 1,959 roles have been confirmed as safeguarded.
- 2.2. Excluding the projects discussed in this report, the Combined Authority has put in place contracted Investment Fund spend of around £126m (Chart 2), covering commitments and expenditure to 2029-30. Investments by the NTCA are expected to bring in more than £300m of private sector leverage.

**Chart 2: NTCA Investment Fund, project approvals to date**



2.3. The NTCA was allocated funding of £47.1m for ‘core-UKSPF’, £4.1m for the ‘Multiply’ adult numeracy programme and £3.0m of Rural England Prosperity Funding. UKSPF will enable investment in communities and places, advice for businesses, employment support, numeracy and broader skills, and supporting the rural economy.

2.4. Including the project discussed in this report, a total of £40m of project funding for the core-UKSPF, Rural England Prosperity Fund (REPF) and Multiply Programmes has now been approved – over three quarters of the total allocation received from Government.

**Table 2: UKSPF approvals**

UKSPF Investment Priority	Total approvals (£m)
Communities & Place	12.3
Supporting Local Business	15.9
People & Skills	4.0
Rural England Prosperity Fund (REPF)	3.0
Multiply Programme	2.7
Programme costs	2.2
<b>TOTAL (UKSPF + REPF + Multiply)</b>	<b>40.1</b>
Note: total allocation = £54.2m	

2.5. Good progress is also being made in respect of the NTCA’s £31.8m Brownfield Housing Fund programme. Cumulatively, the projects described in this report, coupled with previous investment decisions, mean that over £25m of funding has now been approved. These projects are expected to create over 2,000 homes with the extended pipeline accounting for at least 600 more, ensuring we are well on track towards achieving our target of 2,100 homes. Furthermore, approved projects will remediate over 55ha of Brownfield land which will be either reclaimed, re-developed or reassembled.

### **3. Funding approvals**

#### **a. 5G Healthcare Innovation Hub**

- 3.1. The NTCA Cabinet previously approved an allocation of £3.5m in the current programme period for a *5G and Future Connectivity Programme*, with the overall ambition of driving advanced connectivity adoption in key sectors where there is local capability and opportunities to unlock economic benefits, new markets and improve competitiveness. The approach recognises that coordinated investment to support commercialisation of new technologies is required – increasing the opportunities for the area to benefit from the exploitation of future connectivity developments.
- 3.2. In January, Investment Panel approved the 5G Healthcare Innovation Hub project. This will be led by the Centre for Process Industries (CPI) in collaboration with the AHSN (Academic Health Science Network), Northumbria Healthcare NHS Trust, North East and North Cumbria ICB, Waymark Digital, and Cellnex. The project will de-risk and open-up early-stage adoption pathways in a regional health and care setting, supporting the accelerated deployment of new HealthTech devices for improved health outcomes. Total NTCA investment will be £0.985m. In return, the project is expected to work with more than 40 businesses and 2 will receive intensive support to develop new products.
- 3.3. This is the third project under the *5G and Future Connectivity Programme* and follows £1.263m investment to deliver innovation labs at the Port of Blyth and Eldon Square, which will provide access to leading edge tech and co-working space, removing barriers to accessing, testing, and piloting 5G technology solutions.

#### **b. Housing development at Hadston Industrial Estate**

- 3.4. Since the last meeting of Cabinet, a further housing site has been approved by the Chief Executive. This is for the development of the Hadston Industrial Estate in Northumberland, a 2.15-hectare site that has been vacant for over 10 years. The scheme will provide 67 private market sale homes (2 & 3 bed properties) and 8 affordable homes (2 bed properties). Every home will adopt low carbon technologies in the form of Air Source Heat Pumps and Solar Photovoltaics, thereby reducing carbon emissions and lowering energy bills.
- 3.5. Total Brownfield Housing Fund [BHF] investment by the NTCA will be £1.2m, equivalent to about 10% of the overall value of the scheme. The applicant is Ascent Homes, the house-building arm of Advance Northumberland. Without BHF support, the scheme would be commercially unviable and could not be delivered. The funding will contribute to various elements including site acquisition costs, remediation, drainage, highways and the installation of low carbon measures.

#### **c. Supporting residents to decarbonise their homes**

- 3.6. The Chief Executive has recently agreed two complementary projects, which will provide residents with information and advice about how they can decarbonise their homes.
  - i. *One Stop Shop for retrofit advice (UKSPF Funded)*
- 3.7. The One Stop Shop project will provide retrofit advice to residents living in the North of Tyne area, tailored to their property and circumstances. The project is intended to interface with other domestic retrofit programmes, enabling households to benefit from an optimal mix of services. The programme will also support the design of a scalable approach to housing retrofit.
- 3.8. Throughout the lifetime of the project, over 1200 households will receive guidance on the feasibility of different housing retrofit solutions to meet their needs, together with affordability advice and exploration of subsidies available. Investment Panel reviewed the project and approved the use of

£939,738 UKSPF. The project will be delivered by a consortium involving Warmworks and Groundwork, led by the Energy Savings Trust.

*ii. The Local Energy Advice Demonstrator*

3.9. This project is part of a national programme, which is trialling different approaches to providing in-person energy efficiency advice to households, with the aim of reducing carbon emissions and energy costs. The Energy Saving Trust will deliver the £531,943 project, providing advice targeted specifically at hard-to-treat properties and/or hard-to-reach residents across all 7 North East Local Authority areas. The objectives of the programme include testing and learning from various advice methods to inform development of an in-person model that could be replicated nationally. The funding for the programme has been secured from the Department of Energy Security and Net Zero (DESNZ).

**d. Small Grants Programme for community-based support to residents**

3.10. In August 2023, the NTCA's UKSPF People and Skills Investment Plan was amended to include a Small Grants Programme. A call for projects was undertaken in Autumn 2023. All applications were assessed by the team at Rocket Science (who are managing this grants programme on behalf of the NTCA) and reviewed by a moderation panel which included NTCA, North Tyneside Council and the National Lottery Community Fund.

3.11. Following approval by the NTCA Investment Panel and Chief Executive, the NTCA will fund 17 projects. These will support around 1300 residents and provide a wide range of services focussed on tackling barriers to employment – with community organisations drawing upon their specialist areas of expertise, engagement and local assets. The total value of these projects is £744,824.

<b>Organisation</b>	<b>Amount requested</b>	<b>Summary</b>
Family Gateway	£37,300	Support to economically inactive young people aged 16-24 living in Howdon, including care leavers. The project will empower participants, raise aspirations, and equip them with the skills/confidence needed to become work-ready. This includes improve employability of young people transitioning from the care system
The Angelou Centre	£49,606	The project will enhance employability skills, increasing confidence and improving wellbeing for black and minoritized women, most of whom are survivors of violence and abuse.
Anxious Minds	£47,005	The Stepping Stones project focuses on addressing mental health challenges and their causes. This involves tackling the root causes of these barriers and holistically addressing them
The Chinese Centre	£49,977	The RISE (Refugees into Sustainable Employment) project will establish a dynamic learning community, to empower economically inactive individuals, with a focus on BAME refugees and migrants. This will build confidence and promoting proactive job-seeking behaviours.
Junction 42 Foundation	£47,050	This project aim is to move those with a conviction closer to the workplace, using 1:2:1 mentoring and group work, and volunteering placements.
Action Foundation	£50,000	Trauma informed case work to economically inactive asylum seekers and refugees, to engage them with work- related activity and prepare them ready for mainstream employability support.



Justice Prince CIC	£50,000	This project involves piloting an action-based learning approach, in a community context. It will engage and support economically inactive people of working age in community-based action to increase soft skills, build confidence, increase social inclusion and reduce barriers to support progression closer to mainstream support and towards employment.
North Tyneside Carers' Centre	£48,270	This project will provide intensive and carer-specific employability support, to young adult carers across North Tyneside. The support will focus on overcoming the unique barriers that young adult carers face and equip them with the life skills, confidence, and empowerment needed to pursue their aspirations. The project will complement the Carers Into Work Project currently being delivered.
YMCA Newcastle	£45,049	Support for young people with learning difficulties and disabilities, including activities that will motivate and inspire them to identify and explore opportunities to support personal progression including volunteering opportunities.
People and Drugs (Silx Teen Bar)	£26,250	This project will provide support to young people aged 16-24 living in Blyth who are furthest away from the job market. It will offer provision that is flexible and engaging that encourages involvement and leads to progression into education and employment.
Bell View (Belford)	£47,561	Employability support for the economically inactive, within rural North Northumberland. Focus on the additional barriers such as rural transport, fewer local employment/ education opportunities, limited internet access.
Ouseburn Farm Charity Ltd	£38,138	A pilot of a new model of supported volunteering, targeted at an existing cohort with mild or moderate learning difficulties, anxiety or mental health issues.
SportWorks	£37,490	To support disengaged young people 16-24 years living in the East End of Newcastle who are economically inactive, to raise aspirations and support them to become work ready and boost self-esteem and confidence.
Mortal Fools	£49,598	Targeting 16-30 year olds with employability involving creative and youth sector partners. Focusing on North and South East Northumberland.
Riverside Community Health Project	£41,987	Support in a deprived area, particularly those far from employment, in particular parents of young children as a target group, aiming to reduce the barrier of inadequate crèche provision.
Newcastle Carers	£49,928	Supporting economically inactive carers to make informed decisions about their future employment and education.
North Tyneside Disability Forum Ltd	£29,615	Support for people facing additional barriers and disadvantage, as a result of disabilities.

#### e. NEMCA Early Capital Regeneration Funding

3.12. Last year, NTCA Cabinet agreed the combined authority would act as the accountable body for a programme of capital investment in regeneration secured as part of North East devolution negotiations. The programme addresses early priorities identified by the forthcoming North East Mayoral Combined Authority. Through a call process, an investment pipeline has now been agreed by the Chief Executive, including:

- Gateshead Quays and Railway Quarter
- Aykley Heads

- NETPark Phase 3
- Creative Central in Newcastle
- Blyth Culture Hub and Market Place
- North Shields Town Centre
- Prince George Square Student Accommodation

3.13. Following the production and external appraisal of business cases, the first three of these projects have now been approved by the Chief Executive under delegated authority.

*i. Gateshead Quays and Railway Quarter*

3.14. This project will help support the delivery of a world class International Conference Centre (ICC), Arena, hotels, hospitality venues and quality public realm will be built on Gateshead Quays. It will solve the current lack of conference facilities, paired with a dilapidated existing arena and unmet demand for SME business space – which constrains regional tourism growth and new job creation.

3.15. The additional funding will accelerate and expedite two projects within the Quays programme – firstly, accelerating enabling works for the ICC site; and secondly, enhancing public spaces and routes through the Railway Quarter, safeguarding existing and providing scope for new businesses to add value to the ICC offer; accelerating delivery of new offices and infrastructure, improving business sentiment and increasing private investment.

3.16. The Gateshead Quays project is outlined as a key strategic site in the NE devolution deal, and the full scheme has secured planning permission with the two projects being delivered on Council land. Work will start on site in Spring 2024 and funding will be spent by March 2025.

3.17. The total funding awarded to the project is £3.5m.

*ii. Aykley Heads, Durham*

3.18. Aykley Heads is home to existing influential national businesses, such as Atom Bank. The next development phase of the 60ha site will create a nationally significant Innovation District in the heart of Durham City. The scheme will deliver high quality office space and provide an innovation ecosystem that allows business to thrive. It will drive a step change in economic growth, providing 4,000 jobs, 38,468sqm commercial floorspace, links to the Milburngate mixed-use development, and enable a new cultural creative venue.

3.19. Durham County Council has worked closely with Durham University to shape the Innovation District, securing a hybrid planning consent. This Innovation District is identified as a key priority within the NE Devolution Deal.

3.20. £9.2m will be invested to accelerate delivery of this project, including:

- Costs associated with the demolition of County Hall such as provision of surveys, studies and environmental assessments.
- Delivery of enabling infrastructure.
- Creation of a new central connectivity corridor.
- Construction of a new cultural venue.
- Procurement of a development partner.

*iii. Scheme 3: NETPark*

3.21. NETPark Phase 3 is a £62.6m project to expand a nationally significant science park, which is already home to three national Catapults, three national innovation centres, 40 businesses and provides 700 jobs. Phase 3 will deliver over 230,000 sq. ft of new lab and scale-up production space; create a further 1,250 high value jobs; unlock safeguarded land for future phases; and generate £625m of GVA for the region.

- 3.22. Highlighted as a key priority in the North East Devolution Deal, the total cost of the project is £62.6m, funded by £48m of Durham County Council investment and £3.9m of NELEP funding. Early capital regeneration funding will contribute to building and construction costs associated with the phase 3 development, and in doing so provide the balance of funding required for the scheme.
- 3.23. Total funding to be awarded to this project amounts to £10.7m, consisting of £9.7m associated with building and construction costs for NETPark Phase 3 and £1m to fund installation of photovoltaic solar panels. This will improve the overall environmental credentials of the scheme and help meet the region's carbon reduction targets. Investment equates to a combined Capital Grant award of £10.7m.
- 3.24. The project commenced in Spring 2023 with full planning permission and a fixed construction price agreed with Kier Construction. The scheme is expected to complete by February 2025. Capital regeneration funding will contribute to overall scheme costs; Government has previously agreed that costs incurred since April 2023 are eligible for this fund.

#### **4. NE Investment Zone**

- 4.1. Investment Zones [IZs] are being introduced by Government to accelerate economic growth through clustering and agglomeration in specific sectors with significant growth potential. This includes supporting Research & Development and Innovation and maximising their contribution to sector growth. The North East was invited to bring forward a proposition when the policy was announced in March 2023, alongside 7 other English areas. In November, Government announced that the programme would be extended from 5 to 10 years, with the total amount of funding available to each Investment Zone increased from £80m to £160m.
- 4.2. Key elements of Government Investment Zone policy are:
- Each Investment Zone can include up to three tax sites of 200ha each, where new investment on under-developed land will benefit from tax reliefs on: Employer National Insurance contributions, business rates, stamp duty and enhanced capital allowances benefits.
  - Flexible cash funding of at least £70m per zone across the 10-year programme period, with additional flexible cash funding available if the full tax site allocation isn't taken up.
  - All proposals must include a degree of match funding and have a primary sector focus.
  - Investment Zones can choose to have up to two business rates retention sites, with all growth in business rates income over 25 years retained by the IZ to reinvest in relation to IZ objectives.
- 4.3. On 24 November, Government and NEMCA announced that the North East Investment Zone [NEIZ] will support growth in Advanced Manufacturing and Green Industries. We are now at a stage of development where it is necessary to seek approvals from the NTCA to agree to act as accountable body for the NEIZ as it is expected that the proposal will be signed off by Central Government in March 2024, with implementation starting April 2024. From 7 May the accountable body status will move to NEMCA. In parallel, the Cabinets of Sunderland City Council, South Tyneside Council and Northumberland County Council are being asked to agree the two proposed business rate retention sites.
- 4.4. Following an extensive process of co-design with Government – alongside consultation and engagement with businesses, universities, FE colleges and other stakeholders – the key features of the proposed North East Investment Zone have been agreed by Leaders across the region. These details are subject to Government sign-off, which is expected in March 2024. Cabinet is asked to delegate finalisation of the NEIZ proposition to the NTCA Finance Director and Chief Executive.
- 4.5. The NEIZ will have a sub-sectoral focus of 'clean energy and green manufacturing', building on the 'Arc of Innovation' set out in the Devolution Deal and the world class strength of the region's Offshore, Engineering and Green Manufacturing industries. This is also consistent with the proposal in the

Devolution Deal for an 'Inclusive Innovation Deal' – to translate the region's world class research expertise into jobs, skills and inclusive growth outcomes.

- 4.6. It will have a focus on the following sub-sectors and four 'intervention sites', which have been agreed given opportunities to support new investment and innovation activity aligned with IZ objectives in:
- Offshore energy – Blyth Energy Central and the Tyne Powered Corridor
  - Batteries - International and Advanced Manufacturing Strategic Site (IAMSS) and Blyth Energy Central
  - Electric vehicles – International Advanced Manufacturing Strategic Site
  - Associated advanced low-carbon manufacturing, materials and research – NETPark
- 4.7. The following objectives have been agreed for the NEIZ:
- Unlock substantial private sector investment and job creation, as a flagship Levelling Up intervention
  - Stimulate economic benefits that are felt across the region as a whole, contributing significantly to delivery of devolution objectives of creating good jobs and reducing inequality
  - Support the transition to Net Zero – both nationally and regionally.
- 4.8. There are significant economic opportunities associated with our chosen sectors. Modelling to date has highlighted the potential for the creation of around 10,000 skilled jobs over the life-time of the initiative, with additional jobs created in construction and across supply chains.
- 4.9. In order to maximise these economic opportunities, we have developed the following principles which will underpin our proposals. The NEIZ should:
- Be cost-competitive with other locations (nationally and internationally)
  - Have a skills offer which meets the needs of businesses
  - Facilitate collaboration between industry and innovation partners to address sector constraints, through test facilities, digitisation, process innovation, access to knowledge and expertise
  - Develop an overall Delivery Plan to bring forward sector-specific development on suitable sites and premises, phased to meet industry needs
  - Ensure a level playing field across the intervention sites and minimise the risk of displacement within the region.
- 4.10. The region's universities have been actively involved in the development of the Investment Zone proposal, and will play a key role in aligning investment, expertise and academic programmes with the IZ sectors to help maximise growth opportunities. This collaboration with research institutions on the IZ, referred to by Government as the IZ Knowledge Anchor, will be one part of the wider work within and across the sector as stakeholders come together across a wider series of interventions as set out in para 1.5 enabled by the Devolution Deal. Similarly, there will be an important role for colleges and other Further Education institutions, particularly in relation to skills.
- 4.11. Within the context set out above, the region will bring forward four Intervention Sites overall, each identified as either an 'IZ Tax Site' or 'IZ Growth Site'. This reflects the differing nature of the sites in terms of the economic opportunities and the constraints which need to be addressed to unlock private sector investment. Within IZ Tax Sites, new and expanding businesses will have access to tax benefits (ie tax relief in relation to National Insurance, business rates, stamp duty and enhanced capital allowances). At IZ Growth Sites, businesses will have priority access to the additional flexible spend (secured as a result of requesting fewer than 3 tax sites) which is intended will take the form of a capital-based co-investment programme, designed to be broadly comparable to the value of tax benefits, to ensure a level playing field and target the constraints to growth specific to those areas. The distinction in relation to tax and growth sites reflects consideration of the available Investment Zone benefits and those levers which are most likely to be effective in unlocking economic growth at the respective sites. The flexible funding set out in section 3 is in addition to this and will enable investment in infrastructure, skills and innovation.
- 4.12. The approach agreed by Leaders is that the NEIZ will be based on:
- IZ Tax sites: International Advanced Manufacturing Strategic Site and Blyth Energy Central

- IZ Growth Sites: Tyne Powered Corridor and NETPark:

4.13. The precise boundaries of these sites are still under discussion with Government and are expected to be published in the next few weeks. The following paragraphs provide an overview of opportunities at the four sites:

*i. Blyth Energy Central*

4.14. The energy cluster across the Blyth estuary and wider hinterland currently supports around 2,700 jobs, with key businesses including the Port of Blyth, Royal IHC and TFKables/JDR Cable Systems. Blyth is also home to the R&D and testing facilities of the Offshore Renewable Energy Catapult. There are significant further employment opportunities associated with both offshore renewables, electrification and wider infrastructure. Key objectives include confirmation of a gigafactory on the NEP3 site, with the potential for more than a thousand new jobs plus more with the potential supplier base on adjacent sites, alongside securing further opportunities in offshore wind and wider infrastructure. There is recognition at national levels of the importance of the site and as such the County Council is in dialogue with Government and the administrators over the best way forward for the former 'BritishVolt' site to meet regional and national priorities. IZ tax benefits would provide a clear incentive for investment at scale – alongside wider IZ benefits around skills and innovation.

*ii. Tyne Powered Economic Corridor*

4.15. The Tyne currently accommodates around 3,500 jobs in the Energy, Offshore and Marine sector, with businesses including the Port of Tyne, Shepherd Offshore, Equinor and Smulders Projects.<sup>2</sup> Going forward, there are opportunities to support the growth of existing businesses, their transition to renewable energy and to attract new investment in the offshore wind sector. The Tyne is one of a small number of UK locations with the potential to support major expansion of the offshore wind sector and the river has already supplied foundations, cables, operations & maintenance and ROV vehicles to projects. The Tyne Powered Economic Corridor Growth Site will support new investment in the sector from existing and new businesses, whilst the IZ is also expected to contribute to the, increasing, research & development presence and help tackle skill shortages.

*iii. International Advanced Manufacturing Strategic Site*

4.16. The automotive cluster, anchored by Nissan, already employs more than 12,900 people (2019<sup>3</sup>) in the NEMCA area, including at the International Advanced Manufacturing Park, which is located on the boundary between Sunderland and South Tyneside. The AESC battery gigafactory is currently under construction on the International Advanced Manufacturing Park and is expected to employ over 1,000 residents when operational in 2025 and Nissan announced further Electric Vehicle investment in November 2024 with associated supply chain opportunities. Hillthorn Business Park adjacent to IAMP, provides early IZ delivery opportunities with speculative / occupier-led development to be brought forward in phases at IAMSS. Discussions are ongoing with a number of companies linked to electrification who are interested in locating within the tax site or expanding their current facilities. This reflects the increasing requirement for Nissan to localise supply chain to maximise cost competitiveness. IZ tax benefits would provide a directly quantifiable benefit to these businesses, who are currently considering investment decisions on the basis of financial viability. Businesses have also highlighted the importance of addressing significant workforce requirements, including around battery / EV production and industrial digitisation alongside enabling infrastructure as key to unlocking further private sector investment.

*iv. NETPark*

4.17. NETPark is a nationally significant science park that is already home to three national Catapults, three national innovation centres, 40 businesses (including Kromek and Pragmatic) and 700 jobs –

<sup>2</sup> KPMG (2023), Tyne study. Note that there are 3500 direct jobs in offshore energy on the Tyne; after multiplier effects these are estimated at contributing 6,000 jobs.

<sup>3</sup> [North East LEP, Emergent Markets – Autonomous and Electric Vehicles](#)

set within a 72-hectare site. The next phase of development will: provide over 230,000 sq ft of new lab and scale-up production space; create a further 1,250 high value jobs; unlock safeguarded land for future phases; and generate £625m of GVA for the region. Infrastructure and enabling works are already underway and the first buildings are due to be completed in 2025. IZ Growth Site status will help deliver the projected growth, by attracting new businesses in the IZ sectors to the site, and enabling further investment into the innovation, infrastructure and skills offer at NETPark.

### *IZ Flexible Spending*

- 4.18. The NE Investment Zone will have £70m of flexible funding over the ten years of the IZ, with a £7m allocation per year. This funding is available on a 60:40 capital:revenue basis, and Government has published a menu of pre-approved interventions aligned with the themes of skills, infrastructure, innovation, planning, and business support.
- 4.19. The proposed allocation for this flexible spending in the region across the ten years is:
- Skills (£30m)
  - Infrastructure (£30m)
  - Innovation (£10m)
- 4.20. The skills resources will help to address sector-specific skills shortages which have been identified as a barrier to investment. The focus will be on delivering skills and qualifications in clean energy and green manufacturing where there is current employer demand, and further significant growth is forecast. The interventions developed for delivery will align with the Local Skills Improvement Plans and be demand driven; our intention is to also provide an opportunity for residents from across the region currently in low paid/low skilled jobs to re-train and upskill for roles in sectors that offer higher pay.
- 4.21. The infrastructure resources will be focused on the four IZ Intervention Sites. NEMCA will develop a pipeline for capital investment on these sites, initially prioritising interventions which will have a direct impact on unlocking new investment and creating jobs within the first 5 years of the IZ. This is anticipated to include addressing infrastructure constraints such as energy infrastructure and utilities connections, brought forward at the most appropriate time and reflecting market requirements.
- 4.22. The innovation resources will support research into industry challenges identified by businesses in our IZ priority sectors, and facilitate collaboration between research institutions and the private sector. The longer-term outcomes of this programme are anticipated to produce cost savings for advanced manufacturing and renewable energy production, improving productivity through the adoption of new technology and processes including digitisation, and creating highly skilled jobs. The programme will have positive spill over effects by increasing the attractiveness of North East research institutions to post-graduate students, and attracting further funding for R&D from national programmes and the private sector.
- 4.23. The NEIZ will also receive additional flexible funding, as a result of taking up less than the maximum allocation of tax sites. The precise level of additional funding is still to be confirmed with Government, with the intention being that this funding, will be prioritised for co-investment with the private sector in infrastructure and innovation interventions on the IZ Growth Sites.

### *Business Rates Retention*

- 4.24. The NEIZ proposition includes two Business Rates Retention sites linked to the two Tax Sites – with approvals being sought from Northumberland and Sunderland/South Tyneside Councils respectively. These sites will enable the region to benefit from the retention of all growth in business rates over the next 25 years – as opposed to the standard 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. To maximise its impact, and embed the principle of no detriment to individual Local Authorities, an IZ business rates Reinvestment Strategy has been agreed with Government through the co-development process. The Reinvestment Strategy would enable the host local authority to retain the funding which it would otherwise have received from

business rates growth under the normal business rates regime prior to a re-set / future re-sets, if the site had not been put forward for BRR. The Strategy is based on the following reinvestment principles:

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

4.25. An agreement with Northumberland County Council, Sunderland City Council and South Tyneside Council will be put in place to operationalise these arrangements.

#### *Governance and decision making*

4.26. To implement the NEIZ, it is necessary to formally agree that the Combined Authority acts as the accountable body for the funding and administration of the programme. NTCA Cabinet is asked to make that decision today. Once details of the NEIZ have been finalised, NTCA will enter into a formal legal agreement with Government, taking responsibility for:

- Delivery and securing outcomes
- Financial management
- Monitoring and reporting

4.27. From May, NEMCA Cabinet will be the decision-making body for the Combined Authority, including for the Investment Zone. The NEMCA Finance & Investment Board will advise Cabinet on IZ investment decisions, whilst also overseeing progress of the IZ, undertaking regular financial and operational monitoring.

4.28. In line with Government guidance, we will establish an Investment Zone Advisory Board. This will enable a wider group of stakeholders to influence and support IZ delivery and monitoring. The Advisory Board will initially be chaired by the NEMCA Chief Executive, with senior membership from: Local Authorities; private sector businesses in the IZ sector clusters, including those located in IZ sites; Universities and other regional research institutions and Catapults; Further Education colleges; and relevant cluster and sector bodies. This is expected to be convened in shadow form prior to formal establishment of the Investment Zone by Government.

4.29. Subject to the agreement of the recommendations in this report, the next steps are:

- Further co-development of the NEIZ proposition with Government, including the development of detailed site delivery plans and finalisation of the Business Rate Retention and Tax Site maps.
- Approval from Government (expected in March)
- Launch of NEIZ (April)

#### **B. Impact on NTCA Objectives**

Programme delivery as described in the report is consistent with the priorities set out in NTCA's corporate plan and UKSPF delivery plan. The NEIZ is clearly aligned to NTCA and NEMCA priorities, including as set out in the NEMCA devolution deal.

#### **C. Key risks**

Programme risks are managed in line with agreed processes and individual project risks have been considered as part of the application and appraisal process.

A detailed risk register for the Investment Zone is being prepared, enabling risks to be monitored and mitigating actions to be introduced. Going forward, these risks will be monitored through the NEMCA Finance and Investment Board.

#### **D. Financial and other resources implications**

All the proposed project approvals set out in this report will be funded from the Investment fund, UK Shared Prosperity Fund, Brownfield Housing or devolved NEMCA funding.

The Investment Zone comes with a package of funding from Government which is valued at £160m. This includes funding for interventions, tax benefits and for programme delivery costs. It is anticipated that delivery resources will be made available from the flexible fund to ensure NEMCA has the capacity to meet the requirements of the programme. As the report set out in Section 4, there will be two Business Rates Retention sites and an agreement will be put in place with the host local authorities around the management of business rates and the Reinvestment Strategy. Estimates of Business Rates income and its application are currently being modelled. Any planned use of the income alongside the flexible grant funding will be considered as part of the planned governance process for NEMCA. There are no other direct financial implications for the Combined Authority arising from this report.

#### **E. Legal implications**

The Monitoring Officer's comments have been included in this report.

#### **F. Equalities implications**

The NTCA seeks to actively narrow inequality under the terms of the Equality Act 2010. An equality impact assessment of the Investment Zone will be undertaken when further details have been agreed with Government.

#### **G. Inclusive Economy and Wellbeing implications**

The inclusive economy case is assessed on an individual project basis as part of the assessment process and is embedded within the Investment Fund criteria. The activity described within this report is considered to positively support the Inclusive economy priorities of the Combined Authority, particularly by supporting the development of jobs and through skills interventions to support access to employment.

#### **H. Climate Change implications**

The activity described within this report is considered to positively support the climate change priorities of the Combined Authority, given the focus of the NEIZ on low carbon sectors and through the retrofit projects.

#### **I. Consultation and engagement**

Stakeholders have been engaged in the development of project proposals

#### **J. Appendices**

None

#### **K. Background papers**

[Investment Zones Policy Prospectus](#)



**L. Contact officer(s)**

Rob Hamilton, Head of Strategy and Innovation  
[rob.hamilton@northoftyne-ca.gov.uk](mailto:rob.hamilton@northoftyne-ca.gov.uk) Tel: 0191 277 8947

**M. Glossary**

NTCA	North of Tyne Combined Authority
NEMCA	North East Mayoral Combined Authority
DLUHC	Department for Levelling Up, Housing and Communities
IZ	Investment Zone
NEIZ	North East Investment Zone

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## Report Summary

This report is the third quarter monitoring report to Cabinet on the 2023-24 financial position. The report brings together the forecast financial position for the Corporate Budget and all funding streams as at 31 March 2024, with a snapshot of balances and funding from 31 March 2024 to the establishment of the new combined authority on 7 May 2024. The report also sets out the indicative reserves position on 7 May 2024.

The report sets out in Section 11 details of the early priority actions being undertaken in advance of the establishment of the North East Mayoral Combined Authority (NEMCA) where NTCA is acting as the accountable body. This includes the approach being taken to ensure delivery of the devolved AEB and Skills Bootcamps is underway by the timescales of 1 April 2024 for Skills Bootcamps and 1 August 2024 for devolved AEB.

## Recommendations

The Cabinet is recommended to:

1. Note the 2023/24 forecast budget monitoring position for the Combined Authority as set out in Section 2 Corporate Budget, Section 4 Investment Fund (including capital spend), Section 5 Creative Growth Programme, Section 6 UK Social Prosperity Fund (UKSPF) including Multiply and Rural England Prosperity Fund, Section 7 Brownfield Housing Fund, Section 8 AEB, Section 9 and 10 Bootcamps Wave 3 and 4 and Section 12 Reserves position; and
2. Approve the issuing of “in-year growth” awards totalling £1.366m for further AEB provision during the AY year 2023-24 as set out in paragraph 8.7.
3. Approve the issue of ‘letters of comfort’ to identified Grant Providers setting out their indicative funding allocations for delivery of the devolved AEB from 1<sup>st</sup> August 2024. The letters of comfort will precede the issue of Grant Agreements to these providers once NEMCA is established as set out in section 11.
4. Approve the issue of Flexible Adult Skills Framework Agreements to the organisations who submitted a successful tender to the procurement of the Framework in November 2023 as set out in section 11.
5. Authorise the Chief Executive in consultation with the Chief Finance Officer and portfolio holder for Education, Inclusion and Skills to approve any subsequent grant agreements and /or call-off contracts procured from the Flexible Adult Skills Framework for the delivery of skills programmes from 1<sup>st</sup> April 2024 as set out in section 11.

## A Context

### 1. Introduction

- 1.1 Cabinet approved the 2023/24 budget on 31 January 2023. Included in that budget was the estimated expenditure across the year for the Corporate Budget, Investment Fund, Brownfield Housing Fund, UKSF, Adult Education Budget and Bootcamps.
- 1.2 The 2023/24 Q3 budget monitor reflects the forecast financial position of the North of Tyne Combined

Authority (NTCA) as at 31 March 2024, with an additional forecast financial position for the period from 1 April 2024 to 6 May, 2024, being the extended year end position prior to the establishment of the North East Mayoral Combined Authority (NEMCA).

- 1.3 NTCA is now in year 6 of delivery after successfully passing the first five-year gateway review securing ongoing funding for continued and increased delivery, £154.245m has been allocated to date. Since the budget for 2023/24 budget was approved, NTCA has been awarded regional capital monies (£15.350m) from the Department of Levelling up Housing and Communities for three specific schemes. Creative Growth Programme is another new area of delivery where the Combined Authority is now acting as accountable body for the North East seven local authorities. UK SPF continues to gain momentum alongside Multiply and Rural England Prosperity Fund. Adult Education Devolved Budget alongside Bootcamp funding continues to deliver against the NTCA's Strategic Skills Plan targeting a number of priority sectors, i.e. tech and digital, green growth and energy, health and ageing and longevity to help meet skills shortages in the area.

## **2. Corporate Budget**

- 2.1 The Corporate Budget is set at a net zero position covering the costs associated with the capacity required to deliver across all portfolios. Table 1 reflects the 2023/24 forecast position across the key income and expenditure heads within the Corporate Budget head.
- 2.2 Gross expenditure is anticipated to exceed budget by £3.797m at this point in the financial year. The main variation is a proposal to create a reserve at the year end from additional interest income earned from cash balances. Employee expenditure is forecast to exceed budget by £0.508m but this is matched by an increase in grant income and reflects the increase in delivery on both Investment Fund and UKSPF projects. There are now 96 staff directly employed by the Combined Authority.
- 2.3 The Other Costs budget includes £0.500m budget which is earmarked for Transition costs. Transition costs are forecast to exceed budget by £0.095m at this time. The remaining budget in relation to other costs include budgets for accommodation, external advisors, external audit costs, training and recruitment, marketing and communications, stationery and travel and subsistence costs. Although the accommodation budget is due to exceed budget by £0.020m (as the reduced lease costs received in the first two years comes to an end) and there is a call against the external advisory budgets in excess of budget £0.120m against a budget of £0.100m, the total budget for other costs is anticipated to underspend by £0.044m. This is due to underspends on a range of small budget lines budgets such as stationery, travel, training and recruitment.

**Table 1: Q3 2023/24 Corporate Budget Monitor**

	2023/24	2023/24 Q3 Spend	31 March 2024 Forecast	Variance	Forecast Balances 31 March 2024 - 06 May 2024
	£m	£m	£m	£m	£m
<b>Expenditure</b>					
Staffing	4.786	3.552	5.290	0.504	0.460
Mayor's Office	0.288	0.216	0.292	0.004	0.028
Other Costs	2.078	0.766	2.034	(0.044)	0.200
Transition Budget	0.500	0.289	0.595	0.095	0.048
Contribution to Reserves	0.000	1.588	3.238	3.238	0.176
Transport Levy	30.561	22.921	30.561	-	2.939
SLAs	0.271	0.202	0.271	-	0.026
<b>Total Expenditure</b>	<b>38.484</b>	<b>29.534</b>	<b>42.281</b>	<b>3.797</b>	<b>3.876</b>
<b>Income</b>					
Grant Income	(6.937)	(4.314)	(7.401)	(0.464)	(0.750)
Constituent Authority Contributions	(0.111)	(0.111)	(0.111)	-	(0.011)
Interest on Investments	(0.275)	(1.588)	(3.608)	(3.333)	(0.177)
Contribution from Reserves	(0.600)	(0.600)	(0.600)	-	-
Transport Levy	(30.561)	(22.921)	(30.561)	-	(2.939)
<b>Total Income</b>	<b>(38.484)</b>	<b>(29.534)</b>	<b>(42.281)</b>	<b>(3.797)</b>	<b>(3.876)</b>
<b>Net Position (Inc)/Exp</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

- 2.3 The NTCA Corporate Budget is funded from a contribution from its three constituent authorities (£0.037m each, £0.111m in total) and agreed 'top slice' percentage contributions from the Investment Fund (10% of the annual Investment Fund monies); Adult Education Budget (AEB) (3% of annual budget); Bootcamp funding (10%); UKSPF (4%) and Multiply (10%). In addition, staff salaries working on delivery of specific Investment Fund projects are recovered from their respective projects.
- 2.4 Incidental income from interest on the investment of cash balances was set at a prudent level in the 2023/24 budget (£0.275m), however, due to an increase in the level of cash held during 2023-24 and sustained higher interest rates the interest earned on cash investments is expected to be £3.608m in relation to NTCA balances, and a further £0.176m for the period from 31 March to 6 May 2024. It is proposed to create a Transition Reserve with the additional income to ensure continuity of provision for relevant North of Tyne projects whilst early funding decisions for the North East Mayoral Combined Authority are developed during 2024-25. This position will be finalised when the outturn report is presented to Cabinet.
- 2.4 Grant income at Quarter 3, shows an increase of £0.464m relating directly to the increase in the application of the Investment Fund and the UKSPF Workstream activity through increased delivery.
- 2.5 Table 1 includes an additional column to show the extended period from 31 March 2024 to 06 May 2024, a 5-week period leading from financial year end 2023/24 to inception of NEMCA. This column shows estimated income and expenditure for this period, with the actual interest on investment income for the period.

### 3. NTCA Funding

3.1 From a standing start in 2018, as a new organisation working across a new geographical remit, and with no legacy projects or pre-existing investment pipeline in place, the North of Tyne Combined Authority has collaborated with the constituent local authorities and other Stakeholders to design and deliver the North of Tyne Investment Fund (NTIF). This has included leveraging investment in major capital and infrastructure projects such as the Brownfield Housing Fund (BHF). Revenue funding has been used to invest in services to unlock inclusive economic growth, for example in workforce skills training. In addition to this the Combined Authority has been awarded regional capital monies (£15.350m) from the Department of Levelling up Housing and Communities for three specific schemes. Creative Growth Programme is another new area of delivery where the Combined Authority is acting as accountable body for the North East seven local authorities. UKSPF continues to gain momentum alongside Multiply and Rural England Prosperity Fund. Adult Education Devolved Budget alongside Bootcamp funding continues to deliver against the NTCA's Strategic Skills Plan targeting a number of priority sectors, i.e. tech and digital, green growth and energy, health and ageing and longevity to help meet skills shortages in the area.

3.2 Table 2 below sets out an overview of NTCA current funding streams illustrating the increased level of delivery of the Mayor and Cabinet's policy priorities. Section 4 –10 details delivery against each of the individual funds.

**Table 2: Overview of NTCA Income Funding Streams**

Name of Fund	Grant Funding Organisation	Funding Detail	Total Funding Award	Prior years Funding	Funding 2023-24
			£m	£m	£m
North of Tyne Investment Fund (NTIF)	DLUHC	30years £20m	600.000	100.000	20.000
Capital Funding	DLUHC	One-off funding received March 2023	15.350	15.350	-
Creative Growth Programme	DCMS	£0.425m pa for 3yrs	1.275	0.425	0.425
UK Shared Prosperity Fund (UKSPF)	DLUHC	£47.084m Revenue/Capital 2022-2025	47.084	5.740	11.428
UKSPF Multiply	DLUHC	£4.128m Revenue 2022-2025	4.128	1.248	1.410
UKSPF Rural England Prosperity Fund	DLUHC	£3.044m Capital 2023-2025	3.044	-	0.761
Brownfield Housing Fund	DLUHC	£31.085m	31.085	12.853	-
Adult Education Budget (AEB) (Devolved)	DfE	£23m pa approx.	705.000	61.846	23.782
AEB Free Courses for Jobs	DfE	£1.5m pa approx.	-	3.255	0.753
Skills Bootcamps Wave 3	DfE	Annual Funding Waves	5.532	3.017	2.515
Skills Bootcamps Wave 4	DfE	Annual Funding Waves	9.230	-	9.230

#### 4. North of Tyne Investment Fund

- 4.1 The North of Tyne Combined Authority is in year 6 of delivery after successfully passing the first five-year gateway review securing ongoing funding for continued and increased delivery against the North of Tyne Investment Fund, with £154.245m allocated spend and over 160 projects and programmes approved since the launch of the Combined Authority, providing direct support to residents, promoting business growth and investing in our communities. These projects are on track to create 5,235 jobs based on current commitments against a target of 10,000, with the first 2,348 new jobs created and 1,959 jobs safeguarded.
- 4.2 Table 3 reflects the Investment Fund by Portfolio in line with the Corporate Plan and then shows spend to date and forecast spend by the end of the financial year 2023/24 against the original Investment Fund allocation.

**Table 3: Investment Fund by Portfolio**

	Allocation	Q3 Cumulative all years spend to Date.	Forecast Spend at 31/03/2024	Estimate 1/4/2024 – 6/5/2024. (5wks)
	£m	£m	£m	£m
Investment and Resources	12.000	11.500	12.000	0.192
Jobs, Innovation and Growth	53.178	20.577	26.192	0.647
Education, Inclusion and Skills	19.100	9.189	11.823	0.943
Clean Energy, and Connectivity	10.736	4.345	8.859	0.126
Culture, Creative and Rural	19.004	9.500	12.266	0.435
Housing, Land and Development	28.192	4.071	14.557	0.634
Social Economy and Communities	3.035	2.362	2.638	0.011
Green New Deal and Connectivity	9.000	0.590	8.808	0.847
<b>Totals</b>	<b>154.245</b>	<b>62.134</b>	<b>97.143</b>	<b>3.835</b>

- 4.3 Table 3 illustrates the significant progress made in decisions and actions to deliver the overall Investment Fund programme since the establishment of the Combined Authority with programmes and project allocations totalling £154.245m. This is an increase of £17.663m from what was reported in Q1 due to previously approved programmes including Access to Finance, 5G and the Northumberland Line now being reflected in the allocation total. Although financial performance in terms of spend to the end of December 2023 is £62.134m the forecast spend position by the end of the financial year reflects a substantial increase. This reflects many projects coming into their final year of delivery against the original set of allocations. The balance of committed spend into future years is £54.024m. Delivery of this will continue to be spent beyond 2023/24 into 2028/29 into the first five-year period of the North East Mayoral Combined Authority where there are approvals in place.
- 4.4 The North of Tyne Investment Fund gainshare of £20.000m received annually is all revenue. However, there are projects funded from the Investment Fund which are being used for capital purposes in addition to revenue. Table 4 overleaf shows the Investment Fund projects by Theme and Workstream split over revenue and capital funding. Capital spend represents £27.355m of current live projects within the Investment Fund.





The North of Tyne Investment Fund monies has also funded/contributed to two 'evergreen' funds as detailed below:

#### 4.6 Green New Deal Fund (GNDF)

4.6.1 The Green New Deal Fund leverages private sector resources to deliver an £18m investment fund, enabling the North of Tyne to take a lead in an area that is fundamental to future growth, recovery, and the achievement of net zero. In April 2020, NTCA approved an Energy, Green Growth and Climate Change Blueprint and agreed a £24.2m investment fund allocation which included £10m for a Green New Deal Fund, £9m to be utilised to establish the actual Green New Deal Fund, and up to a maximum of £1m to be utilised to establish technical capacity for the development of a robust low carbon and energy project pipeline.

The Green New Deal Fund incorporates the following elements:

- Leveraging £9m additional private sector investment to NTCA investment of £9m resulting in an £18m programme with a 50% intervention rate. Total fund management costs will not exceed 10% of NTCA investment.
- A mixed grant/loan/equity model - financial instrument with an evergreen component based on a Limited Partnership model.
- A focus on infrastructure projects as well as business growth and innovation with financial models that could be employed to bring forward projects.
- Investment directly into SMEs based in North of Tyne. This funding will be for growth capital which will allow the SME to invest in its R&D, training, and workforce, enabling them to access larger contracts.
- Technical and investment support will be provided to project sponsors to ensure viable projects are brought forward for investment. This support will be aligned with the North East Energy for Growth Accelerator programme.
- The Fund will create high skilled jobs delivering innovative projects across growing sectors, supporting upskilling, creation of apprenticeships/work placements, e.g. the applicant would create a short-term work experience programme for young people interested in green finance.
- The Fund would [will?] work closely with existing initiatives including the Energy Catalyst and local universities to review high Technology Readiness Level projects for consideration and has confirmed there will be an initial period of engagement with the local business development support ecosystem.
- The Fund is expected to deliver significant returns over the medium term. Options for reinvestment for such returns will be considered when the cash is realised.

**Table 5: Forecast Defrayal based on December 2023 pipeline.**

Capital Cost Category	2023/24	2024/25	2025/26	Future Years	Capital Total
	Total	Total	Total		
Funding Committed	£m	£m	£m	£m	£m
Grant	0.450	0.350	-	-	0.800
Loan	3.300	4.000	-	-	7.300
Equity	-	-	-	-	-
<b>Total</b>	<b>3.750</b>	<b>4.350</b>	<b>-</b>	<b>-</b>	<b>8.100</b>

Capital Cost Category	2023/24	2024/25	2025/26	Future Years	Capital Total
	Total	Total	Total		
Funding Returned	£m	£m	£m	£m	£m
Returns	0.006	0.285	0.536	11.070	11.898
<b>Funding Returned Balance</b>					
<b>Returns Total Balance</b>	<b>0.006</b>	<b>0.292</b>	<b>0.828</b>	<b>11.898</b>	

## 4.7 Culture and Creative Investment Programme (CCIP)

4.7.1 The North of Tyne Culture and Creative Investment programme (CCIP) established in June 2021 was an innovative partnership between Creative UK and North of Tyne Combined Authority (NTCA) supporting culture and creative businesses and freelancers across the region offering a combined package of financial and business support, including £0.500m of grants, £1.500m of loans and £0.625m of equity investment – alongside £1.540m of leveraged private investment into the region – with a focus on catalysing innovation across the sector. This was a first of its kind partnership fund pinpointing the creative industries as a key economic growth enabler for a region’s regeneration.

The CCIP was designed to assist businesses with activities such as:

- Developing new revenue-generating products and services.
- Diversification into new forms of practice.
- Developing new business models.
- General business growth.

4.7.2 The first phase of the CCIP programme detailed in 4.7.1 ended in June 2023,,A second programme following on from the first CCIP is funded from the North of Tyne Investment Fund and UKSPF will ensure the momentum and the impact of the investment and support models created through the CCIP are able to continue in supporting the North East’s thriving cultural and creative talent into the future – delivering on NTCA’s ambition of creating an evergreen fund which provides a sustainable and future-proof resource, cementing the creative industries as a key growth sector for the region’s continued growth and prosperity.

4.7.3 Resources required to continue this programme from 1st September 2023 to 31st March 2025 are £2.985m; £2.090m UKSPF and £0.894m North of Tyne Investment Fund. The North of Tyne Investment Funding will be carried forward from the CCIP project currently in delivery, the £0.894m will be used solely for the loan element of the project so no investment to business is lost. The project will attract £1.360m of private sector investment. 200 enterprises will receive business support resulting in 65 grants (£0.600m) and 23 loan and equity deals (£1.290m) being distributed. Table 6 shows the CCIP Expenditure against Funding Profile.

**Table 6: Culture and Creative Investment Programme (CCIP) Funding Profile**

	2023/24	2024/25	2025/26	2026/27	2027/28	Total
	£m	£m	£m	£m	£m	£m
Salary, Marketing, Consultancy Expenditure	0.346	0.749				<b>1.095</b>
Revenue Grant Allocation	0.080	0.520				<b>0.600</b>
Revenue Loan Allocation	0.590	0.700				<b>1.290</b>
<b>Total Expenditure</b>	<b>1.016</b>	<b>1.969</b>				<b>2.985</b>
NTCA Investment Fund Revenue	0.894					<b>0.894</b>
UKSPF	0.122	1.969				<b>2.091</b>
<b>Total NTCA Funding</b>	<b>1.016</b>	<b>1.969</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2.985</b>
Private Sector Match from Loans, Grants and Equity		1.360				1.360
<b>Total Funding (Revenue)</b>	<b>1.016</b>	<b>3.329</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4.345</b>

4.7.4 The mix of funding package offered through the CCIP second Programme will be grants of £0.600m and loans £1.290m. Repayments including interest received on loan repayments recovered from applicants during the course of the Project are ringfenced within the Recipient’s accounts and redeployed against the original agreed programme objectives. A review point will take place at the end of Q3 FY 2024/25 and the steering group will work with the Recipient to develop a plan for the future use of those funds in collaboration with NTCA. Table 7 below shows the current loan repayment profile on loans given out across the CCIP programme, in addition to the below is an £0.100m equity investment however, the repayments for this are not fixed.

**Table 7 Current Loan Principal Repayment Profile with Interest across financial years**

<b>Financial Year</b>	<b>Principal</b>	<b>Interest</b>
	£	£
March 2022-23	108,264	28,466
March 2023-24	201,679	44,915
March 2024-25	233,636	35,612
March 2025-26	229,676	19,907
March 2026-27	134,202	6,145
March 2027-28	26,988	536
<b>Total</b>	<b>934,445</b>	<b>135,581</b>

- 4.8 Additional capital funding of £15.350m was awarded by DLUHC in March 2023 for spend within 2022/2023. However, slippage into 2023/2024 was allowed due to the late receipt of the notification of funding. Table 8 shows the three schemes identified for this additional capital spend.

**Table 8: £15.350m Capital Funding**

<b>Capital Project</b>	<b>Allocation</b>	<b>Spend to Date</b>	<b>Forecast Spend to 2023/24</b>
	£m	£m	£m
Port of Tyne -Tyne Clean Energy Park	8.000	8.000	8.000
Sunderland City Council – Sunderland Studio Development	5.500	4.436	5.500
North Tyneside Council – North Shields Town Square	1.850	1.243	1.850
	<b>15.350</b>	<b>13.679</b>	<b>15.350</b>

## 5 Creative Growth Programme

- 5.1 Department for Digital Culture Media and Sport (DCMS) launched its Create Growth Programme in June 2022, reflecting the fact that ‘creative industries’ is one of the fastest growing sectors of the UK economy. Six successful local area partnerships were awarded approximately £1.275m in grant funding to deliver targeted business support to high growth potential creative businesses. The Northeast Create Growth Programme (CGP), convened by the NTCA, is one of the six successful partnerships.
- 5.2 North East Create Growth Programme is designed to support 100 creative businesses with high-growth potential, between the seed and scaling stages, from across County Durham, Gateshead, South Tyneside, Sunderland, Newcastle, North Tyneside and Northumberland with the support and the investment they need to grow their business and turn their innovative creative ideas into the leading creative businesses of the future. Four key target sectors of growth have been identified: IT/Software and computer services (with a focus on CreaTech; Gaming, AR/VR and E-sports), Design/Designer Fashion, Publishing, and Film and TV.
- 5.3 Funding was confirmed to North of Tyne Combined Authority acting as Accountable Body for the seven north east local authorities for financial year 2022/23 of £425,000, this was carried forward on the balance sheet to match spend in 2023/24. Further funding of £425,000 based on performance will be allocated for the financial year 2023/24 and 2024/25.

**Table 9: DCMS Create Growth Programme**

	2023/24 Financial Yr.			2024/25	Total £m
	2023/24 Budget £m	2023/24 Q3 Spend £m	2023/24 Forecast £m	2024/25 Budget £m	
<b>DCMS Create Growth Programme</b>					
Marketing and Events	0.029	-	0.029	0.019	0.048
Delivery Programme	0.465	0.390	0.465	0.419	0.883
Project Delivery and Staff Overheads	0.193	0.035	0.193	0.151	0.344
<b>Total Budgeted Expenditure</b>	<b>0.687</b>	<b>0.425</b>	<b>0.687</b>	<b>0.588</b>	<b>1.275</b>
Reserves B/F	(0.425)	(0.425)	(0.425)	(0.163)	
Funding Allocation	(0.425)		(0.425)	(0.425)	(1.275)
<b>Total Funding</b>	<b>(0.850)</b>		<b>(0.850)</b>	<b>(0.588)</b>	<b>(1.275)</b>
<b>Net Reserve C/F</b>	<b>(0.163)</b>		<b>(0.163)</b>	<b>0</b>	<b>0</b>

**6. UK Social Prosperity Fund (UK SPF)**

6.1 The UK Shared Prosperity Fund (UKSPF or the Fund) is a central pillar of the UK government's Levelling Up agenda and a significant component of its support for places across the UK. It provides £2.6 billion nationally of new funding for local investment by March 2025. The intention of the fund is to invest in domestic priorities and targeting funding where it is needed most: building pride in place, supporting high quality skills training, supporting pay, employment, and productivity growth, and increasing life chances. The table includes the Rural England Prosperity Fund (REPF), a £110m top-up to the UKSPF allocated to eligible rural authorities (Section 6.4).

6.2 Table 10 below reflects the spend in 2022/23 and the committed spend to date for 2023/24, in advance of further projects included in the Investment Fund update to Cabinet in the agenda today.

**Table 10: UK Social Prosperity Fund (UKSPF) and Rural England Prosperity Fund (REPF) Profile**

UKSPF Investment Priorities	Total Allocation		Prior Yr. Spend 2022/23		2023/24 Q3 Spend to Date		2023/24 Forecast Spend		2024/25	
	Rev. £m	Cap. £m	Rev. £m	Cap. £m	Rev. £m	Cap. £m	Rev. £m	Cap. £m	Rev. £m	Cap. £m
Community and Place	11.137	4.115	1.407	0.155	0.141	-	3.131	0.818	6.599	3.142
Supporting Businesses	13.814	4.528	-	-	0.232	-	4.125	0.507	9.689	4.021
People and Skills	11.609	-	-	-	0.246	-	1.939	-	9.670	-
Rural England Prosperity Fund	-	3.044	-	-	-	-	0	0.761	-	2.283
Administration Top-Slice (4%)	1.522	0.359	0.241	-	0.533	-	0.681	-	0.600	0.359
<b>Total UKSPF and Rural England Prosperity Fund</b>	<b>38.082</b>	<b>12.046</b>	<b>1.648</b>	<b>0.155</b>	<b>1.152</b>	<b>0</b>	<b>9.876</b>	<b>2.086</b>	<b>26.558</b>	<b>9.805</b>

### 6.3 Multiply (UKSPF)

6.3.1 Multiply Funding is a separate funding stream that forms part of UKSPF overall programme and is aimed at boosting funding for adult numeracy enabling local areas to deliver more innovative approaches to reach more people. The funding profile and committed 2023/24 spend to date is shown overleaf in Table 11.

**Table 11: Multiply UKSPF Spend Profile**

UKSPF Multiply	Total Allocation £m	2022/23 Spend £m	2023/24 Q3 Spend £m	2023/24 Forecast Spend £m	2024/25 Budget £m
Multiply Programme	3.715	1.089	0.707	1.296	1.334
Administration top slice (10%)	0.413	0.125	0.108	0.144	<b>0.140</b>
<b>Total UKSPF Multiply</b>	<b>4.128</b>	<b>1.214</b>	<b>0.815</b>	<b>1.440</b>	<b>1.474</b>
UKSPF Multiply Funding	(4.128)	(1.214)	(0.815)	(1.440)	(1.474)
<b>Net UK SPF Multiply Position</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

### 6.4 Rural England Prosperity Fund (REPF) (UKSPF)

6.4.1 The Rural England Prosperity Fund (REPF) is a £110m top-up to the UKSPF allocated to eligible rural authorities to support activities that specifically address the challenges rural communities face. North of Tyne was allocated £3.044m capital funding specifically targeted at Northumberland, but recognising the important connection between our rural, coastal, and urban economies. The REPF is available from April 2023 to March 2025. The fund is aligned with interventions in the Supporting Local Business and Communities and Place investment priorities, and will provide capital funding to:

- support new and existing rural businesses to develop new products and facilities that will be of wider benefit to the local economy, including farm businesses looking to diversify income streams.
- support new and improved community infrastructure, providing essential community services and assets for local people and businesses to benefit the local economy.

6.4.2 Table 12 sets out the REPF spend profile for the Rural Business and Rural Communities Priorities, 65% of the funding has been allocated to the Rural Business Priority, and 35% to the Rural Communities Priority.

**Table 12: Rural England Prosperity Fund Capital Spend profile.**

	2023/24	2024/25	Total
	£m	£m	£m
<b>Rural Business</b>	<b>0.495</b>	<b>1.484</b>	<b>1.979</b>
<b>Rural Communities</b>	<b>0.266</b>	<b>0.799</b>	<b>1.065</b>
<b>Total</b>	<b>0.761</b>	<b>2.283</b>	<b>3.044</b>

### 7. Brownfield Housing Fund (BHF)

- 7.1 The Brownfield Housing Fund (BHF) was the first housing allocation for the North of Tyne Combined Authority. The funding is intended to support the development of at least 2000 new homes, by remediating and revitalising brownfield sites across the North of Tyne area. The Brownfield fund is part of a broader housing programme and pipeline of sites, shaping a strategic delivery approach to supporting housing and economic recovery.
- 7.2 An extension to BHF was announced in the Levelling Up White Paper. Mayoral Combined Authorities (MCAs) were awarded £120 million nationally, to be allocated to each MCA based on population. NTCA was awarded £7.96 million, bringing the total amount of BHF funding to £31.820 million.
- 7.3 In terms of approvals to date, NTCA have approved 13 schemes with a total commitment of £25.969m, with a further project currently going through appraisal valued at £5.000m. These schemes are forecasting the creation of 2133 housing units with the extended pipeline accounting for 2422, this is set against the DLUHC target of 1500. Forecast private sector leverage for the contracted projects stands at £115.95m.
- 7.4 Table 13 below shows the projected programme with current allocation of funds.

**Table 13: Projected programme with current allocation of Brownfield Housing Fund**

	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	Total
	£m	£m	£m	£m	£m	£m
<b>Initial Funding Profile</b>	4.854	8.100	6.700	3.100	1.100	23.854
<b>Extended Funding Profile</b>	0.000	0.000	4.753	2.674	0.524	7.951
<b>Combined Funding Profile</b>	<b>4.854</b>	<b>8.100</b>	<b>11.453</b>	<b>5.774</b>	<b>1.624</b>	<b>31.805</b>
<b>Forecast annual spend as at end of FY at Q3 position</b>	0.636	3.228	1.046	<b>9.979</b>	16.388	31.277
<b>Actual spend as at Q3 position</b>	<b>0.636</b>	<b>3.228</b>	<b>1.046</b>	<b>3.599</b>		<b>8.509</b>

- 7.5 Overall good progress continues to be made with the NTCA's Brownfield Housing Programme. The programme is expected to over deliver in terms of outputs and deliver good value for money, with expenditure profiles expected to be completed by March 2025 in line with government's expectations.
- 7.6 Actual project expenditure was broadly in line with projected expenditure in 2020/2021 and 2021/2022, however, fell below projection in 2022/2023. Schemes delivering early in the programme were selected due to their high level of shovel readiness. Extensive work has been undertaken to progress less well-developed schemes. This is time consuming and consequently there is a lag between schemes being added to the pipeline and developing to the point they begin to draw down Brownfield Housing Grant funding. Actual expenditure is expected to increase significantly during the final quarter of 2023/2024 and into the final year 2024-25 as a number of pipeline schemes begin on site works. Claims for eligible costs are expected to be submitted imminently and NTCA officers are liaising with claimants on schemes to ensure claims are project managed and facilitated through the claims process swiftly.
- 7.7 A further £17.409 million was awarded to NTCA, following the announcement of the North East Devolution Deal. This allocation will be focused on housing sites in the South of the Tyne area and will unlock between 1,134 and 1,451 new homes, with projects expected to defray their spending by March 2026, in line with Government expectations. The south of Tyne housing pipeline of £17.618 was approved to deliver 1159 units. A due diligence process is currently being finalised to assess

project suitability and the first scheme is undergoing appraisal and is expected, subject to a satisfactory appraisal, to go before NTCA Technical Officer Group in January 2024.

## **8. Adult Education Budget (AEB)**

- 8.1 As part of the devolution deal the Adult Education Budget was devolved to the authority with an effective start date of August 2020. This provided the Authority with significant new powers and responsibilities in delivering both Mayoral and Cabinet priorities alongside the national skills agenda and priorities.
- 8.2 NTCA's devolved AEB Budget for the period 1 April 2023 to 31 March 2024 is £23.782m. The AEB budget includes a 3% top slice allocation to fund corporate related activity allocation. A further £0.753m funding for the delegated Free Courses for Jobs (FCFJ) offer has been awarded for this financial year bringing the total AEB Budget for 2023/24 to £24.535m.
- 8.3 Providers' AEB delivery plans are monitored at quarterly performance management meetings throughout the year. AEB Devolution features as a strategic risk on the NTCA Strategic Risk Register. In addition, at a project level, appropriate risk management processes are in place to identify and mitigate risks, with escalation requirements embedded.
- 8.4 Reconciliation of under delivery from academic year (AY) 2020-21 & AY 2021-22 (which was mainly due to the impact of the Covid Pandemic) has meant that a proportion of funding from these two academic years was held in reserve at the end of 2022/23. A further full reconciliation of providers' actual earnings against their allocations for the academic year (Aug 22 to Jul 23) took place at the end of October 2023.
- 8.5 Providers have been working hard to increase participation and are reporting an increased confidence from learners and employers in AY 2023-24. A significant proportion of the remaining balance from the reconciliations noted in paragraph 8.4 will be re-distributed during the AY 2023-24 through an approved 'earnings boost' and planned 'growth windows' which enable providers to apply for growth to their current allocations in line with procurement regulations and NTCA's Scheme of Delegation. The growth windows are expected to commit a further £2.8m of the funding held in reserve, leaving a reserve balance of £3.167m to be carried forward.
- 8.6 NTCA's performance management processes enable current AEB providers to apply for in-year growth to their funding allocations at set performance management points throughout the academic year. All requests for growth are subject to funding being available, criteria set out in the NTCA Payment and Performance Management Framework, and appropriateness in terms of meeting NTCA's strategic priorities for AEB as set out in the Strategic Skills Plan.
- 8.7 A growth request window opened in November 2023 inviting all current AEB providers with a Grant Funding Agreement and/or a Contract for Service to submit a business case for 'in year' growth at the first performance management point in December 2023. Six providers submitted business cases requesting additional funding totalling £1,366,157. Cabinet is asked to approve issuing the in the year growth totalling £1,366,157 to use a proportion of the uncommitted AEB funding in AY 2023-24.
- 8.8 Table 14 shows the planned use of existing reserves balance in 2023/24 and 2024/25.

**Table 14: AEB and FCFJ planned drawdown from prior year reserves.**

Reserves	Actual Balance £m	Committed FY 2023/24 £m	Committed FY 2024/25 £m
Balance on 1st April 2023	(8.760)		
Committed for FCFJ (prior year)		0.374	0.611
5% Earning Boost Payments		0.858	0.950
Period 4 (Nov 23) Growth Window payments		1.400	0.000
Period 6 (Feb 24) Growth Window payments		1.500	0.000
<b>TOTAL</b>	<b>(8.760)</b>	<b>4.132</b>	<b>1.561</b>
Uncommitted balance c/fwd	(3.067)		

8.9 Table 15 below shows the spend on AEB and FCFJ against the 2023/24 Allocation to March 2024. The funding allocation for April to July 2024 has already been allocated - £7.991m, of which approximately £2m is expected to be spent by May 2024.

**Table 15: AEB and FCFJ 2023/24 Spend Profile including Growth Allocations**

Free Courses for Jobs funding for 2023/24 financial	2023/24 AEB Financial Year		
	2023/24 Allocation	2023/24 Spend to Date	2023/24 FY Forecast
	£m	£m	£m
AEB	23.069	10.221	23.069
FCFJ	0.753	0.308	0.753
Corporate top slice	0.713	0.359	0.713
<b>Total</b>	<b>24.535</b>	<b>10.888</b>	<b>24.535</b>
2023/24 AEB and FSFJ Funding	(24.535)	(10.888)	(24.535)
Net Funding Position	0.000	0.000	0.000

## 9. Skills Bootcamps Wave 3

9.1 In 2022/23 NTCA were notified of Bootcamp Wave 3 grant funding from the Department for Education (DfE) for a total of £5.531m including £0.503m in relation to management costs, to support the delivery of Skills Bootcamps in the NTCA region. The DfE provided 50% of this grant funding upfront plus the full 10% management costs, £3.017m of this £1.884m was spent in 2022/23 with £1.133m remaining balance of funding put in reserves. The remaining 50% of the £5.531m balance to be received from DfE in relation to Wave 3 Bootcamps is to be paid in arrears based on delivery. The spend to Quarter 3 in 2023/24 on Bootcamp Wave 3 is £2.820m. Table 16 shows the delivery on Bootcamp Wave 3 in line with the funding allocation. Remaining funding will be allocated to wave 4 funding.



**Table 16: Bootcamp Wave 3 Funding and Delivery Profile**

	Total Funding Allocation	2022/23 Prior Yr. Spend	2023/24 Q3 Spend	2023/24 Forecast
	£m	£m	£m	£m
Bootcamp Wave 3 Delivery (50% up front)	2.514	1.681	0.624	0.833
Bootcamp Wave 3 10% top slice (up front)	0.503	0.203	0.225	0.300
Bootcamp Funding to be claimed in arrears in relation to spend incurred.	2.514		1.971	2.514
<b>Total Expenditure</b>	<b>5.400</b>	<b>1.884</b>	<b>2.820</b>	<b>3.647</b>
Bootcamp Wave 3 Funding available	(5.400)	(1.884)	(2.820)	(3.647)

**10. Bootcamp Wave 4 Funding**

- 10.1 NTCA secured £9.237m DfE funding in relation to Bootcamp Wave 4. This represents a significant investment in our region and has the potential to deliver new opportunities to generations of adults who may have been previously left behind. The funding for Bootcamps is allocated on an annual basis and not guaranteed on an ongoing basis, Table 17a below shows the position on Bootcamp Wave 4 funding which will be provided 50% upfront plus the top slice funding of 10% with the remaining amounts to be claimed in arrears as claims are paid out.
- 10.2 It is anticipated that £3.365m of Skills Bootcamp Funding will be spent by the end of financial year 2023-24. The remaining allocation will be claimed in arrears from DfE in FY 2024-25.

**Table 17a: Skills Bootcamps 2023/24 Budget Monitor**

	2023/24 Budget	2023/24 Q3 Spend	2023/24 Forecast
	£m	£m	£m
Bootcamp Wave 4	8.397	1.549	3.400
Bootcamp Wave 4 top slice	0.840	0.000	0.840
<b>Total Expenditure</b>	<b>9.237</b>	<b>1.303</b>	<b>4.240</b>
Bootcamp Wave 4 Funding	(9.237)	(1.549)	(9.237)
<b>Net position</b>	<b>0</b>	<b>0</b>	<b>(4.997)</b>

- 10.3 Table 17b shows the breakdown of expenditure against Bootcamp Wave 4 funding. It is anticipated that £9.129m Bootcamp Funding will be spent in full by the end of January 2025, with £4.240m spent by March and approximately a further £0.500m in April 2024. This assumes that providers deliver to contract. There is a small balance to be allocated (£0.108m), which should be allocated and spent by January 2025.

**Table 17b Bootcamp Wave 4 breakdown of expenditure**

	<b>Total £m</b>	<b>Forecast March 2024 £m</b>	<b>Estimate 1/4/2024 – 6/5/2024. (5wks) £m</b>	<b>By January 2025 £m</b>
<b>NTCA Grant Funding from DfE</b>	<b>9.237</b>	<b>4.240</b>	<b>0.888</b>	<b>9.237</b>
NTCA Management Costs	0.840	0.840	0.081	0.840
Committed Allocations to providers in FY 2023-24 (Grant Funding Agreements & Procured Contract for Services)	8.239	3.400	0.792	8.239
<b>Total Funding Allocated (Including Management Costs)</b>	<b>9.129</b>	<b>4.240</b>	<b>0.877</b>	<b>9.129</b>
Total remaining to allocate	0.108	0.000	0.000	0.108

## 11. Early Priorities for the proposed North East Mayoral Combined Authority

- 11.1 Cabinet is aware that on 28 December 2022 HM Government announced a “minded to” devolution deal with NTCA and the seven councils across the North East (i.e., Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland). The “minded to” devolution deal would see a significant shift of powers, funding and responsibility which would enable the Councils to pursue their ambitions for inclusive growth. In total, it is expected to provide at least £4.2 billion of additional investment to the region over 30 years, including a £1.4bn investment fund alongside significant funding for transport, education and skills, housing, and regeneration. This would enable investment into projects which reflect local needs and opportunities, making a real difference for residents, communities, and the local economy.
- 11.2 As part of the negotiations on the deal there was early agreement to some upfront funding where this authority will act as accountable body. Brownfield Housing Fund grant funding of £17.4m has been secured for the South of Tyne Constituent authorities as set out in previous reports to cabinet, and with schemes now going through the North of Tyne CA Assurance process.
- 11.3 In addition to Brownfield Housing funding an award of £20m of Early Capital has been secured for investment across the LA7 geography. In the first instance until NEMCA is established on 7 May the North of Tyne CA will be the accountable body for the funding as previously reported to cabinet. Expenditure on both of these programmes will be reported to Cabinet as part of the outturn report later this year.
- 11.4 The North East Mayoral Combined Authority (NEMCA) Devolution Deal includes a fully devolved Adult Education Budget (AEB) of circa £68m which includes a ringfenced allocation for the delivery of a Level 3 Adult Skills offer ‘Free Courses for Jobs’ (FCFJ) for the North East from academic year (AY) 2024-25). Delivery of this devolved funding must commence from 1<sup>st</sup> August 2024. The North of Tyne Combined Authority (NTCA) have also secured £17.9m of Grant funding from the Department for Education (DfE) for the delivery of Skills Bootcamps across the NEMCA region from 1<sup>st</sup> April 2024.
- 11.5 Until NEMCA is formally established, DfE will allocate the devolved AEB and grant the Skills Bootcamp funding to NTCA, who will act as the accountable body and administer the funding in line with NTCA’s assurance framework. This funding will be transferred to NTCA once the Statutory Instrument to create NEMCA is laid, which Government expects to occur in early 2024.

- 11.6 Significant mobilisation activity has been required to ensure delivery of Skills Bootcamps commences from 1<sup>st</sup> April 2024 and the delivery of the devolved AEB commences from 1<sup>st</sup> August 2024 – as such, decisions are sought now to enable this to happen.
- 11.7 The planned approach to commission the devolved AEB and Skills Bootcamp funding is via two routes of both Grant Funding Agreements to ‘in scope’ adult education providers (devolved AEB only) and procured Contract for Services (a proportion of devolved AEB funding and Skills Bootcamp funds).
- 11.8 Discussions have been held with the Leaders and Chief Executive Officers of the Local Authorities to allocate up to £49.4m (circa 70%) of the Devolved AEB including FCFJ to 15 ‘in scope’ Grant Providers and procure the remaining devolved AEB alongside Skills Bootcamp Funding. Establishing the funding agreements with ‘in-scope’ Grant Providers will provide stability to the provider base and ensure that appropriate levels of statutory entitlement provision and community learning are available, thereby minimising the risk to continuity of provision for residents.
- 11.9 A Flexible Adult Skills Procurement Framework has been established to procure the remaining devolved AEB and Skills Bootcamp funds. A procurement exercise inviting a wide range of organisations and providers of skills to tender for a place on the Flexible Adult Skills Procurement Framework was launched in November 2023.
- 11.10 240 tenders were received from 127 organisations for a place on the Framework covering 3 Lots (Devolved AEB, FCFJ and Skills Bootcamps). Evaluation of the tenders is complete, and we are able to issue 176 Framework Agreements across the 3 Lots on the Framework. Once Framework Agreements are in place call off competitions will be held to secure AEB and Skills Bootcamp provision from the Framework.
- 11.11 In order to maintain the rapid progress needed to ensure delivery of the devolved AEB and Skills Bootcamps is underway by the timescales of 1st April 2024 for Skills Bootcamps and 1st August 2024 for devolved AEB, NTCA Cabinet is being asked to:
- Approve the issue of ‘letters of comfort’ to identified Grant Providers setting out their indicative funding allocations for delivery of the devolved AEB from 1<sup>st</sup> August 2024. The letters of comfort will precede the issue of Grant Agreements to these providers once NEMCA is established.
  - Approve the issue of Flexible Adult Skills Framework Agreements to the organisations who submitted a successful tender to the procurement of the Framework in November 2023.
  - Authorise the Chief Executive in consultation with the Chief Finance Officer and portfolio holder for Education, Inclusion and Skills to approve any subsequent grant agreements and /or call-off contracts procured from the Flexible Adult Skills Framework for the delivery of skills programmes from 1<sup>st</sup> April 2024.

## **12. Reserves Position**

- 12.1 The forecast position on reserves held on 31 March 2023/24 are detailed in Table 18.

**Table 18: NTCA Reserves forecast position on 31 March 2023/24**

NTCA Reserves					
	Opening Balance 2023/24	Movement to Reserves	Movement from Reserves	Balance on Reserves at 31/03/2024	Forecast Position as of 06 May 2024
	£m	£m	£m	£m	£m
Strategic Reserve	(0.200)	-	-	(0.200)	(0.200)
Investment Fund Reserve	(50.046)	-	27.189	(22.857)	(19.022)
Election Fund Reserve	-	(1.100)	-	(1.100)	-
Transition Reserve	-	(3.238)	-	(3.238)	(3.238)
Adult Education Budget Grant	(8.760)	-	4.132	(4.628)	(4.478)
DLUHC Capital Grant	(12.302)	-	12.302	-	-
Create Growth Programme	(0.425)	(0.163)	0.425	(0.163)	(0.147)
United Kingdom Social Prosperity Fund	(3.950)	(12.189)	11.962	(4.177)	(3.776)
Strategic Capacity Reserve	(1.252)	-	-	(1.252)	(1.252)
Bootcamp Wave 3	(1.134)	-	1.134	-	-
Bootcamp Wave 4	-	(4.997)	-	(4.997)	(4.120)
Net Zero North East England	(0.151)	-	0.151	-	-
Brownfield Housing Fund	(12.763)	-	9.979	(2.784)	(2.517)
Capacity Funding	-	(0.125)	-	(0.125)	(0.125)
Reserves less than £0.100m	(0.333)	-	0.247	(0.087)	(0.078)
<b>Total Reserves</b>	<b>(91.316)</b>	<b>(21.812)</b>	<b>67.521</b>	<b>(45.608)</b>	<b>(38.875)</b>

- 12.2 Based on the forecast position at Q3 the position on the Investment Fund Reserves as of 31 March 2024 will decrease to £22.857m. This will be available to fund some of the ongoing commitments into the first five years of the North East Mayoral combined authority. The additional 5-week period from 31 March 2024 to 06 May 2024 prior to inception of NEMCA reflects a forecast additional £3.835m will be spent during that period reducing the balance on IF Reserve going into NEMCA to £19.022m.
- 12.3 A Transition Reserve has been created from the increased investment income with the additional income to ensure continuity of provision for relevant North of Tyne projects whilst early funding decision for the North East Mayoral Combined Authority are developed during 2024-25.
- 12.4 AEB and Free Courses for Jobs delivery reserve has reduced to £4.628m after a full reconciliation of providers' actual earnings against their allocations for the academic year (Aug 2022 to Jul 2023) took place at the end of October 2023 with the remaining balance from this reconciliation to be re-distributed for the academic year August 2023 – July 2024. The period from 31 March to 6 May 2024 assumes £0.150m will be spent against this reserve reducing the reserve level going into NEMCA to £4.478m.
- 12.5 Other reserve balances are assumed to reduce by a proportionate split reflecting delivery during the transition period from 31 March 2024 to 06 May 2024 when balances will move into NEMCA.
- 12.6 The Strategic Reserve continues to be maintained at £0.200m in line with the Reserves and Balances policy.

## **B. Impact on NTCA Objectives**

The North of Tyne Combined Authority Vision document sets out the strategic objectives of the Authority. The 2023/24 budget position against which the budget is monitored demonstrates the Authority has properly discharged its functions and assisted in delivering the Authority's vision, policies, and priorities.

## **C. Key risks**

There are no specific risks relating to this report.

## **D. Financial and other resources implications**

This report sets out the financial and resource implications which have arisen during quarter 2 of 2023/24. The Mayor and Cabinet need to have due regard to the Director of Finance's advice in relation to the levels of reserves and balances in accordance with the Authority's Reserves and Balances Policy.

## **E. Legal implications**

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

## **F. Equalities implications**

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

## **G. Inclusive Economy and Wellbeing implications**

There are no direct inclusive economy implications arising from the recommendations in this report.

## **H. Climate Change implications**

There are no direct climate change implications arising out of the recommendations in this report

## **I. Consultation and engagement**

The creation of the North of Tyne Combined Authority has been subject to significant and regional consultation. The 2023/24 budget was subject to wide consultation across the North of Tyne Region. The constituent authorities have been consulted directly on the production of the 2023/24 Budget and 2022/23 Outturn statement.

## **J. Appendices**

None

## **K. Background papers**

Cabinet 31 January 2023 NTCA Budget Report  
Cabinet 26 September 2023 Investment Fund Update and Funding Approvals

**L. Contact officer(s)**

Janice Gillespie, Director of Finance [Janice.gillespie@northoftyne-ca.gov.uk](mailto:Janice.gillespie@northoftyne-ca.gov.uk)

**M. Glossary**

AEB	Adult Education Budget
NTCA	North of Tyne Combined Authority
Core-UKSPF	UK Shared Prosperity Fund
DCMS	Department of Culture Media and Sport



<b>Title:</b>	<b>North East Mayoral Combined Authority 2025-2029 Draft Corporate Plan, Draft Budget, and Medium-Term Financial Plan Proposals</b>
<b>Report of:</b>	<b>Director of Finance</b>
<b>Portfolio:</b>	<b>Finance and Resources</b>

### Report Summary

On 28 December 2022 HM Government announced a “minded to” devolution deal with NTCA and the seven councils across the North East (i.e., Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland). The proposed devolution deal provides at least £4.2 billion of investment into the region over 30 years and requires the councils to establish a new mayoral combined authority and abolish the North of Tyne Combined Authority (NTCA) and the North East Combined Authority (NECA) which is dependent on the Secretary of State making a statutory order under the Local Democracy, Economic Development and Construction Act 2009.

The 7 constituent authorities as well as NTCA and NECA have now all given their consent in principle to the making of the order and have authorised their Chief Executives to issue formal consent to the final order when requested to do by the Secretary of State. It is anticipated that the Secretary of State will issue his request for the councils and combined authorities to consent to the making of the order shortly . This will allow the Secretary of State to lay the order before Parliament and for it to be made (i.e., take effect) by March 2024. This will then allow for the mayoral election to be held in May 2024 and NEMCA to come into existence on 7 May 2024.

To this end NTCA and NECA will extend their current financial year end to 6 May 2024. To deliver the deal there is a need to be ready with a single corporate plan and budget for the first period of 7 May 2024 through to 31 March 2025. The deal provides a framework for the development of the initial budgets and financial plans for the new authority, however until the new authority comes into existence, the current decision-making arrangements apply; therefore the single corporate plan and budget are set out in this report for consideration by the current decision-makers (NECA, NTCA and Joint Transport Committee (JTC)) in a manner that fits current arrangements and can be seen as a combined budget in May 2024.

Cabinet considered an initial draft Budget and Corporate Plan on the 28 November. The proposals have been subject to engagement and consultation, including with the Overview and Scrutiny Committees for both NECA and NTCA. The report also reflects changes arising as a result of the Autumn Statement and subsequent announcements since 28 November 2023.

### Recommendations

The Cabinet are recommended to:

1. Agree the draft NEMCA Corporate Budget for 2024/25 as set out in section 3.
2. Agree the overarching delivery budgets as set out in section 4.
3. Note the Transport levies were agreed by the North East Joint Transport Committee on the 16 January 2024 and will be issued by the Combined Authorities preceding the commencement of the financial year in respect of which they are to be issued, in line with the Transport Levying Bodies Regulations
4. Note the reserves position as set out in section 11 which will be kept under review while consideration of NEMCA developments and additional information becomes available about the financial risks facing authority and the proposed arrangements for managing those risks.

5. Note that no comments or recommendations have been made by the Overview and Scrutiny Committees as set out in section I.

## **A. Context**

### **1. Background**

- 1.1 On 28 December 2022 HM Government announced a “minded to” devolution deal with NTCA and the seven councils across the North East (i.e., Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland). The “minded to” devolution deal would see a significant shift of powers, funding and responsibility which would enable the Councils to pursue their ambitions for inclusive growth. In total, it is expected to provide at least £4.2 billion of additional investment to the region over 30 years, including a £1.4bn investment fund alongside significant funding for transport, education and skills, housing, and regeneration. This would enable investment into projects which reflect local needs and opportunities, making a real difference for residents, communities, and the local economy.
- 1.2 The deal requires the councils to establish a new mayoral combined authority. This will be dependent on the Secretary of State making a statutory order under the Local Democracy, Economic Development and Construction Act 2009 to deliver the following proposals:
- a. the abolition of the two existing combined authorities, i.e., North of Tyne Combined Authority (NTCA) and the North East Combined Authority (NECA); and
  - b. the creation of a new mayoral combined authority which covers the area of all 7 councils, which will be called the North East Mayoral Combined Authority (NEMCA).
- (NB: the changes above would also entail the abolition of the Joint Transport Committee (JTC) as NEMCA would be responsible for the exercise of transport functions across the regions in the future.)
- 1.3 Discussions have taken place with DLUHC officials over several months regarding the content of the statutory order. The order will provide for the election of a mayor for the new combined authority in May 2024 and for the new combined authority to come into existence when the mayor is due to take office on 7 May 2024 (with the existing combined authorities being abolished at that point). To this end NTCA and NECA will extend their financial current year end to 6 May 2024.
- 1.4 Cabinet is aware that to deliver the deal there is a need to be ready with a single corporate plan and budget for the first period of 7 May 2024 through to 31 March 2025. Subject to the necessary order being laid, the deal provides a framework for the development of the initial budgets and financial plans for the new authority, however until the new authority comes into existence, the current decision-making arrangements apply; therefore the single corporate plan and budget are set out in this report for consideration in line with the current decision-makers( NECA, NTCA and Joint Transport Committee (JTC)) in a manner that fits current arrangements and can be seen as a combined budget in May 2024.
- 1.5 The Autumn Statement announcement in November 2023 contained some areas of financial matters in relation to Combined Authorities. They included the following:
- a) Confirmation that Growth Hub (currently delivered by the NELEP) funding will continue to 31 March 2025 at the current level of £0.420m per annum, The assumed level of funding of £0.420m was included in the draft budget presented to Cabinet 28 November 2023
  - b) Funding for the Made Smarter programme was confirmed to March 2025, with the expectation the programme will expand in 2025-26 but the scale of that and associated funding to be considered once a government taskforce is set up to explore how best to support SMEs to adopt digital technology.
- 1.6 At Spring Budget 2023, the government launched the refocussed Investment Zones programme. The government is now going further by extending the Investment Zones programme from five to ten years, which will double the envelope of funding and tax reliefs available in each Investment Zone from £80 million to £160 million, to provide greater certainty to investors. The government is also extending the duration of the tax reliefs available in Freeports from five to ten years to maximise the programme's



impact. To ensure Investment Zones and Freeports can respond nimbly as investment opportunities arise, the government is also creating a new £150 million Investment Opportunity Fund, which will be available over five years. Details on how to access the £150m had not been released at the time of drafting this report. Details of the proposed North East Investment zones are set out in Section 3 of this report.

- 1.7 More recently the government has confirmed that eligible combined authorities would receive £240k to provide functions previously provided by LEP's – namely business representation, local economic planning and the delivery of Government Programmes where directed. This is awarded subject to a business case and integration plan approvals. The report has been updated on the assumption the funding will be secured.

## **2. Implications for NTCA, NECA and the Joint Transport Committee**

- 2.1 To establish the new regional NEMCA, the existing combined authorities – NTCA and NECA – will need to be abolished.
- 2.2 The Mayor and Cabinet are aware that the draft statutory order provides appropriate continuity and transitional arrangements so that any acts of the existing combined authorities are to be treated as the acts of the new mayoral combined authority. The order will also provide for the staff, assets, rights, and liabilities of the existing combined authorities to transfer to NEMCA. This will ensure that the existing funding programmes of NTCA (and the regional transport arrangements which are currently overseen by the Joint Transport Committee) are maintained by NEMCA without interruption. Officers from both combined authorities and the local authorities continue to liaise on the operational requirements of the transition, which will include the arrangements for Transport North East (TNE) and the integration of the North East LEP(NELEP) in line with central government policy.
- 2.3 Implementing the devolution deal would enable the region to access over £4bn of funding over a 30-year deal cycle, together with new powers to better shape local skills provisions to ensure these meet the needs of the local economy. This would include devolution of adult education functions and the core adult education budget, as well as input into the new local skills improvement plans. The “minded to” deal also secures significant investment in regional transport. Over time the region would also expect to benefit from access to additional funding streams reserved for mayoral combined authorities. Detailed discussions will be progressed with the existing combined authorities and the other councils regarding the financial arrangements associated with the transition to the new arrangements.
- 2.4 An initial Corporate Plan for 2024(Appendix A) has been agreed through the transition governance arrangements by the 7 Local Authority Leaders and Mayor. The plan sets out the seven interim portfolio areas and early priorities that will be supported by the various funding streams, which are detailed in Section 4 of this report. The plan also describes the various roles the Combined Authority undertakes as part of its remit to deliver the North East devolution deal and that has formed some of the consideration in developing the Corporate Budget.

## **3. Developing the Corporate Budget**

- 3.1 This draft budget as set out in Table 1 below is based on the following central assumptions and worked through the current Transition Governance arrangements, with collaborative work across the Chief Executives and Financial Directors and using experience of what it takes to run an effective MCA.
  - a) A balanced budget is proposed for the 11-month period between May 2024 and March 2025 – the first operating year of NEMCA.
  - b) Constituent authorities will see no material increase in revenue funding to establish NEMCA – and will thus continue to contribute the current 2023-24 funding arrangements across NTCA, NECA, NELEP, INEE and TNE.
  - c) Additional funding for costs is secured from new income into the region through prudent top slicing of the investment fund and additional income, in line with the approach taken by other Mayoral Combined Authorities.

- d) The budget enables the integration of five organisations. Most of this activity is already funded by the region; this budget identifies the marginal budget growth needed to enable key new senior posts that are required to deliver the outcomes set out in the devolution deal.
- e) It is a prudent year one budget that enables a TUPE process and 'day 1' continuity for NEMCA, but with opportunities for integration anticipated to deliver efficiencies for investment where capacity gaps are identified.
- f) The estimates have been refreshed following further analysis of the existing budgets and commitments for resources to deliver the funded programmes.

Additional budget assumptions:

- a) Prudent assumption on staff turnover of less than 3%. Recently staff turnover rates have been as high as 10% being representative of the market conditions in respect of recruitment and retention and will be kept under review as part of the usual financial management and resource management actions of NEMCA.
  - b) The current employer pension contributions rates for NECA and NTCA differ, NECA being 0% and NTCA being £15.1%. The draft budget included a blended rate across the new organisation while dialogue progresses with the Tyne and Wear Pension fund regarding a rate for the new authority; it is reasonable to expect the new contribution rate to be lower than currently assumed.
  - c) The budget assumes a £400k contribution to an Election Reserve to start the build-up for 2029.
  - d) The budget is prudent; it is reasonable to anticipate upside from higher interest earning reflecting higher cash balances, and from the possibility of additional in-year income that has been realised for each year of the NTCA to date.
  - e) No Mayoral precept has been in place for NTCA.
- 3.2 The preparation of these draft budget proposals has taken into consideration the existing organisations (under the rubric of NECA and NTCA) that will transfer to NEMCA. Consideration has been given to the NEMCA being the "sum of its parts" of the 5 organisations coming together but being cognisant of any known additional capacity requirements where there are known increased delivery requirements. The draft corporate plan sets out some clear priority areas for early delivery and there will be programme/project activity that, whilst started in NTCA, the NELEP and TNE, will continue into future years. Current indications are that total investment funding for 2024-25 will be in the region of £402.68m, so the relatively small amount of additional staffing capacity at £0.835m delivers an excellent return on investment.
- 3.3 A full review of Service Level Agreements has been undertaken on behalf of LA7 Finance Directors to consider where appropriate activity should be delivered directly by NEMCA and where service level agreements will need to continue (based on a judgement of the right balance between delivery capacity, risk, and public value). These will continue to be reviewed in line with good practice as NEMCA evolves over time. Plans are in development to ensure smooth transition from current to new arrangements as part of the overall Transition Programme.
- 3.4 Table 1 below sets out an initial Operational Budget for NEMCA. For illustrative purposes, an estimated full year budget is shown but in essence the authority will only exist for 11 months of 2024-25. The constituent elements to this budget are set out in Appendix B to this report.

Table 1 Initial Operational Budget	2024-25 Full year estimate	7 May 2024- 31 March 2025
Expenditure	£m	£m
Employees Baseline	13.266	12.1690
Employees Growth	0.911	0.835
Transport	0.085	0.077
Premises	0.659	0.604
Supplies and Services	3.291	3.217
Programme delivery costs	1.027	0.941
Support Services	0.882	0.809
Cost of Capital	9.445	8.658

Contribution to Election Reserves	0.400	0.400
Efficiency savings		
<b>Total Expenditure</b>	<b>29.966</b>	<b>27,710</b>
Income		
Top-slice	(8.623)	(8.295)
Transport Grants	(1.405)	(1.288)
Other grants, reimbursements, and contributions ECMA and Levies, TNE	(2.120)	(1.943)
Grants including NELEP transition grant	(2.930)	(2.686)
Mayoral Capacity Fund	(1.000)	(1.000)
Direct Grant Recharges	(1.501)	(1.435)
Tyne Tunnel	(8.807)	(8.073)
Interest	(0.732)	(0.671)
Recharges - Nexus and Northumberland	(0.437)	(0.401)
Local Authority Contributions	(0.741)	(0.679)
Contribution from Reserves	(1.352)	(1.239)
<b>Total Income</b>	<b>(29.648)</b>	<b>(27.710)</b>
<b>Net Budget</b>	<b>0.318</b>	<b>0.000</b>

#### 4. Developing an Investment Plan for the North East

4.1 The overarching objectives of the devolution deal are set out in summary below:

- Integrating economy, skills, transport, housing, and public sector reform
- Shared principles of inclusive growth, addressing disparities and bringing communities together in a smart, skilled, sustainable region
- Accelerate rural growth.
- Amplify global assets.
- Bring forward fiscal innovation, working on a public service reform programme, and influencing integrated care system.
- Creating an integrated transport system, including unlocking transformative schemes
- Incentivising investment in digital connectivity, 5G-ready infrastructure
- Decisions reflect diverse geography, assets and needs and each partners sees benefits of cross-regional investment.

4.2 An Investment Framework for NEMCA will be brought together which considers the future deployment of the Investment Fund (£48m per annum) alongside the other funding streams inherent to the Combined Authority – such as for brownfield housing, economic development, and inclusive growth. The purpose of the NEMCA investment fund is to improve the trajectory of the North East economy – improving productivity and public services, not substituting, or displacing existing investment.

4.3 Ahead of the creation of NEMCA The following financial principles for the Investment Fund have been discussed and agreed with a steering group of political leaders:

- **Value for money** – projects must make a tangible contribution to our strategic objectives and provide good value for money in terms of outputs and outcomes.
- **Social value** – investments will meet established social value requirements, as well as articulating their relationship to the strategic outcomes set out in the investment plan and assurance framework. e.g., a commitment to good work
- **Additionality** – investments will be in addition to existing funding available at regional and local levels, avoiding displacement, deadweight, leakage, and substitution.
- **A programme approach** – we will develop coherent programmes of investments. This includes looking for opportunities to take a pan-regional approach to sectoral growth whilst considering

how more localised initiatives can work together to address the opportunities and challenges of specific places and communities.

- **Novel approaches** – the authority will explore opportunities to introduce new financial instruments (for instance tax increment finance, land value capture, energy delivery vehicles, etc where their introduction could increase outcomes within the region, with appropriate review by scrutiny and the investment board to manage risk.

#### 4.4 For capital projects specifically:

- **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 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.

## 5. Funding Streams Financial Year 2024-25 through to 2028/29

5.1 The Tables below set out indicative funding streams for 2024/25 and across the first four years of the MCA. It is reasonable to expect (based on NTCA and wider MCA performance to date) that the funding streams will grow and future allocations of UKSPF and Brownfield Housing Funding, for example, are confirmed beyond 2024-25. Current indications are that total Investment funds available for 2024-25 are in the region of £402.6m.

5.2 These are clearly delivery funding streams and will be split between revenue and capital programmes and projects as illustrated in the Tables.

### Table 2 Draft Investment Fund

This Table starts by illustrating the programme commitments made by NTCA over the course of the first five years. Activity continues over most programme areas, but some examples include projects such as Access to Finance, North Bank of the Tyne Walker Key phase II, ongoing Skills programmes in respect of the Inclusive Economy Programme and on-going delivery of the Culture, and Creative Zones. Early issues for consideration by the NEMCA cabinet will be the inclusion of those existing programmes/projects of the NTCA that NEMCA consider appropriate to “scale up” across the LA7 geography, in addition to consideration of funding of Local authority contributions to projects such as the North East Screen Improvement Partnership (NESIP). Currently the NTCA Investment fund meets the contribution of the 3 North of Tyne constituent authority, and early consideration will be required to ensure a consistent approach across the LA7 geography.

Draft Investment Fund	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	Total £m
NTCA – current programme commitments Revenue and Capital into future years	25.234	15.525	5.854	1.138	6.020	53.770
Funded by NTCA Investment fund Reserve forecast as of 6 May 2024	(19.525)	0.000	0.000	0.000	0.000	(19.525)
<b>Balance of funding requirement 2024-25 and future years</b>	<b>5.709</b>	<b>15.525</b>	<b>5.854</b>	<b>1.138</b>	<b>6.020</b>	<b>34.245</b>
<b>NEMCA Capital Funding</b>	14.000	14.000	14.000	14.000	14.000	70.000
Capital top slice	(1.400)	(1.400)	(1.400)	(1.400)	(1.400)	(7.000)

Early Capital match	(12.600)	(1.610)	0.000	0.000	0.000	(14.210)
<b>Available for New Investment</b>	<b>0.000</b>	<b>10.990</b>	<b>12.600</b>	<b>12.600</b>	<b>12.600</b>	<b>48,790</b>
<b>NEMCA Revenue Funding</b>	34.000	34.000	34.000	34.000	34.000	170,000
Revenue top slice	(3.400)	(3.400)	(3.400)	(3.400)	(3.400)	(17.000)
Cost of Borrowing – currently based on an £50m borrowed in 24-25	(1.125)	(2.504)	(2.513)	(2.523)	(2.532)	(11.197)
Funding NTCA current programme commitments	(5.709)	(15.525)	(5.854)	(1.138)	(6.020)	(34.245)
<b>Available for New Investment</b>	<b>23.766</b>	<b>12.571</b>	<b>22.233</b>	<b>26.939</b>	<b>22.048</b>	<b>107.557</b>

**Table 3 Brownfield Housing Fund**

Strategic Place based funding -Brownfield Housing Fund: 2024-25 will be the final year of funding for NTCA 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 NEMCA deal £35.400m has been secured for Brownfield housing sites across the South of Tyne Local Authorities area. This current financial year has seen sites proposed that are currently progressing through the NTCA Assurance process that will allow the project to start in 2023-24 and conclude delivery of the expenditure during 2024-25. Currently 2024-25 tis the final year of allocation of Brownfield Housing funding but again it is anticipated details of further funding for future years will be provided for the NEMCA geography over the course of 2024-25.

**Brownfield Housing Fund - Year 2**

	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	£m	£m	£m	£m	£m	£m
NTCA	8.669	0.000	0.000	0.000	0.000	8.669
NEMA	15.400	0.000	0.000	0.000	0.000	15.400
<b>Total</b>	<b>24.069</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>24.069</b>

**Table 4 Early Capital funding**

Cabinet are aware that as part of securing the NEMCA devolution deal a £20m capital fund was secured. Projects which have been agreed are currently progressing through the NTCA assurance process to start delivery and spending in 2023-24. This tables sets out the current forecast final year of the early capital spend and funding alongside the proposed match funding from the Investment Fund.

Early Capital Programme	2024-25	2025-26	2026-27	2027-28	2028-29	Total
	£m	£m	£m	£m	£m	£m
Early Capital Funding	0.240	0.000	0.000	0.000	0.000	0.240
NEMCA Early Capital match from Investment Fund Capital	12.600	1.610	0.000	0.000	0.000	14.210
<b>Total</b>	<b>12.840</b>	<b>1.610</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>14.450</b>

**Table 5****Indicative Investment Zones Funding:**

Investment Zones [IZs] are being introduced by Government to accelerate Research & Development and innovation-led economic growth, through clustering and agglomeration benefits in specific sectors with significant growth potential. The North East was invited to bring forward a proposition when the policy was announced in March 2023 alongside 8 other English areas. The North East IZ will focus on Advanced Manufacturing. In November, Government announced that the programme would be extended from 5 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.

The table below sets out the indicative profile of the first 5 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.

<b>Investment Zones</b>	<b>2024-25 £m</b>	<b>2025-26 £m</b>	<b>2026-27 £m</b>	<b>2027-28 £m</b>	<b>2028-29 £m</b>	<b>Total £m</b>
Flexible Revenue Funding	2.000	3.000	3.000	3.000	3.000	14.000
Additional Flexible Revenue Funding	0.000	0.250	0.250	0.250	0.250	1.000
Flexible Capital Funding	2.500	5.000	5.000	4.500	4.000	21.000
Additional Flexible Capital	3.000	4.750	4.750	4.750	4.250	21.500
<b>Total</b>	<b>7.500</b>	<b>13.000</b>	<b>13.000</b>	<b>12.500</b>	<b>11.500</b>	<b>57.500</b>

The NEIZ proposition includes two Business Rates Retention sites – with approvals being sought from Northumberland, Sunderland, and South Tyneside Councils, respectively. These sites will benefit from 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, 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 which will support growth of the low carbon economy over a wider geography.

**Table 6 Indicative Overall Skills Funding**

This table sets out the range of funds to deliver skills and adult education across the first 5 years. Currently Bootcamps funding is secured through an annual process with no indication of funding beyond 2024-25 financial year – albeit the case is being made by the region to Government to provide additional assurance as to future funding rounds. Approval of Wave 5 Bootcamps for 2024-25 was confirmed late in December with a 1 April start date. Initially NTCA will act as accountable body until the 7 May when NEMCA will take over that responsibility. It is anticipated more funds will be made available to deliver skills over the course of 2024-25.

	2024-25 £m	2025-26 £m	2026-27 £m	2027-28 £m	2028-29 £m	Total £m
<b>Skills Funding</b>						
AEB devolved funding NTCA April- July 2024	7.991	0.000	0.000	0.000	0.000	7.991
NTCA FCFJ April- July 2024	0.559	0.000	0.000	0.000	0.000	0.559
AEB devolved funding NEMCA August- March 2025	42.667	64.000	64.000	64.000	64.000	298.667
<b>Bootcamps</b>						
Residual NELEP	1.206	0.000	0.000	0.000	0.000	1.206
NEMCA – Wave 5	17.999	0.000	0.000	0.000	0.000	17.999
<b>Total</b>	<b>70.421</b>	<b>64.000</b>	<b>64.000</b>	<b>64.000</b>	<b>64.000</b>	<b>326.421</b>

**Table 7 Transport Programmes Funding**

The table below gives a high-level summary of the transport funding to be channelled through NEMCA up to the year ending 31 March 2027. Recent announcements following the abandonment of the HS2 project have indicated a significant increase of funding from April 2027, but indicative allocations and capital/revenue splits are not yet confirmed. The Joint Transport Committee Report that sets out the proposed budget for 2024-25 across the Transport programme is attached at Appendix D.

	2024-25 £m	2025-26 £m	2026-27 £m	Total £m
CRSTS Revenue	2.841	0.000	0.000	2.841
CRSTS Capital	49.000	49.000	49.000	147.000
BSIP Revenue	29.300	0.000	0.000	29.300
BSIP Capital	32.776	0.000	0.000	32.776
Highways Maintenance Block Capital (CRSTS)	52.143	52.143	52.143	156.429
Levelling Up Fund	14.622	0.000	0.000	14.622
LTP Integrated Transport Block Capital (CRSTS)	14.057	14.057	14.057	42.171
Indicative LEVI Capital	7.900	7.900	0.000	15.800
<b>Total</b>	<b>202.639</b>	<b>123.100</b>	<b>115.200</b>	<b>440.939</b>

## 6. Final Year Funding Programmes for North of Tyne

6.1 In terms of UKSPF 2024-25 will be the final year for the current round of allocations. NEMCA will be the accountable body for this final year of delivery of the North of Tyne allocation with indicative spend of £13.788m Revenue and £3.372m capital. The 4 NECA local authorities will continue to deliver their own UKSPF programmes through their direct awards, all with the expectation nationally that all spend is completed by 31 March 2025. At the current time, the NTCA programme is substantially committed with projects in delivery.

6.2 North of Tyne CA is the accountable body for the LA7 for the Creative Growth Programme funded by DCMS. 2024-25 is the final year of funding of £0.588m

## 7. NELEP – Ongoing Programmes

7.1 There are a range of regional programmes delivered through the NELEP that will continue into 2024/25 and beyond. Programmes such as the North East Investment Fund (NEIF) and the Enterprise Zones (EZs) continue well beyond 2024-25 and will continue to deliver economic activity in line with the Investment Strategy priorities and plans as developed by NEMCA. Table 8 below give an indication of current programmes and assumptions made at the current time re their continuance into 2024-25.

**Table 8 NELEP ongoing programmes**

Programme	Funded by	Period of activity/confirmed funding	Notes/ MTFP Implications
North East Growth Hub	UKSPF/ Gov £420k/annum	To March 2024	Funding confirmed for 2024-25. A review in March 2025 and decision made then on future options and direction of travel.
Made Smarter	£800k/annum	To March 2025	Includes Tees Valley CA– promotes digital adoption by advanced manufacturers. Confirmation of funding for 2024-25 has been received. The programme will continue to 2030 with awards expected to be confirmed during 2024-25.
Challenge North East	£880k	To March 2024	Collaboration with Innovation SuperNetwork – independent appraisal of performance due January 2024.
Local Growth Fund	Balance to fund closure		Programme closure and performance reporting.
Get Building Fund	Balance to fund closure		Programme closure and performance reporting.
Enterprise Zones (EZ) Programme	Business Rates Retention.		Ongoing –will transition into NEMCA see paragraph 4.8 below.
North East Investment Fund (NEIF)	Evergreen Loans fund		Programme monitoring and performance management with FW capital – fund managers, and fund returns continuing – see paragraph 4.9 below.



## 8. Enterprise Zones

8.1 The Mayor and Cabinet will be aware of the existing Enterprise Zones (EZ's) across the LA7 geography. There are two rounds of zones in existence. The EZ's are expected to continue to March 2037 for round 1 sites and 2042 for round 2 sites. The table below, previously shared at the NELEP Investment Panel and Board, give a broad indication of potential surplus income 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 2024-25 and forecast into future years will be updated once the year end position 2023-24 is concluded early in June 2024.

**Table 9 Forecast BRGI in the Enterprise Zones.**

	23/24	24/25	25/26	26/27	27/28	28/29
	£m	£m	£m	£m	£m	£m
BRGI Income (Excluding Cat 4)	8.570	11.990	15.970	17.720	19.020	19.700
Capital Financing Costs	(4.200)	(6.240)	(8.440)	(9.630)	(9.990)	(9.960)
Net Revenue Costs	(0.140)	(0.180)	(0.160)	(0.100)	(0.110)	(0.150)
Annual Surplus	4.230	5.570	7.370	7.990	8.930	9.600
Cumulative Surplus b/f	11.540	13.510	15.540	19.070	23.550	29.690
Current assumption -use for LEP Budget Support	(0.410)	(0.500)	(0.500)	(0.500)	(0.500)	(0.500)
Agreed Performance Incentive Reward	(0.960)	(0.960)	(0.960)	(0.960)	(0.960)	(0.960)
Provision for CPIF Incentives	(1.000)	(1.000)	(1.000)	(1.000)	(1.000)	(1.000)
Funding GBF Top Up	0.000	(1.000)	(1.000)	0.000	(1.000)	0.000
Provision for Strategic Grants	(1.000)	(1.000)	(1.000)	(1.000)	(1.000)	0.000
Repayment of Project development fund	(0.230)	(0.730)	0.000	0.000	0.000	0.000
LGF swaps	0.000	(0.150)	0.000	0.000	0.000	0.000
<b>Retained Surplus after uses</b>	<b>7.940</b>	<b>8.170</b>	<b>11.080</b>	<b>14.610</b>	<b>20.090</b>	<b>27.230</b>

## 9. The North East Investment Fund

9.1 The Mayor and Cabinet will be aware that the North East Investment fund (NEIF) has been in operation since March 2013 as recyclable loans fund to support business in the region. The fund was set up with Regional Growth Fund and Growing Places fund a set out in the table 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 with the cash balance of £11.734m at the end of September 2023 committed to a range of projects including the Commercial Property Fund. Current agreements indicate funds will become available for investment in Q4 2026-27.

**Table 10 North East Investment Fund – 30 September 2023**

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)
Current Cash balance on the NEIF	£11.7m*
Bad Debt Provision	£2.6m

## **10. Capital Investment and Borrowing**

- 10.1 The range of funds set out above illustrate the significant level of resources for both revenue and capital investment across the region in 2024-25 and beyond. However, like existing mayoral combined authorities, NEMCA will secure borrowing power for all activities including non- transport activities. The required statutory instrument to secure those powers is expected to be in place before late July 2024. In securing those powers the authority will be required to negotiate a debt cap with Treasury giving an indication of the type of activity the authority may wish to borrow for. NTCA currently has a debt cap of £21.5million which is a starting point for early negotiations with Treasury.
- 10.2 The Treasury management strategy and Prudential Indicators are set out as Appendix D to this report. These will be finalised and updated once the debt cap has been secured.

## **11. Reserves**

- 11.1 As NEMCA comes into existence on 7 May any reserves and balances [of both CAs?] remaining on 6 May will transfer to NEMCA. The current forecast outturn of those reserves is set out in Appendix C but will be reviewed and updated as the year end approaches. Consideration will be given to the level of the Strategic (risk) reserve the new authority should hold. This is not expected to be material in the context of the funding the authority receives and the role it pays across the region.

## **B. Impact on NTCA Objectives**

The new mayoral combined authority will build on the work and objectives of NTCA. Cabinet has been clear and consistent as to the need for close collaboration with colleagues across the North East region. This was evident through the response to the coronavirus pandemic and recovery, in the development of transport priorities through the Joint Transport Committee, and in the development of the North East Devolution Deal. This willingness to commit time, resource and expertise has provided an important platform for securing the new Deal and will continue through the transition period over the next 12 months, as reflected in the 2023/24 Corporate Plan.

## **C. Key risks**

It is considered that failure to establish the mayoral combined authority would risk the region falling behind other major city regions such as Greater Manchester, Liverpool City Region, and Tees Valley, which have received new powers and funding.

Prudent financial planning assumptions have been made in terms of forecasting the base budget pressures and issues NEMCA will face in 2024/25 and over the coming years. The budget and corporate plan will be underpinned by a robust Assurance Framework and process.

Key risks underpinning the budget estimates include inflation risk and deliverability / slippage in expected programmes of work. Service Levels Agreement costing is still underway, and this may change the budget estimates once completed.

## **D. Financial and other resources implications**

Implementing the devolution deal would enable the region to access over £4bn of funding over a 30-year deal cycle, together with new powers to better shape local skills provisions to ensure these meet the needs of the local economy. This would include devolution of adult education functions and the core adult education budget, as well as input into the new local skills improvement plans. Over time the region would also expect to benefit from access to additional funding streams reserved for mayoral combined authorities as set out in this report.

## **E. Legal implications**

NEMCA will be required to agree a balanced budget annually and to monitor that budget throughout the year. NEMCA will also have a fiduciary duty not to waste public resources and to secure value for

money. It will also need to make provision for an adequate level of un-earmarked reserves and ensure that good financial governance arrangements are in place. The proposals in this report are recommended for approval by both NTCA and NECA to assist NEMCA in meeting these requirements when it is created.

## **F. Equalities implications**

In developing these proposals, the constituent Local authorities of NEMCA and the existing combined authorities have 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. Indeed, the aim of promoting inclusive growth within the region is expected to boost the efforts of the councils to advance equality of opportunity and foster good relations between different groups. Any future investment decisions will be underpinned by an Equality Impact Assessment. Throughout the public consultation to date, the Councils collected data on those who responded, including those who identified as having a protected characteristic and an Equality Impact Assessment was undertaken.

## **G. Inclusive Economy and Wellbeing implications**

The North East Devolution Deal sets out clear ambitions to support an inclusive and sustainable economy that improves productivity and reduces health inequalities across the region. Numerous policy provisions and funding streams within the deal reflect this intent – including a broader devolved adult education settlement, an ‘inclusive innovation deal’ and a joint-framework for employment support with DWP. The Deal also provides for the continuation of a number of North of Tyne inclusive economy programmes. These include the Poverty Prevention and School Improvement Programmes, and the Inclusive Economy Board.

## **H. Climate Change implications**

The green agenda is a critical element of the minded to devolution deal and therefore the governance changes proposed in this report, if implemented, would help to deliver those initiatives identified in the minded to deal and make a positive contribution to the Climate Change Emergency Response plans developed by each of the constituent authorities.

## **I. Consultation and engagement**

The overall devolution proposals have been 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. Engagement continues among key stakeholders across the region.

A joint session of the Overview and Scrutiny Committees from NTCA, NECA and the JTC was held on the 16 January 2024 that took the members of the committee through the Draft Corporate Plan and the Draft 2024-25 budget. There were no recommendations made to Cabinet by the committees.

## **J. Appendices**

Appendix A Draft 2024-25 Corporate Plan  
Appendix B Budget Analysis of 5 organisations  
Appendix C Reserves and Balances  
Appendix D Treasury Management Strategy and Prudential Indicators  
Appendix E Joint Transport Committee Reports

## **K. Background papers**

Report to Cabinet – 7 November 2023 North East Devolution  
Report to Cabinet – 28 November 2023 North East Mayoral Combined Authority 2025-2029 Initial Draft Budget and Medium-Term Financial Plan Proposals

## **L. Contact officer(s)**

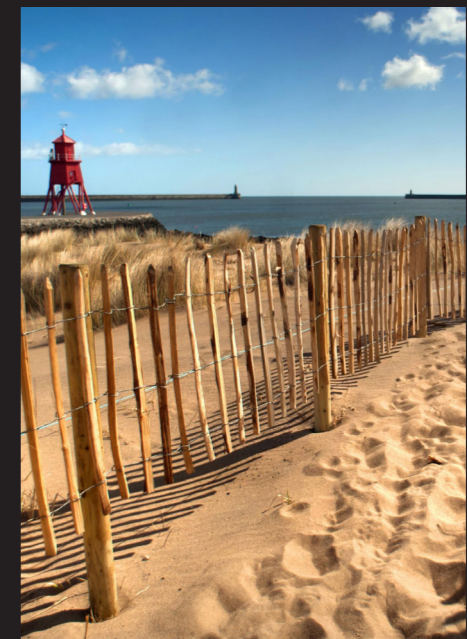
Janice Gillespie, Director of Finance NTCA  
Email [Janice.gillespie@northoftyne-ca.gov.uk](mailto:Janice.gillespie@northoftyne-ca.gov.uk)

Paul Darby Corporate, Director of Resources Durham CC and S73 Officer for NECA  
Email [Paul.Darby@Durham.Gov.uk](mailto:Paul.Darby@Durham.Gov.uk)

## **M. Glossary**

INEE Invest North East England  
LA7 Seven North East local authorities i.e., Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside, and Sunderland  
NECA North East Combined Authority  
NELEP North East Local Enterprise Partnership  
NEMCA North East Mayoral Combined Authority  
NTCA North of Tyne Combined Authority  
TNE Transport North East

# North East Devolution



Interim Corporate Plan for a new  
North East Mayoral Combined Authority



# Introduction

A historic devolution deal means more funding and local decision-making powers are coming to the North East. The deal involves the creation of a new Mayoral Combined Authority covering County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. Following an order being laid in Parliament to establish the new Mayoral Combined Authority an election will take place in May 2024 to elect a Mayor for the region. The new authority will be formed on May 7.

## Dame Norma Redfearn DBE

Chair of the Combined Authority Steering Group and Elected Mayor of North Tyneside.



“Our devolution deal is the result of collaboration across seven local authorities, two combined authorities and with our businesses, voluntary sector and public services.

“We all share an ambition for this region – to make a difference for our people and our places.

“With greater powers and more resources, this new deal promises to deliver bigger and better outcomes for everyone.

“We will invest in skills, transport, homes and jobs to have a real impact on people’s lives. We’re investing in the future of the North East and giving new hope to our residents.”



## Dr Henry Kippin

Interim Chief Executive for the new Mayoral Combined Authority

“This Corporate Plan sets out how we will turn our devolution deal into a reality, through establishing a North East Mayoral Combined Authority that is innovative, collaborative and fit for purpose.

“Our organisational design principles are driven by the deal and our shared commitments. They are underpinned by a strong set of values that guide what we do and why we do it.

“The new Combined Authority will have clear governance and accountability that demonstrates strong public value and clear commitments to maximising impact for our economy, people and places.

“Collaboration is key to our success. We will convene at scale and across sectors to deliver on the vision and ambition of the political team.”

## What does NEMCA need to do?

Convening – at scale & across sectors

Commissioning and delivering

Managing multi-billion investment

Making and shaping policy

### NORTH EAST DEVOLUTION DEAL

Stimulating & investing in innovation

Leading on behalf of the region

Supporting and enabling

Driving social and economic impact

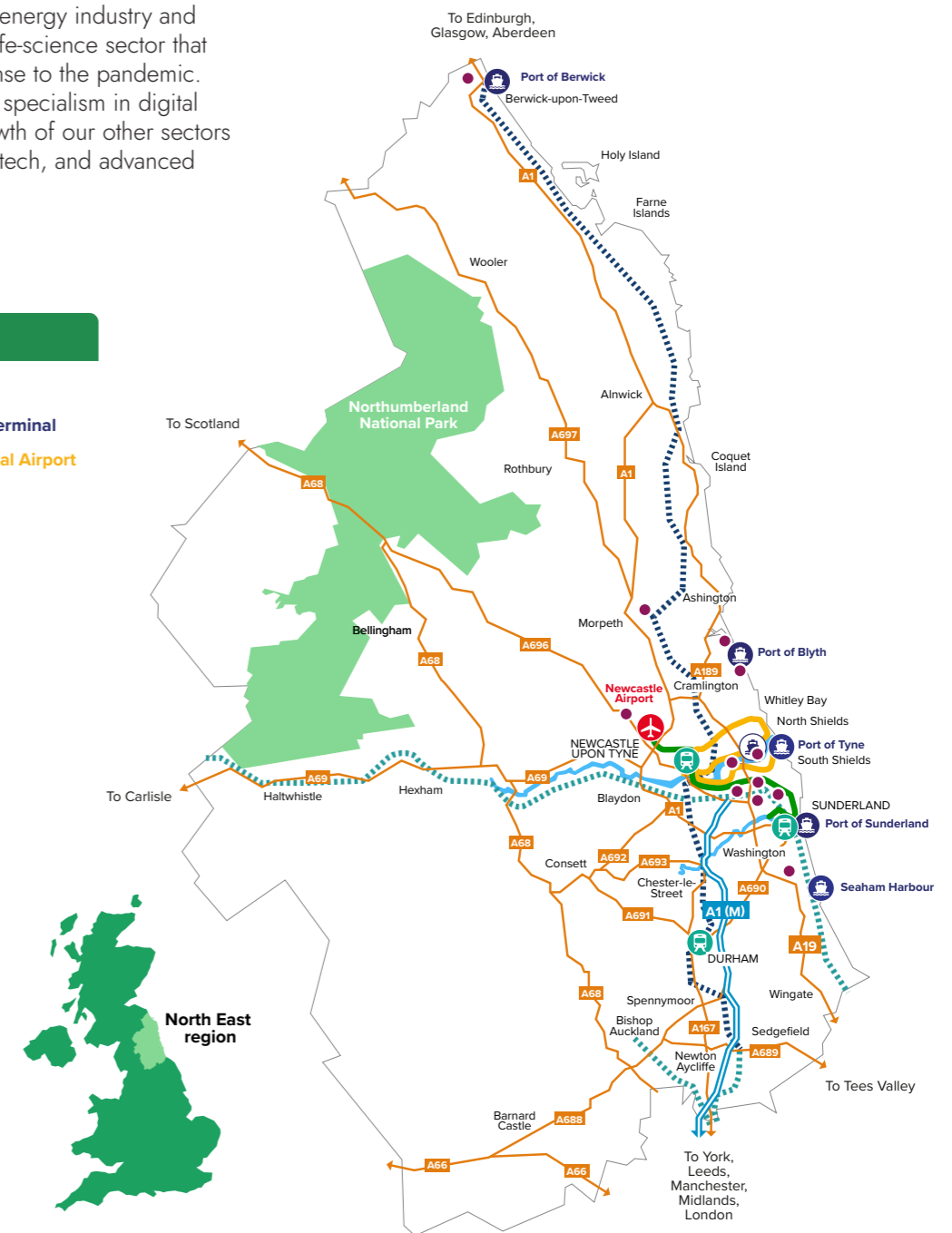
# The region

A diverse geography with strong urban, rural and coastal communities - the North East has enormous potential. We have four universities, innovation centres in offshore wind and manufacturing and nine further education colleges. The region has great connectivity through Newcastle International Airport and deep-water ports, alongside mainline rail and road connections. Challenges include having below national average growth, productivity and skills and wages, as well as relatively high inactivity and poor health outcomes.


There are multiple economic opportunities, including a thriving clean energy industry and an innovative health and life-science sector that supported the UK’s response to the pandemic. The region has a growing specialism in digital and data that catalyse growth of our other sectors such as cyber security, fintech, and advanced manufacturing.

### Key


- Ports
- Port of Tyne – Ferry Terminal
- Newcastle International Airport
- Tyne and Wear Metro
- Railway Line
- East Coast Main Line
- Motorway
- Major Road Network
- National Park




# A snapshot of the region



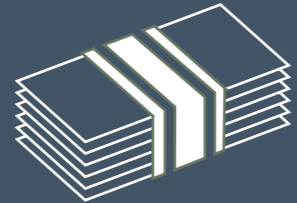
**Jobs 820,000**




**Population of 1,968,000**




**48.8m**  
Annual visitors to the North East




**An economy worth £40.7bn**



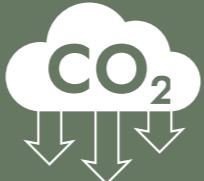
**Business population of 55,340**



**105,000** Residents who are unemployed or inactive and want a job



**£25,404**  
Median Gross Annual Salary



**Halved** Annual CO<sub>2</sub> emissions since 2005

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# How we will deliver

The transition is being led by the leaders of the seven local authorities. Dame Norma Redfearn, DBE, Elected Mayor of North Tyneside, chairs a steering group and each leader has an interim portfolio. There are a number of cross-cutting themes and strong collaboration across portfolios.

In May 2024 the people of the North East will elect a new Mayor who will work with portfolio leads to further develop areas of focus, in line with their election manifesto.



## Interim portfolios

### TRANSPORT

#### Ambition

Through a transport plan move to a green, healthy, dynamic and thriving North East.

#### Scope – What is in the Deal?

The Deal recognises and builds on the work of the Joint Transport Committee and conveys a wide range of powers and funding to the Combined Authority including the City Region Sustainable Transport Fund and the Bus Services Improvement Plan funding.

The Deal also highlights the significant economic and social benefits of the Tyne and Wear Metro, conveys new powers related to developing a strategy for the Key Route network, smart ticketing and improving bus services.

### FINANCE AND INVESTMENT

#### Ambition

Ensure that investment decisions are underpinned by a clear investment strategy that maximises leverage of the investment fund, set within a plan for generating positive jobs, skills and inclusive growth outcomes.

#### Scope – What is in the Deal?

This portfolio provides the overarching financial and assurance frameworks that underpin all the activities of the new authority.

The portfolio will ensure that the collective financial, legislative and convening powers, including the North East Investment Fund, are squarely focused on achieving positive economic, social and environmental outcomes across all portfolios. This includes the development of proposals for inward investment co-ordination alongside fiscal and financial innovation.

The deal sets out a requirement to develop an Assurance Framework, to be agreed with government.

### ENVIRONMENT, COASTAL AND RURAL

#### Ambition

Place the environment, the coast, and the growth of our rural areas at the core of the economic strategy for the North East.

#### Scope – What is in the Deal?

The deal recognised the unique natural assets and complex coastal and rural environment of the North East and the work already done in the North Of Tyne to embed stewardship and rural growth in overall economic policy. The deal sets out additional powers and measures to further build on this including:

- Proactive collaboration with government to stimulate housing and economic growth in rural areas.
- Promoting close collaboration with Scotland along the North East Coast Corridor.
- Agreeing priorities for and increased investment in nature recovery.

### CULTURE, CREATIVE, TOURISM AND SPORT

#### Ambition

Seek to deliver a vibrant and inclusive regional economy with culture, creativity, the visitor economy, leisure and sport at its heart.

#### Scope – What is in the Deal?

The deal recognises and builds on regional opportunities to drive inclusive and sustainable growth through investment in cultural, creative and visitor economy sectors by:

- Supporting the development of an ambitious cultural framework that makes the most of our distinctive natural, cultural and heritage assets.
- Aligning government and government funding with the authority and promoting joint investment and collaboration and decision making
- Promoting grassroots sport and physical activity.
- Investing in the film and media sector.
- Coordinating activity across the region to promote the visitor economy.
- Promoting the region as a location for world-class events.

### ECONOMY

#### Ambition

A bold overall economic strategy that guides investment in the region, boosts growth and productivity and proactively guides our economic transition while reducing inequality.

#### Scope – What is in the Deal?

The deal sets out three key areas where the economy portfolio must lead:

- The development of an overall economic strategy and narrative underpinned by an ambitious industrial strategy.
- The establishment of an economic intelligence and insights hub to support decision making.
- The provision of ongoing economic policy and influencing positions to support priorities.
- Progress that builds on the economic priorities, assets and potential across the seven local authority areas.

### HOUSING AND LAND

#### Ambition

Set out bold and ambitious plans for the North East: to improve the range, quality and affordability of housing; drive economic growth and productivity; and, support the most vulnerable.

#### Scope – What is in the Deal?

The deal sets out a broad set of powers and functions that – alongside partners - will drive growth and regeneration and will enable the authority to:

- Acquire and dispose of land to assemble sites and build homes and commercial space.
- Designate mayoral development areas and create mayoral development corporations.
- Drive place-based economic regeneration across key sites in the region.
- Take a collaborative approach to infrastructure investment and place shaping.
- Support a sustainable future for our high streets, towns, and city centres.
- Develop infrastructure plans and collaborative approaches to funding and investment in affordable homes.

### EDUCATION, SKILLS AND INCLUSION

#### Ambition

Build an inclusive and sustainable economy that everyone can contribute to and benefit from, equipping residents with the skills and support needed for our economy to thrive.

#### Scope – What is in the Deal?

The deal provides an expansive range of powers and investment opportunities to promote inclusive growth and a skilled, motivated workforce.

These include:

- A fully devolved Adult Education Budget.
- A commitment to provide local leadership of the overall skills system across the region including support for Local Skills Improvement Plans.
- Ensuring collaboration across the local education system to improve standards.
- A commitment to tackle and prevent child poverty.
- Measures to work collaboratively on improving employability and future employment programmes.
- An expanded inclusive economy approach for the North East.



# Resources

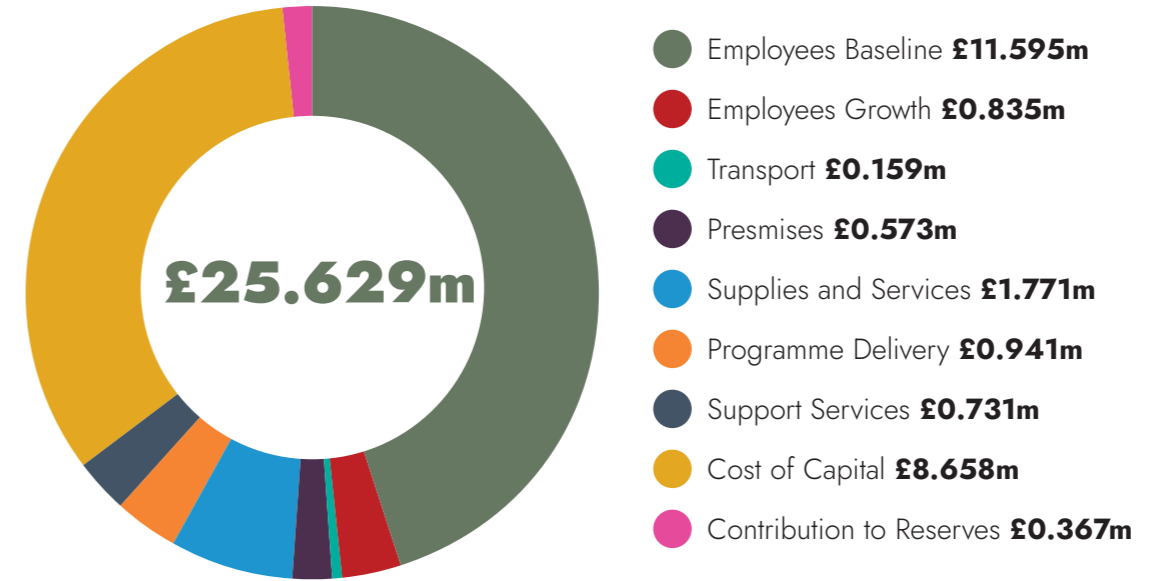
In preparing a draft budget, investment plans are designed for delivery of the portfolio activity that has been set out in this plan.

The budget enables the integration of five organisations that will be disbanded and reformed as the new authority.

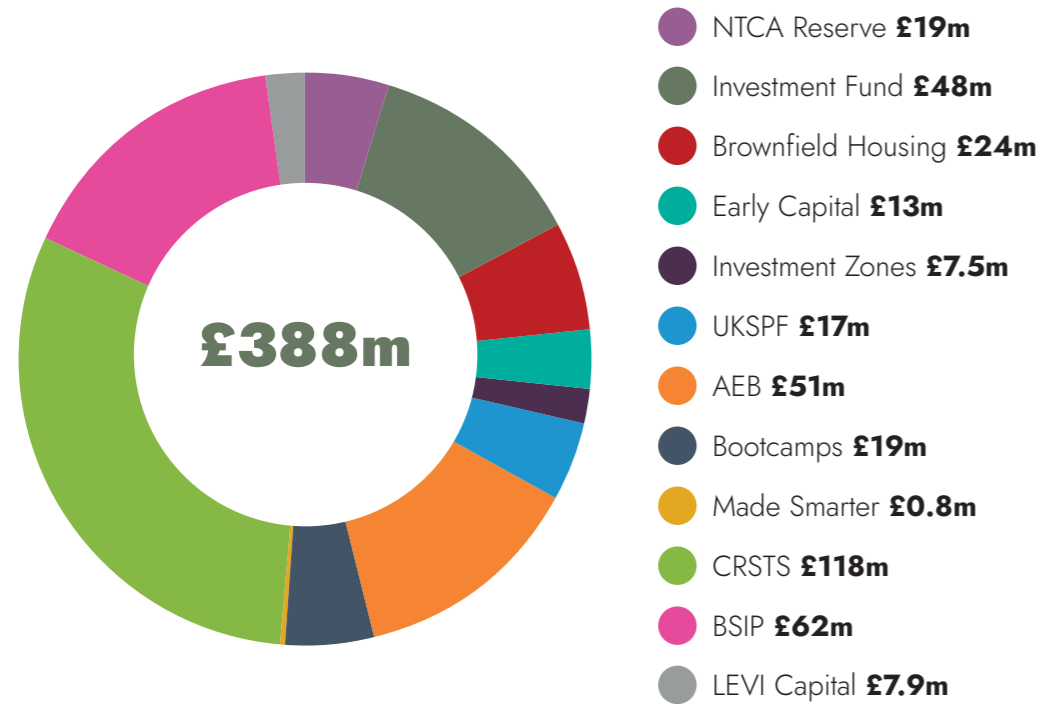
These are:

- The North of Tyne Combined Authority
- The North East Local Enterprise Partnership
- Transport North East
- Invest North East England
- The North East Combined Authority

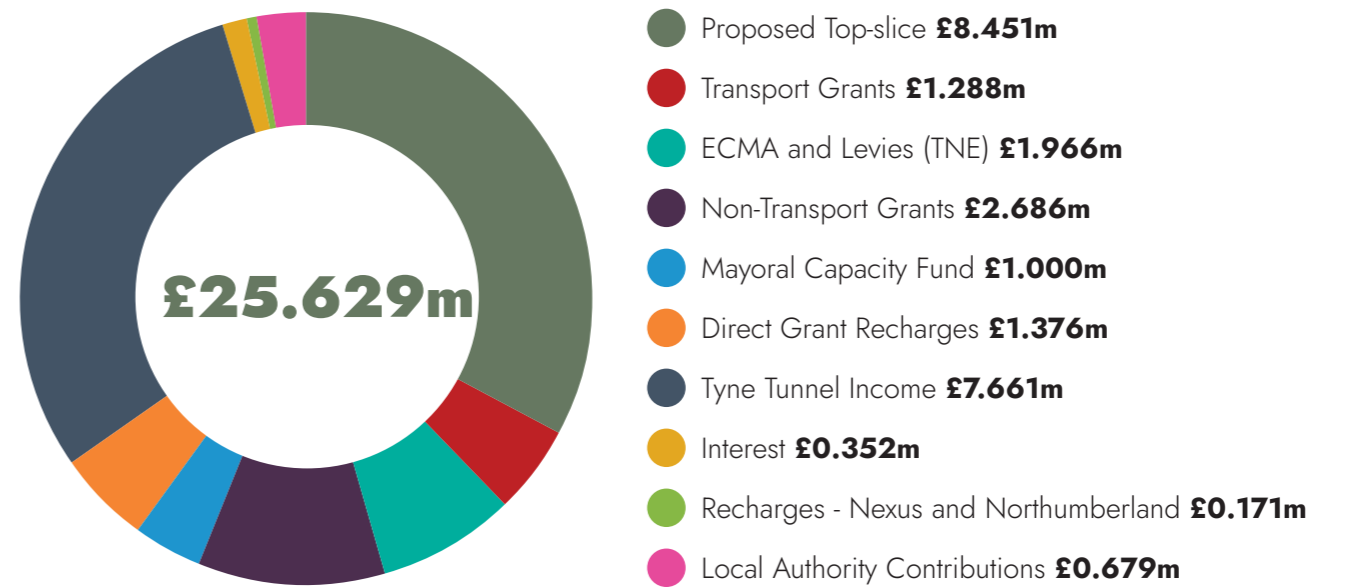
## Corporate Budget



## What the authority will invest



## Funding of the corporate budget



# Organisational design principles

We will operate to a set of design principles that guide an ethos for the new combined authority through effective leadership, governance, organisational design, resources and processes.

## LEVEL 1 DESIGN PRINCIPLES – THE ETHOS OF THE NEW MCA

<b>LEADERSHIP</b>	<ul style="list-style-type: none"> <li>Highly collaborative, inclusive and joined up</li> <li>Delivering shared strategic priorities through strong relationships and high-quality standards</li> <li>Innovative, forward looking and constantly learning</li> </ul>
<b>GOVERNANCE</b>	<ul style="list-style-type: none"> <li>Mayor-and-Cabinet model which maximises collaboration and cross-party, cross-regional working</li> <li>Pulling down – not drawing up – powers from the region and achieving more through collaboration</li> <li>Fit for purpose but not over-bureaucratized</li> </ul>
<b>ORGANISATIONAL DESIGN</b>	<ul style="list-style-type: none"> <li>Driven by policy, purpose and values – with innovation in staffing and delivery models</li> <li>Efficient, effective and agile structures that enable streamlined decision making and delivery</li> <li>A resilient and flexible organisation which attracts top talent through being an exciting and different place to work</li> </ul>
<b>RESOURCES</b>	<ul style="list-style-type: none"> <li>Investment framed by coherent long-term planning – making the biggest possible economic, social and environmental impact</li> <li>Enabling high performance, quality delivery and achieving things that would otherwise be impossible</li> <li>Inclusion, equalities and a strong value-set at the heart of everything we do</li> </ul>
<b>PROCESSES</b>	<ul style="list-style-type: none"> <li>Strong alignment to strategic outcomes and policy intent</li> <li>High levels of collaboration, integration and streamlined, cross-silo working</li> <li>Clear governance, scrutiny and business processes linked to appropriate political oversight</li> </ul>

Our principles are driven by the deal, our shared commitments, agreed ways of working and experience of what 'fit for purpose' looks like given the scale and nature of what is to be done.

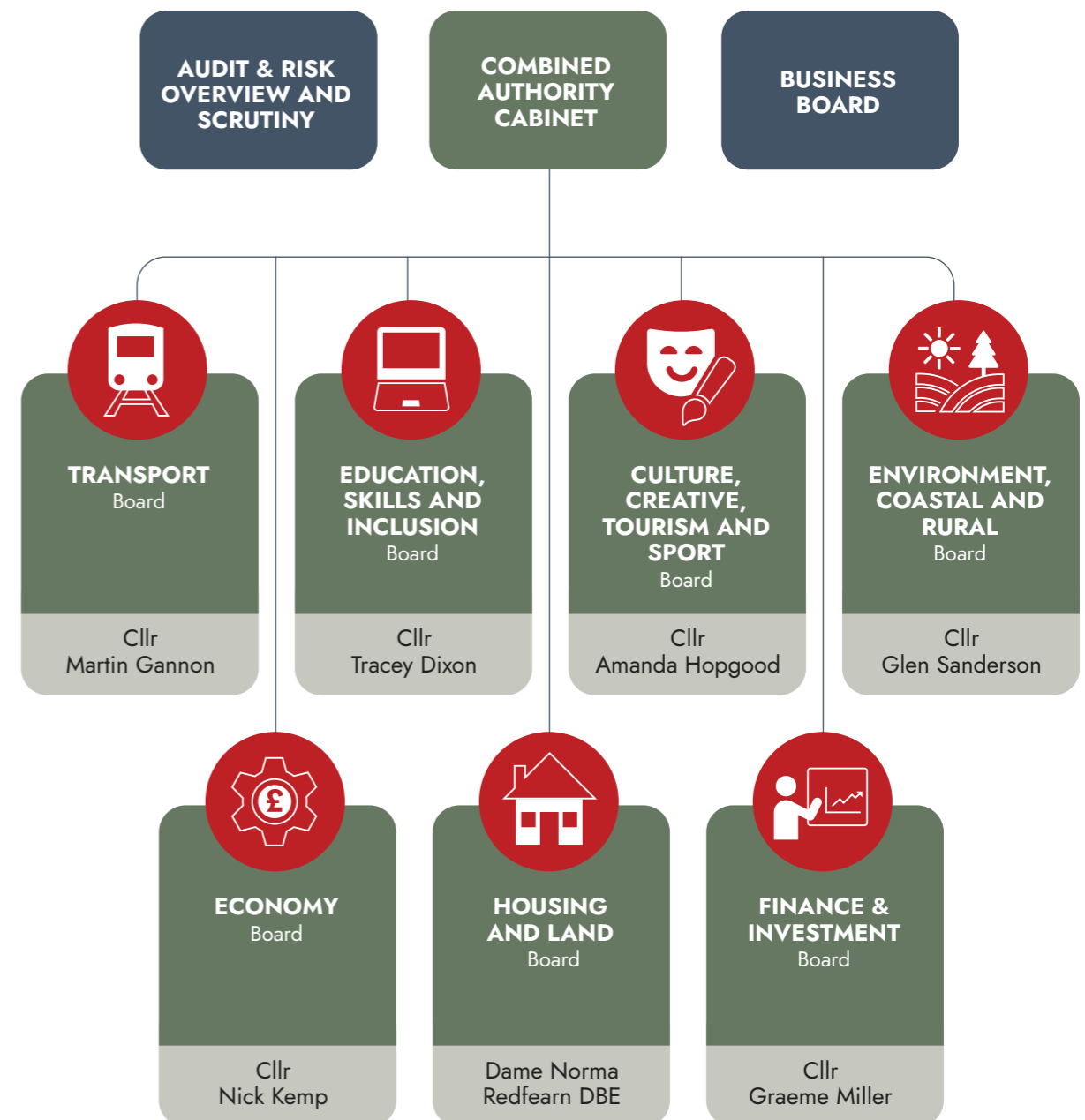
We will deliver through a clear ethos – a balance between ambition, high performance and capability – and the need to demonstrate public value and delivery through collaboration and clear value-add.

# Governance

The combined authority Cabinet will comprise of the newly-elected Mayor, seven elected members with one appointed from each constituent council. There will also be the Chair of the Business Board and a representative of the community and voluntary sector. These two members will be non-voting.

We will work with the current Local Enterprise Partnership board to ensure a smooth transition in setting up a business board.

Advisory boards will be chaired by portfolio leads from constituent councils, with strong links to sector stakeholders.



## Timeline

# 2023

### JANUARY 2023

Deal is signed with the Secretary of State for Levelling Up, Housing and Communities

### NOVEMBER 2023

Each council and the two combined authorities gave local approval for the formation of a new combined authority

### MARCH 2024

The order will be made in Parliament

### JUNE 2024

First meeting of the new combined authority

### MARCH 2023

A public consultation ends with overall support for the changes

# 2024

### EARLY 2024

An order will be laid in Parliament paving the way for the new authority

### MAY 2 2024

The public will elect a new Mayor

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	NECA	TNE/JTC	NTCA	LEP	INEE	Total	Proposed adjustments. Note 1	Estimated Growth	Estimated Gross NEMCA cost
Expenditure	£	£	£	£	£	£	£	£	£
Employees Baseline	80,870	2,737,235	6,588,653	3,291,536	238,000	<b>12,936,294</b>	330,890		<b>13,267,184</b>
New Funding Streams employee growth								910,500	<b>910,500</b>
Transport	1,000	42,855	30,000		10,000	<b>83,855</b>			<b>83,855</b>
Premises	0	144,150	350,000	164,576	0	<b>658,726</b>			<b>658,726</b>
Supplies and Services	45,640	1,643,670	972,624	794,945	209,000	<b>3,665,879</b>	(395,000)	20,000	<b>3,290,879</b>
Programme Delivery Costs	0	0	245,000	782,507	0	<b>1,027,507</b>			<b>1,027,507</b>
Support Services	140,760	502,480	458,610	109,000	3,000	<b>1,213,850</b>	(330,890)		<b>882,960</b>
Capital Financing Costs	0	9,444,680	0	0	0	<b>9,444,680</b>			<b>9,444,680</b>
Election Reserve	0	0	0	0	0	0	400,000		<b>400,000</b>
<b>Total Expenditure</b>	<b>268,270</b>	<b>14,515,070</b>	<b>8,644,887</b>	<b>5,142,564</b>	<b>450,000</b>	<b>29,030,791</b>	<b>5,000</b>	<b>930,500</b>	<b>29,966,291</b>

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Note 1 cost adjustments

Estimate of current SLA provision being delivered in house £330,890,

Adjust for LEP pension contribution £395,000

Start annual contribution to the creation of election Reserve for 2029 £400,000

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Reserve/Balance	Opening Balance 2023/24  £m	Forecast Balance on Reserves at 31/03/2024  £m
<b>NTCA</b>		
Strategic Reserve	0.200	0.200
Investment Fund Reserve	50.046	22,057
Election Fund Reserve	0.000	1.100
Adult Education Budget Grant	8.760	4.628
DLUHC Capital Grant	12.302	0.000
Create Growth Programme	0.425	0.163
United Kingdom Social Prosperity Fund	3.950	4.177
Strategic Capacity Reserve	1.252	1.252
Bootcamp Wave 3	1.134	0.000
Bootcamp Wave 4	0.000	4.997
Net Zero North East England	0.151	0.000
Brownfield Housing Fund	12.763	2.784
Capacity Funding	0.000	0.125
Transition Reserve	0.000	3.238
Reserves less than £0.100m	0.333	0.087
<b>Total Reserves NTCA</b>	<b>91.316</b>	<b>46.608</b>
<b>NECA and JTC</b>		
NECA Corporate	0.416	0.413
JTC Unallocated	1.096	0.874
JTC Tyne Tunnels	9.626	9.339
JTC Metro and Local Rail Studies	1.963	1.099
JTC Nexus POP Truth on Server	0.461	0.000
JTC Transport Devolution Preparation	2.573	1.258
Nexus Metro Reinvigoration	8.267	2.967
Nexus Metro Fleet Replacement	10.367	5.456
Interest on balances reserve	0.000	8.125
<b>Total Reserves NECA and JTC</b>	<b>34.769</b>	<b>29.531</b>
<b>NELEP</b>		
NIEF Reserve	12.156	12.156
EZ Reserve	7.431	7.431
LGF SWAP Reserve	-0.350	0.000
Tyne Tunnel Reserve (LEP)	0.350	0.000
GBF Reserve	1.390	0.000
DFE Funding	0.117	0.000
North East Ambition Reserve	0.341	0.000
LEP General reserves	0.675	0.128
CEC Enterprise Advisor	0.128	0.000

Collaboration of Digital Expertise	0.386	0.000
Balances < £0.100m	0.048	0.048
<b>Total NELP Reserves</b>	<b>22.672</b>	<b>19.763</b>
<b>General Fund Balances (LEP)</b>	<b>0.613</b>	<b>1.250</b>
<b>Total Reserves and Balances</b>	<b>149.370</b>	<b>97,552</b>



## Appendix D – Draft North East Mayoral Combined Authority Treasury Management Strategy 2024/25 and Prudential Indicators

### Purpose

- 1 In accordance with statutory guidance and the Authority's Financial Procedure rules, this report presents the 2024/25 position for the proposed 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 2024/25:

- 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 NECA held £169.333m of loans at 31 March 2023. The balance had decreased to £149.667m at 31 December 2023 and is expected to be £149.333m at 31 March 2024, as detailed below:

	<b>1 April 2023</b>	<b>2023/24</b>	<b>31 March 2024</b>	<b>Average</b>	<b>31 March 2024</b>
	<b>Actual Balance</b>	<b>Estimated Movement</b>	<b>Estimated Balance</b>	<b>Interest Rate</b>	<b>Average Life</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>	<b>years</b>
Public Works Loan Board (PWLB)	81.000	(0.667)	80.333	4.09	22.8
Private Sector	89.000	(20.000)	69.000	4.39	48.3
<b>Total borrowing</b>	<b>170.000</b>	<b>(20.667)</b>	<b>149.333</b>		

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 2023/24 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 Department for Levelling Up, Housing and Communities (DLUHC) 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 DLUHC 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.
- 33 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.
- 34 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.
- 35 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.

### **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):

	<b>Fitch</b>	<b>Moody's</b>	<b>Standard &amp; Poor's</b>
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:

<b>Investment Type</b>	<b>Long Term Rating</b>	<b>Money Limit</b>	<b>Time Limit</b>
Banks / Building Societies*	AA-	£30m	1 year
Banks / Building Societies*	A	£30m	1 year
Banks / Building Societies*	A-	£20m	6 months
Banks – part-nationalised*	N/A	£30m	1 year
Banks– Council’s banker*	A-	£30m	3 months
DMADF / Treasury Bills	AAA	unlimited	unlimited
Local Authorities	N/A	£20m each	3 years
<b>Investment Type</b>	<b>Asset Size</b>	<b>Money Limit</b>	<b>Time Limit</b>
Building Societies	+£1 billion	£15m	6 months
<b>Investment Type</b>	<b>Fund Rating</b>	<b>Money Limit</b>	<b>Time Limit</b>
Money Market Funds	AAA	£60m total	liquid
Money Market Funds CNAV	AAA	£15m each	liquid
Money Market Funds LVNAV	AAA	£15m each	liquid
Money Market Funds VNAV	AAA	£15m 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

These are initial draft limits for NEMCA based on estimated balances and will be kept under review following the establishment of the new Mayoral Combined Authority. They may be revised if required and a recommendation will be brought to the NEMCA cabinet if this is the case.



## **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:

	<b>2024/25 Limit</b>
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:

	<b>Lower Limit</b>	<b>Upper Limit</b>
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:

	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
Principal sums invested > 365 days	£15m	£15m	£15m

### **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. This will be updated following

finalisation of initial capital expenditure proposals for the first year of the Combined Authority.

	<b>2023/24 Estimate £m</b>	<b>2024/25 Estimate £m</b>	<b>2025/26 Estimate £m</b>	<b>2026/27 Estimate £m</b>	<b>2027/28 Estimate £m</b>
Transport Capital Programme	304.416	188.893	135.128	66.200	66.200
Non-Transport Capital Programme	67.643	26.885	15.604	10.388	14.270
<b>Total Capital Programme</b>	<b>372.059</b>	<b>215.778</b>	<b>150.732</b>	<b>76.588</b>	<b>80.470</b>
<b>Financed by:</b>					
Capital Grants	330.638	194.143	136.658	75.450	74.450
Revenue and Reserves	28.821	20.025	14.074	1.138	6.020
Investment Fund	12.600	1.610	0.000	0.000	0.000
<b>Net borrowing financing need for the year</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>

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.

	<b>2023/24 Estimate £m</b>	<b>2024/25 Estimate £m</b>	<b>2025/26 Estimate £m</b>	<b>2026/27 Estimate £m</b>	<b>2027/28 Estimate £m</b>
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
<b>Total CFR</b>	<b>180.693</b>	<b>227.123</b>	<b>223.550</b>	<b>219.970</b>	<b>216.377</b>
<b>Movement in CFR represented by:</b>					
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)
<b>Movement in CFR</b>	<b>(3.599)</b>	<b>46.430</b>	<b>(3.573)</b>	<b>(3.580)</b>	<b>(3.593)</b>

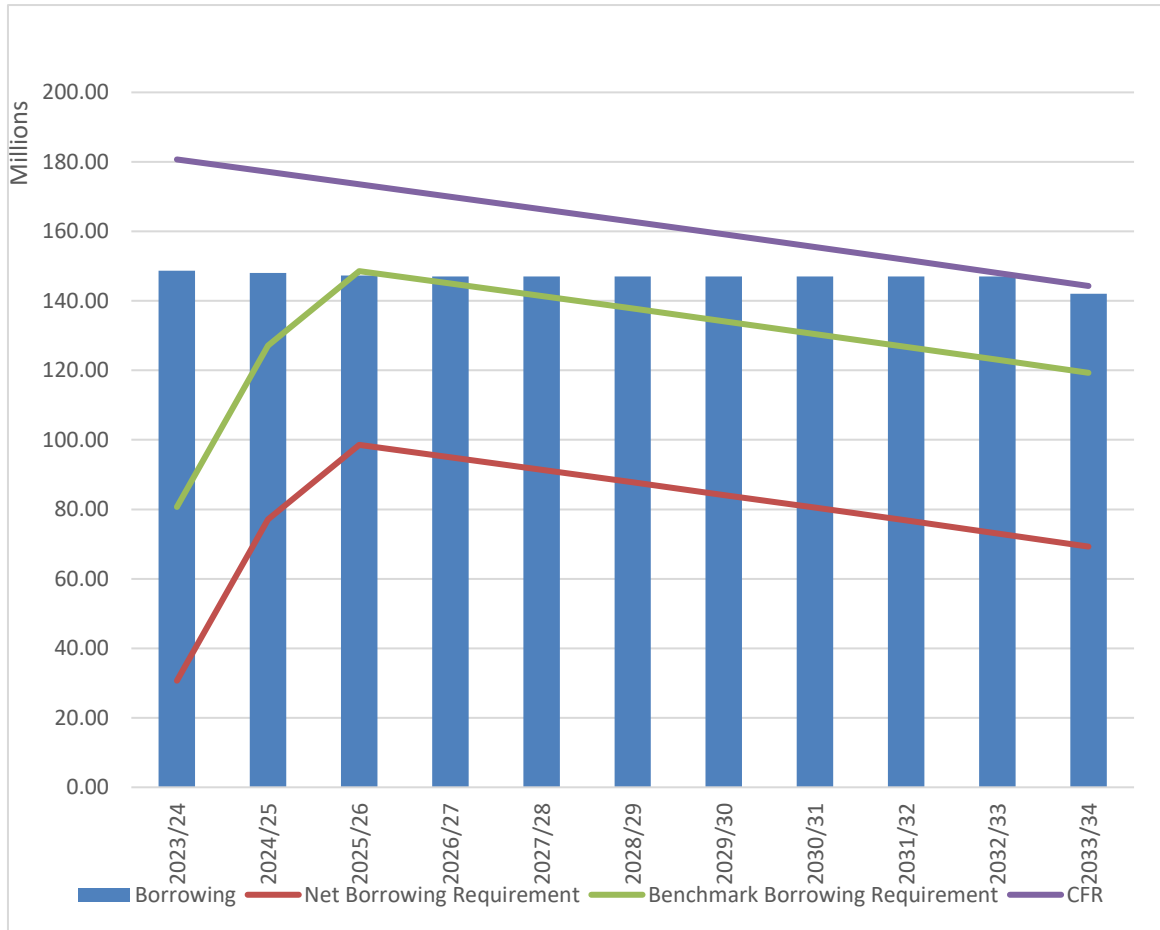
52 Gross Debt and the Capital Financing Requirement – in order to ensure that debt will only be held for capital purposes, the Authority should ensure that debt does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional 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:

	<b>2023/24 Estimate £m</b>	<b>2024/25 Estimate £m</b>	<b>2025/26 Estimate £m</b>	<b>2026/27 Estimate £m</b>	<b>2027/28 Estimate £m</b>
Debt at 1 April	169.333	148.666	198.000	197.333	197.333
Expected change in debt	(20.667)	49.334	(0.667)	0.000	0.000
<b>Gross Debt at 31 March</b>	<b>148.666</b>	<b>198.000</b>	<b>197.333</b>	<b>197.333</b>	<b>197.333</b>
<b>Capital Financing Requirement</b>	<b>180.693</b>	<b>227.123</b>	<b>223.550</b>	<b>219.970</b>	<b>216.377</b>
<b>Over/(Under) borrowing</b>	<b>(32.027)</b>	<b>(29.123)</b>	<b>(26.217)</b>	<b>(22.637)</b>	<b>(19.044)</b>

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. An extra provision has been included for potential NEMCA borrowing which will be subject to the agreement of a debt cap with HMT.

	2021/22 Actual £m	2022/23 Estimate £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m
Operational Boundary	205.000	255.000	255.000	255.000	255.000
Authorised Limit	210.000	260.000	260.000	260.000	260.000

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.

	<b>2023/24 Estimate</b>	<b>2024/25 Estimate</b>	<b>2025/26 Estimate</b>	<b>2026/27 Estimate</b>	<b>2027/28 Estimate</b>
Ratio of financing costs to net revenue stream:					
Tyne and Wear Levy	1.88%	1.74%	1.68%	1.67%	1.63%
Tyne Tunnels Account	19.38%	21.52%	21.18%	21.44%	20.73%

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



## North East Joint Transport Committee

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**Date:** 16 January 2024  
**Subject:** Transport Budget and Levies 2024/25  
**Report of:** Chief Finance Officer

### Executive Summary

This report sets out the 2024/25 Transport Budget and associated Transport Levies for the North East Joint Transport Committee (JTC) together with indicative forecasts for future years also exemplified for consideration and approval. The budget proposals contained in this report take into account comments received during consultation on the outline proposals presented to this committee in November 2023 and input from members of the JTC Overview and Scrutiny Committee.

The two Combined Authorities in the JTC area are required to set the Transport Levies before 15 February 2024 to enable their constituent council to take the levies and other contributions into account in setting their own budgets. The two Combined Authorities will formally determine to issue the levies that are agreed by the JTC at their meetings on 23 January 2024 (NECA) and 30 January 2024 (NTCA).

The changes which will be required in order to establish the proposed North East Mayoral Combined Authority (NEMCA) will entail the abolition of the JTC, as NEMCA will be responsible for the exercising of transport functions across the region in the future. Until the new authority comes into existence, the current decision-making arrangements apply and therefore budget and levy proposals are set out for agreement by the JTC. The transport budgets and levies included in this report will form part of the overall combined budget for NEMCA from May 2024.

The report provides an update on the Revenue Budget outturn for 2023/24 and sets out the revenue resources planned to be used in 2024/25 to deliver the objectives of the JTC. A separate report on this agenda sets out the 2024/25 Transport Capital Programme and provides an update on the delivery of the 2023/24 Transport Capital Programme.

The proposed budget and levy for public transport activity in County Durham is £16.905m for 2024/25, of which £16.895m will be payable as a grant to Durham County Council and £10,000 retained to contribute to the central costs of the JTC. This

compares with a levy for 2024/25 of £16.912m, of which £16.902m was payable as transport grant.

The proposed budget and levy for public transport activity in Northumberland is £6.562m for 2024/25, of which £6.552m will be payable as a grant to Northumberland County Council and £10,000 retained to contribute to the central costs of the JTC. This compares with a levy for 2024/25 of £6.458m, of which £6.448m was payable as transport grant.

The proposed levy for public transport activity in Tyne and Wear is £70.300m for 2024/25, of which £68.200m will be payable as a grant to Nexus. This represents a year-on-year increase of £2.500m (3.7%) in the levy compared with 2023/24 when the Tyne and Wear levy was £67.800m. As in previous years, £2.100m of the Tyne and Wear levy will be retained and used to help fund central costs of the JTC, primarily relating to historic debt charges for the former Tyne and Wear Integrated Transport Authority (TWITA) functions.

The proposed gross expenditure budget for Transport North East (TNE) is £36.672m in 2024/25, funded through a range of sources, including external government grants, a contribution from the Local Transport Plan (LTP) Integrated Transport Block grant of £500,000 (equating to £62,500 for each of the seven local authorities and Nexus), a contribution from the Transport levies and interest earned on revenue balances.

A break-even position is forecast on the Tyne Tunnels revenue account for 2023/24, where increased investment income and reduction in debt financing costs will cover the deficit previously forecast for the year. For 2024/25 a break even budget will be set on the assumption that toll increases in line with RPI are applied when the Tyne and Wear Sub Committee take their decision on tolls on 18 January 2024.

The proposed increase in the tolls will apply to Class 2 and Class 3 vehicles next year. The calculated increases required, based on RPI, are from £2.20 to £2.40 for Class 2 vehicles (cars) and £4.40 to £4.80 for Class 3 vehicles. No change is proposed to the 10% discount available to Pre-Paid account holders or to the toll exemptions for emergency response vehicles, public bus services, disabled users and other categories of exempt vehicle as set out in the Tyne Tunnels Bylaws and River Tyne Tunnels order. The increases are required as RPI linked increases are triggered in the contract payments to the operator of the tunnels, so the tolls must increase to maintain a balanced position.

Increased interest on revenue balances held for transport activity is forecast in the current year, and it is proposed that the additional income generated this year (£8.125m) is transferred to an earmarked reserve at the end of this financial year, to be applied to support investment and activity in future years to facilitate and following the transition to NEMCA.

Factoring in the budget proposals contained in this report and the accompanying capital budget report, the JTC reserves are forecast to be £28.204 million at 31 March 2025. Details of the sums held and earmarked for specific purposes are set out in the report.

## Recommendations

The North East Joint Transport Committee is recommended to:

- i) Note the updated forecast outturn position for the Transport budget in 2023/24 and approve the revised estimates for the year;
- ii) Agree a Transport net revenue budget from the levies for 2024/25 of £93.767m, as set out in section 2.4 of this report;
- iii) Agree the following Transport Levies for 2024/25:
  - a. Durham County Council £16,905,000
  - b. Northumberland County Council £6,562,000
  - c. Tyne and Wear Councils (detailed in Table 6) £70,300,000
- iv) Agree a transport revenue grant to Durham County Council for the delivery of transport services of £16,895,000, as outlined in section 2.6;
- v) Agree a transport revenue grant to Northumberland County Council for the delivery of transport services of £6,552,000, as outlined in section 2.10;
- vi) Agree a transport revenue grant to Nexus for the delivery of transport services in Tyne and Wear of £68,200,000;
- vii) Approve the budget for Transport North East as set out in section 2.53 to 2.57;
- viii) Approve the budget for the Tyne Tunnels set out in section 2.58-2.70; and
- ix) Note and agree the forecast level and use of reserves at section 2.71.

## **1. Background Information**

- 1.1 The draft transport revenue budget proposals were presented to this committee for consideration on 21 November 2023 and have been the subject of consultation with officer groups, members of the JTC Overview and Scrutiny Committee and the Tyne and Wear Sub-Committee (for proposals relating to Tyne and Wear).
- 1.2 This report sets out the final budget proposals, taking into account the comments received during the budget setting process and the latest available information.
- 1.3 The report outlines the proposed Transport revenue budget and levies for 2024/25, together with indicative forecasts for future years exemplified for consideration and approval. The report also provides an updated forecast for the current year against the 2023/24 budget agreed by the JTC in January 2023.
- 1.4 The proposed devolution deal requires the seven councils to establish a new mayoral combined authority and will lead to the abolition of the North East Combined Authority (NECA) and North of Tyne Combined Authority (NTCA). The new Mayoral Combined Authority is dependent on Parliament passing a statutory order under the Local Democracy, Economic Development and Construction Act 2009. The creation of the North East Mayoral Combined Authority (NEMCA) will also see the abolition of the JTC, as NEMCA will be responsible for the exercising of transport functions across the region in future.
- 1.5 It is anticipated that the order will be laid before Parliament this month and for it to be made (i.e., take effect) in March 2024. This will then allow for the mayoral election to be held in May 2024 and NEMCA to come into existence on 7 May 2024.
- 1.6 Until the new combined authority comes into being, existing decision-making arrangements apply and therefore the budgets for 2024/25 are set out in this report for agreement by the JTC.

## **2. Proposals**

### **Transport Revenue Budgets Updated 2023/24 Forecast**

- 2.1 The main area of income and expenditure in the JTC revenue budget is the Transport Levies and the revenue grants paid to Durham County Council, Northumberland County Council and Nexus for the delivery of public transport services.
- 2.2 The Transport levies and revenue grants are normally fixed for the year so there is no change in these amounts in the forecast for the year end. Any surplus (underspending) or deficit (overspending) against these grants by the three main delivery agencies (Durham County Council, Northumberland County Council and Nexus) is retained or managed within the reserves of those organisations.
- 2.3 The updated forecasts, based on actual spend to 31 October is set out in the table below:

**Table 1: Transport Levies and Grants 2023/24**

	<b>2023/24 Original Budget</b>	<b>Spend to 31 October 2023</b>	<b>2023/24 Forecast Outturn</b>	<b>2023/24 Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Total Transport Levies</b>	<b>(91.170)</b>	<b>(53.183)</b>	<b>(91.170)</b>	<b>0.000</b>
Grant to Durham	16.902	9.859	16.902	0.000
Grant to Northumberland	6.448	3.761	6.448	0.000
Grant to Nexus	65.700	38.325	65.700	0.000
Retained Levy budget	2.120	0.620	2.120	0.000
<b>Total Expenditure</b>	<b>91.170</b>	<b>52.565</b>	<b>91.170</b>	<b>0.000</b>
<b>Net (Income) / Expenditure Position</b>	<b>0.000</b>	<b>(0.618)</b>	<b>0.000</b>	<b>0.000</b>

**Transport Revenue Budget and Levy Proposals for 2024/25**

2.4 The overall total proposed net revenue budget for transport levies in 2024/25 is £93.767m, as summarised in Table 2 below. This represents a total net increase of £2.597m (2.85%) when compared to 2023/24.

**Table 2: Transport Levies 2024/25**

	<b>2023/24 Levy</b>	<b>2024/25 Proposed Levy</b>	<b>Change from 2023/24</b>	<b>Levy per person<sup>1</sup></b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£</b>
Durham	16.912	16.905	(0.007)	32.01
Northumberland	6.458	6.562	0.104	20.23
Tyne and Wear	67.800	70.300	2.500	61.57
<b>Total</b>	<b>91.170</b>	<b>93.767</b>	<b>2.597</b>	

2.5 The variation in the figures for the levy per person reflects the higher costs of concessionary travel demand and capital financing costs in the Tyne and Wear area and the fact that in Tyne and Wear a proportion of the levy underpins the Metro, and demonstrates why three separate levies are required. There is more information provided in Appendix 1 on the background to the separate levies and what the levies fund. The following table sets out a summary of the transport net revenue spending planned for 2024/25. Approximately £49.305m (52.6%) is planned to be spent on the statutory English National Concessionary Travel Scheme (ENCTS) concessionary travel and discretionary add-ons, and £19.898m (21.2%) on subsidised bus services (not including the costs of home to school transport for children and young people as these are within the budgets of the relevant local authorities). £20.494m (21.9%) is used to partially fund the Metro Services – representing 29.2% of the Tyne and Wear levy.

<sup>1</sup> ONS mid-2022 Population estimates, [Population estimates for England and Wales - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/population-demography/population/population-estimates-for-england-and-wales)

**Table 3: Summary of the 2024/25 Transport Levy Budget**

	<b>Durham</b>	<b>Northum-berland</b>	<b>Tyne and Wear</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Statutory Concessionary Travel	12.155	4.865	29.298	<b>46.318</b>
Discretionary Concessionary Travel	-	-	2.987	<b>2.987</b>
Subsidised Bus Services	3.888	1.480	14.530	<b>19.898</b>
Bus Stations/Infrastructure	0.009	0.029	2.546	<b>2.584</b>
Public Transport Information	0.051	0.025	1.166	<b>1.242</b>
Metro (inc. Discretionary Travel)	-	-	20.494	<b>20.494</b>
Ferry	-	-	1.999	<b>1.999</b>
Staffing in Durham/Northumberland	0.792	0.153	-	<b>0.945</b>
Reserves Funding	-	-	(4.820)	<b>(4.820)</b>
<b>Transport Grant</b>	<b>16.895</b>	<b>6.552</b>	<b>68.200</b>	<b>91.647</b>
JTC Central Costs/former TWITA costs	0.010	0.010	2.100	<b>2.120</b>
<b>Transport Levy</b>	<b>16.905</b>	<b>6.562</b>	<b>70.300</b>	<b>93.767</b>

## **Durham**

2.6

The proposed budget and levy for public passenger transport activity in County Durham will be set at £16.905m for 2024/25. This compares with a levy of £16.912m for 2023/24 – a year on year decrease of £7k. The budget and levy for 2023/24, including the forecast outturn position, and the proposed 2024/25 levy is summarised in table 4 below.

**Table 4: Durham Transport Budget and Levy 2024/25**

	<b>Original Budget</b>	<b>Spend to Date</b>	<b>2023/24 Forecast</b>	<b>2023/24 Variance</b>	<b>2024/25 Initial Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Concessionary Fares	11.155	6.059	9.239	(1.916)	12.155
Subsidised Services	4.888	4.341	6.801	1.913	3.888
Bus Stations	0.276	0.634	0.297	0.021	0.312
Bus Shelters	(0.268)	0.052	(0.089)	0.179	(0.303)
Passenger Transport Information	0.089	0.053	0.082	(0.007)	0.051
Staffing	0.762	0.508	0.762	0.000	0.792
Share of JTC costs	0.010	0.010	0.010	0.000	0.010
<b>Net Expenditure</b>	<b>16.912</b>	<b>11.657</b>	<b>17.102</b>	<b>0.190</b>	<b>16.905</b>

2.7 The updated projected outturn for 2023/24 indicates a total overspend of £0.190m to the year end. An underspend is forecast on Concessionary Fares reimbursement due to the reduction in Concessionary travel passengers post-Covid, estimated at £1.916m. These underspends are offsetting the additional support (£1.913m) being provided to the Passenger Transport Network through subsidised services. These costs relate to increased contract costs to bus operators for services that are deemed as no longer being commercially viable to the operator and which would otherwise have been withdrawn. Concessionary Fares underspends are being utilised to offset these costs and support the Passenger Transport Network.

2.8 An overspend of £0.021m is forecast in relation to an increase in security and repairs and maintenance costs in bus stations and an overspend of £0.179m is also forecast in relation to increased repairs and maintenance and a loss of advertising income on bus shelters. There is a small anticipated underspend of £0.007m against the revised budget for passenger transport information.

2.9 The proposed budget for 2024/25 represents a small year on year reduction (£0.006m) compared to 2023/24.

### **Northumberland**

2.10 The proposed budget and levy for public transport activity in Northumberland is £6.562m for 2024/25. This compares with a levy of £6.458m for 2023/24 – a year on year increase of £0.104m. The budget and levy for 2023/24, including the

forecast outturn position, and the proposed 2024/25 levy is summarised in the table below.

**Table 5: Northumberland Transport Budget and Levy 2024/25**

	<b>Original Budget</b>	<b>Spend to Date</b>	<b>2023/24 Forecast</b>	<b>2023/24 Variance</b>	<b>2024/25 Initial Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Concessionary Fares	5.020	2.174	4.670	(0.350)	4.865
Subsidised Bus Services	1.230	1.049	1.480	0.250	1.480
Bus Services	0.027	0.016	0.035	0.008	0.029
Passenger Transport Information	0.025	0.000	0.025	0.000	0.025
Staffing	0.146	0.085	0.146	0.000	0.153
Share of JTC Costs	0.010	0.010	0.010	0.000	0.010
<b>Total Net Expenditure</b>	<b>6.458</b>	<b>3.334</b>	<b>6.366</b>	<b>(0.092)</b>	<b>6.562</b>

- 2.11 The updated forecast outturn position for 2023/24 is an underspend of £0.092m to year end. Concessionary travel is forecast to underspend by £0.350m as a result of suppressed demand for public transport journeys. Journeys relating to Concessionary Travel are currently at seventy-five percent of pre-Covid levels, although there is evidence that they are starting to rise. A regional review of the provision of supported services is underway and passenger behaviour in the longer term following the removal of restrictions cannot yet be predicted.
- 2.12 The Supported Services budget is currently forecast to overspend by £0.250m. The overspend relates to the high number of contracts that were handed back to the Council by operators due to increases in fuel prices and the lack of resources (drivers/vehicles) available. The passenger transport team have reviewed the existing network and prioritised the contracts that continue to provide value for money and ensure that all geographic areas are served by the new network. As part of its 2023/24 budget the Council approved a recurrent pressure to be added after the levy had been approved.
- 2.13 The small overall increase proposed in the 2024/25 levy compared with 2023/24 is a result of a number of factors. On concessionary travel, the budget has been reduced by £0.350m due to suppressed demand for journeys, with patronage levels still recovering to pre-pandemic levels, but the reduction is partially offset by a provisional allowance of £0.195m for increases in the potential level of reimbursement rates to operators in 2024/25. The budget for supported bus services is increased by £0.250m. Costs have increased due to a number of impacts on the supported bus network in 2023/24. There have been cases where bus operators have withdrawn from operating bus services on a purely



commercial basis due to patronage and revenue levels not recovering to their pre-pandemic levels, with routes then being needed to be funded as supported bus services. The additional funding allocated in 2023/24 allowed the Council to maintain vital public transport links around the County so has been built into the 2024/25 base budget.

### **Tyne and Wear Levy**

- 2.14 The levy for Tyne and Wear includes a centrally retained budget of £2.100m, required to fund central transport costs, primarily relating to debt charges for the former Tyne and Wear Integrated Transport Authority.
- 2.15 The apportionment of the Tyne and Wear levy between the constituent councils is revised each year to take into account the mid-year population estimates. In 2024/25 the split of the levy will be based on the mid-2022 population estimates, published in November 2023. Table 6 below exemplifies the overall year on year change in the budget and apportionment between the Tyne and Wear Councils. The movement in population estimates means that the levy change per council may be higher or lower than the headline percentage change of 3.7%. Further detail is provided in Appendix 1.

**Table 6: Tyne and Wear Levy Apportionment 2024/25**

	<b>2022 Population</b>	<b>2023/24 Levy</b>	<b>2024/25 Proposed Levy</b>	<b>Change inc. population impact</b>
		<b>£</b>	<b>£</b>	<b>£</b>
Gateshead	197,722	11,814,249	12,173,688	359,439
Newcastle	307,565	17,964,279	18,936,691	972,412
North Tyneside	210,487	12,597,052	12,959,626	362,574
South Tyneside	148,667	8,908,840	9,153,386	244,546
Sunderland	277,354	16,515,580	17,076,609	561,029
<b>Total</b>	<b>1,141,795</b>	<b>67,800,000</b>	<b>70,300,000</b>	<b>2,500,000</b>

### **Nexus Revenue Budget**

#### **Updated Nexus Forecast of Outturn 2023/24**

- 2.16 The JTC approved Nexus' revenue budget for 2023/24 on 17 January 2023. The budget included a levy increase of £2.6m, utilisation of reserves of £8.0m and use of £3.3m additional Metro Rail Grant received in 2021/22.
- 2.17 At that time, a budget pressure on high voltage (HV) power costs existed due to the budget being lower than the forecast at the time. Although this remains the case (paragraph 2.23 refers), additional Metro Rail Grant was received at the end of 2022/23 totalling £3.0m to assist with this pressure, which has been reflected within the forecast outturn shown below.
- 2.18 Since the previous report, Nexus has seen a £2.426m improvement in the forecast financial position for 2023/24, most notably due to unexpected, one-off savings in concessionary fares reimbursement and secured service payments of

£1.580m as a result of Go North East's industrial action, together with the continued recovery of Metro fare revenue, which has exceeded previous forecasts. This means that at the end of period 8, Nexus is no longer expecting to use reserves in the current year and only the one-off Metro Rail Grants (referred to in paragraph 2.16 and 2.17 above) will be needed to balance the budget in the current year.

2.19 Despite the positive position being reported in respect of the current year, due to Nexus' underlying structural deficit, the financial outlook remains very challenging for 2024/25 and beyond. It will be necessary to earmark reserves that were previously expected to be used in 2023/24 to balance the budget across the Medium-Term Financial Plan (MTFP) period up to 2026/27 in order to protect front line services and limit the potential future increases in the levy on Tyne and Wear councils.

2.20 The table below shows expenditure to the end of period 8 (11 November 2023), together with the forecast to the year end (based on current estimates of the likely outturn) against budget. The allocation of budget across service areas has been updated following the processing of the annual pay award. There is narrative following the table explaining the variances against budget across the main service areas.

**Table 7: Nexus Forecast of Outturn 2023/24**

	Revised Budget	Spend to Date	2023/24 Forecast	2023/24 Variance
	£m	£m	£m	£m
Concessionary Fares	30.689	17.171	28.630	(2.059)
Metro	26.178	10.807	23.243	(2.935)
Bus Services	14.739	7.545	14.344	(0.395)
Other	5.386	2.870	4.897	(0.489)
	<b>76.992</b>	<b>38.394</b>	<b>71.114</b>	<b>(5.878)</b>
Grant from Levy	(65.700)	(40.389)	(65.700)	-
MRG 2021/22 (reserves)	(3.300)	-	(3.300)	-
MRG 2022/23 (reserves)	-	-	(0.832)	(0.832)
LTF	-	(0.480)	(1.050)	(1.050)
BSIP	-	(0.156)	(0.232)	(0.232)
	<b>7.992</b>	<b>(2.631)</b>	-	<b>(7.992)</b>
<b>Reserves</b>	<b>(7.992)</b>	<b>2.631</b>	-	<b>7.992</b>
	-	-	-	-

### **Metro**

2.21 At the end of period 8, financial performance on Metro shows net expenditure at £2.935m better than budget, before application of one-off grant. Metro fare revenue (including car park and Penalty Fare Notice (PFN) income) at the end of period 8 was £29.521m which exceeded the budget by £2.546m (9%). This includes a one-off adjustment of £0.250m in relation to Network Ticketing (NTL) share of revenue redistribution for the prior year.

- 2.22 The year end Metro fare revenue forecast is a positive variance of £2.912m, an increase of £0.679m since the previous report. Given the uncertainties surrounding Metro performance and patronage growth since the pandemic, the forecast continues to be cautious and the extent to which actual performance against budget has delivered this favourable variance in the year to date has begun to unwind, something that will need careful examination as to the reasons why. In addition, the introduction of the BSIP subsidised multi-modal fare has led to a reduction in the price of the all zone daysaver product and there is a risk that Metro customers switch to the BSIP product, in addition to the revenue loss from the all zone daysaver price reduction. The impact is difficult to predict at this time, therefore the forecast for the year end remains prudent.
- 2.23 The Metro forecast reflects the pressure on HV power costs for the year, which is estimated to be £2.398m higher than the £15.230m original budget. At this stage 86% of the required electricity for the year has been purchased. This creates a level of budget certainty, although as the remainder is purchased there is still scope for further movement in the forecast. As outlined in paragraph 2.17, £3.0m of additional MRG was received in the previous financial year to assist with this pressure and is also reflected within the forecast.
- 2.24 The forecasts include net cost pressures of £0.773m directly relating to Metro, which has increased since the last report primarily in relation to additional infrastructure maintenance costs. The forecasts reflect the deployment of additional security on the Metro to tackle anti-social behaviour in the evenings and investment in front-line teams to operate gatelines for longer, address backlogs in maintenance and provide greater capacity and resilience in Metro's Control Room. It also includes additional contractual inflation, where this has been higher than was included at the time of budget setting, particularly in respect of the Stadler contract for the maintenance of Metrocars, although this has been offset by additional income in relation to penalties being imposed for non-delivery of key contracts.
- 2.25 All service areas receive a share of interest income, and at the end of period 8, interest income was £3.731m better than budget. Interest rates are significantly higher than they were at the time of budget setting, and cashflow is expected to be positive throughout the year, due to the sizeable amount of capital grants that Nexus has access to. It is currently expected that interest income may be as high as £4.400m for the year, representing a £4.000m improvement against the original budget which is reflected in the forecast. Metro also benefits from savings in overheads since the previous report and include areas such as ICT licencing, support services costs and unused contingencies. The share of additional interest income and overhead savings allocated within the forecast for Metro is currently £3.194m.

### **Concessionary Fares**

- 2.26 At the end of period 8, within concessionary fares, a saving of £1.091m is reflected for reduced payments to Go North East as a result of the impact of the industrial action. In addition to this, the forecast outturn for the year reflects £0.184m of additional school income, a £0.400m prior year adjustment for the

reimbursement of concessionary travel payments relating to 2021/22 and £0.133m of other reductions in concessionary travel payments to operators. In addition, the share of increased interest income and overhead savings allocated within the forecast of £0.251m.

### **Bus Services**

- 2.27 The table shows that at the end of period 8, the forecast outturn for bus services is £0.395m less than budget. This reflects £0.489m of reduced secured services costs due to the Go North East industrial action. The forecast includes additional expenditure in relation to those services funded by the Local Transport Fund (LTF) of £1.050m, as well as additional expenditure relating to BSIP of £0.232m.
- 2.28 The forecast also reflects higher than budgeted secured services revenue of £0.570m, as well as other savings on secured services contracts of £0.057m and a saving of £0.022m relating to the Taxi Card scheme. In addition to this, the share of additional interest income and overhead savings allocated within the forecast is £0.539m.

### **Other**

- 2.29 Other includes Ferry, Bus Infrastructure and Passenger Transport Information and at the end of period 8, financial performance shows net expenditure at £0.489m better than the revised budget, before application of one-off grant. The forecast reflects £0.022m of higher than budgeted income relating to the ferry, departure charges and bus information, £0.042m of public transport information cost savings, offset by £0.046m of additional ferry operating costs and bus shelter installation costs. In addition to this, the share of additional interest income and overhead savings allocated within the forecast is £0.471m.

### **Nexus Budget 2024/25**

- 2.30 When the JTC met on 21 November 2023, Nexus reported that in order to protect service, an increase in the Tyne and Wear levy commensurate with the 3.7% uplift that was signalled in the budget report to the JTC in January 2023, would be required to protect front line services.
- 2.31 As set out earlier in this report, the reduction in planned use of reserves in 2023/24 has created the headroom to assist with the financial challenges in 2024/25 and beyond. This is because Nexus' underlying deficit is expected to continue into subsequent years.
- 2.32 As reported to the JTC in November 2023, in 2023/24 the budget pressures being faced by Nexus are all permanent, whereas the efficiencies/additional income that are offsetting these in the current year are largely temporary. For example, the additional MRG is a one-off grant allocation, interest on balances is expected to reduce in future years and the efficiencies being delivered in the current year are also largely one-offs, e.g., savings resulting from Go North East's industrial action, salary slippage from employee turnover and penalties being imposed for non-delivery of key contracts. Although the recovery in Metro fare revenue should continue, it is clear that Nexus' underlying structural deficit remains.

## Budget Planning

- 2.33 During budget setting for 2023/24, although it was not formally agreed by the JTC, it was highlighted that it was likely to be necessary to increase the Tyne and Wear Transport levy further in both 2024/25 and 2025/26 given Nexus cannot place reliance on reserves indefinitely. Initial forecasts presented to JTC in January 2023 as part of the 2023/24 budget setting report suggested that an increase in the levy of 3.7% (amounting to £2.5m) in 2024/25 and 3.0% (amounting to £2.1m) in 2025/26 would be required. This was in addition to Nexus using £8.0m of reserves in 2023/24 and £3.6m of reserves in 2024/25, to enable services to be maintained.
- 2.34 Since the development of the 2023/24 budget and medium-term financial plan last year, inflation levels have been higher than expected and it has also been necessary to invest further in security. This has placed added pressure to the 2024/25 budget, alongside investment in train operations and infrastructure maintenance, making provision for an increase in concessionary fares and pressures from the delay in the introduction of the new fleet.
- 2.35 However, at the same time, it is expected that investment income will be higher than previously forecast, due to higher interest rates and the level of cash balances. In addition, due to the recovery of Metro fare revenue being better than expected during 2023/24, the forecast for 2024/25 has been revised upwards.
- 2.36 The table below shows Nexus' latest estimate for Metro fare revenue across the medium term using 2019/20 i.e., the last full year before the Covid pandemic, as the base year:

**Table 8: Estimate of Metro Fare Revenue 2024/25 to 2026/27**

	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m
Balance brought forward	46.5	48.3	49.5	46.5
Fares review	1.0	0.5	0.5	2.0
Impact of new fleet	0.8	0.7	1.2	2.7
Impact of Metro Flow	-	-	2.0	2.0
<b>Total</b>	<b>48.3</b>	<b>49.5</b>	<b>53.2</b>	<b>53.2</b>
<b>Total as a % of 2019/20 (£45.1m)</b>	<b>107%</b>	<b>110%</b>	<b>118%</b>	<b>118%</b>

- 2.37 This estimate reflects the phased implementation of the new fleet (which is expected to generate additional fare revenue) together with the impact of the annual fares review being considered by the Tyne and Wear Sub-Committee later this month, for implementation with effect from April 2024. Risks associated with this estimate not being achieved are highlighted in paragraph 2.46.
- 2.38 In terms of secured bus services, at this point, budget planning has only reflected the base level of service provision. Additional funding will be available in 2024/25 and beyond from the BSIP and an operational delivery plan reflecting Nexus' allocation is currently being formulated.

- 2.39 The opportunities described in paragraph 2.35 help partially offset the cost pressures described in paragraph 2.34, resulting in a net budget pressure of £1.2m. However, as referred to in paragraph 2.32 and outlined in the November 2023 JTC report, Nexus has an underlying structural deficit that remains unresolved. The medium-term financial forecast for 2024/25, reported to the JTC in January 2023, showed a net deficit of £6.1m before a levy increase. Taking into account the net budget pressure of £1.2m, the forecast deficit for 2024/25 is now £7.3m.
- 2.40 Given the magnitude of this financial challenge, Nexus is still seeking a 3.7% or £2.5m increase in the Tyne and Wear transport levy, the impact of which on each of the Tyne and Wear councils is shown in table 6 earlier in the report.
- 2.41 Nexus is also proposing to underpin (and balance) the revenue budget in 2024/25 by applying £4.8m of reserves funding. This is possible due to the better financial position reported in 2022/23, as well as the expected improved position in 2023/24. It is necessary to adopt this strategy, so that Nexus, in addition to being able to protect fare revenue, operational performance, and the delivery of key transport services, can also provide stability surrounding the introduction of the new Mayoral Combined Authority. The alternative to this would be the need to immediately address the underlying structural deficit which would likely require cuts to key transport services and increased levies from the Tyne and Wear authorities.
- 2.42 Due to the underlying structural deficit, in addition to annual levy increases, the latest forecasts for 2025/26 and 2026/27 indicate that use of reserves will also be required in these years. As highlighted to the JTC in November, Nexus' total reserves as at 31 March 2023 amounted to £62.5m, the majority of which is earmarked in general reserves, to accommodate any unforeseen pressures arising in-year or for capital investment. Specifically in relation to underpinning the MTFP, Nexus has earmarked £19.7m of its total reserve for this purpose, which is in excess of the assumed contributions in 2024/25, 2025/26 and 2026/27, which will provide an element of contingency.
- 2.43 It is necessary to consider a long-term solution for eradicating the budget deficit, something which the JTC has previously acknowledged, prior to the outbreak of the Covid pandemic, when it stated that further discussions in relation to resourcing were necessary.

### **Budget 2024/25**

- 2.44 Taking into account the measures proposed to balance the budget (paragraphs 2.40 and 2.41), Nexus' 2024/25 budget and its main sources of funding are summarised in the table below and in more detail at Appendix 2 and Appendix 3.

### ***Table 9: Nexus 2024/25 Budget and Funding Summary***

	Gross Exp <sup>2</sup>	Commercial Revenue <sup>3</sup>	Govt Grant	Net position
	£m	£m	£m	£m
Statutory Concessions ENCTS	29.7	(0.4)	-	29.3
Discretionary Concessions	3.6	(0.6)	-	3.0
Metro	144.9	(57.4)	(67.0)	20.5
Ferry	3.2	(0.8)	(0.4)	2.0
Bus Services	18.8	(3.3)	(1.0)	14.5
Bus Infrastructure	3.5	(0.6)	(0.4)	2.5
Public Transport Information	1.7	(0.5)	-	1.2
<b>Total</b>	<b>205.4</b>	<b>(63.6)</b>	<b>(68.8)</b>	<b>73.0</b>
JTC Grant from Levy				<b>(68.2)</b>
<b>Deficit funded from reserves</b>				<b>4.8</b>

2.45 As shown above, the proposed levy increase of £2.5m would mean the grant receivable by Nexus in 2024/25 is £68.2m, which is lower than the estimated costs that will be incurred and need to be budgeted for next year. The gap (£4.8m) will need to be funded by utilising reserves to underpin the revenue budget in 2024/25.

2.46 The preparation of the 2024/25 budget gives rise to a number of risks and opportunities which include the following:

- a) The JTC may not approve the levy increase of £2.5m. This would force Nexus to cut services as described in 2.41;
- b) The budget makes an allowance for inflation on pay and non-pay. Inflation has begun to fall, however there is still a risk that the allowance made may be insufficient and this will put Nexus' budget under additional pressure. On the other hand, if inflation falls faster than expected, this could have a positive impact on Nexus' budget;
- c) During 2022/23, Nexus reduced its ENCTS (concessionary fares) reimbursement to reflect reduced ridership seen since Covid. There is a risk that there could be upward pressure placed on this budget, arising from technical work that the DfT commissioned during the early part of 2023 in respect of the calculation of these costs;
- d) Metro fare revenue is budgeted to recover to 107% of pre-Covid levels. In respect of this challenging target, it should be noted that Nexus' assessment of its ability to generate revenue at this level reflects the better than expected and continued recovery seen during the year to date in

<sup>2</sup> Including central support service costs and overheads

<sup>3</sup> This assumes fare revenue recovers to 107% of pre-Covid levels as shown in paragraph 2.36

2023/24. The fare revenue budget assumes that the new fleet will generate additional fare revenue, which could be impacted if there is any further delay in its implementation. In addition, there is also a risk that additional revenue expected to be generated from the annual fares review being considered by the Tyne and Wear Sub-Committee later in January will not be as high as modelled given the need to hold the price of certain fares commensurate with the £6.00 multi-modal fare introduced as part of the BSIP; and

- e) The budget assumes an inflationary uplift in the MRG that is received from central government. At this stage this has not been confirmed, although lobbying to the DfT will continue.

### **Forecasts 2025/26 and 2026/27**

- 2.47 It was previously indicated that it would be necessary to consider further increases in the Tyne and Wear transport levy in 2025/26. This is still expected to be required and potentially an increase thereafter may also be required. In addition, as highlighted in paragraph 2.42, it will be necessary to place reliance on reserves in 2025/26 and 2026/27 in order to balance the budget and maintain services, due to the underlying structural deficit.
- 2.48 In compiling the forecasts for 2025/26 and 2026/27, assumptions for inflation have been made with reference to the latest Bank of England forecasts which shows it will be at the target rate. The cost base is therefore expected to increase, although at the same time Nexus has assumed that the MRG received from central government will be indexed, however this is unconfirmed and represents a risk to the forecast at this time. In addition, the forecast reflects additional fare revenue that is expected to be generated from future fares reviews.
- 2.49 Further to this, the forecast reflects opportunities from the introduction of the new fleet, including additional fare revenue, and savings in HV power consumption, once the entire new fleet is in service. At the same time, the forecast makes an allowance for additional costs associated with delivering a timetable uplift in connection with the opportunity presented by completion of the Metro Flow engineering works. These additional costs have been estimated based on the original business case which planned for an introduction of a ten-minute frequency across the Metro network. Nexus is continuing to refine these estimates and review the options for modifying the timetable, in view of the deficit position.
- 2.50 Despite the opportunities being reflected in the forecast, due to the unavoidable cost pressures Nexus is likely to face, it will be necessary for consideration to be given for the levy to increase in both years. After taking into account the levy increase, the pressures and opportunities are broadly neutral, and therefore do not help to address Nexus' underlying structural deficit. As previously outlined, Nexus is able to make reserves contributions in 2025/26 and 2026/27, however, beyond this it is clear that Nexus needs to be able to set a balanced budget which is sustainable in the long term and does not continue to place reliance on reserves.



2.51 The forecasts for 2025/26 and 2026/27 are subject to a significant amount of variability and will need to be updated, once key risks and uncertainties become clearer. Indicative estimates are set out below:

**Table 10: Nexus budget indicative estimates 2025/26 and 2026/27**

	<b>Gross Exp</b>	<b>Commercial Revenue</b>	<b>Government Grant</b>	<b>Grant from Levy</b>	<b>Deficit funded from reserves</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
2025/26	207.7	(60.1)	(71.8)	(70.3)	5.5
2026/27	213.5	(63.7)	(72.1)	(72.5)	5.2
<b>Total</b>					<b>10.7</b>

2.52 As shown in this table above, in 2025/26, the potential levy increase previously identified of 3.0% (amounting to £2.1m) is still required to balance the budget in 2025/26, with a further levy increase of 3.0% (amounting to £2.2m) potentially being required in 2026/27. This is in addition to use of £10.7m of reserves across these two years, whilst an approach to addressing Nexus' underlying structural deficit is developed.

### **Transport North East**

2.53 TNE provides strategy, planning and delivery services on behalf of the JTC and works to implement the vision of 'moving to a green, healthy, dynamic and thriving North East'. The TNE Core budget is funded through contributions from the Transport Levies which are retained to support central activity, a topslice of the LTP Integrated Transport Block grant which is awarded to the JTC. In addition, external contributions fund specific posts and government grants are awarded which meet the costs of specific programmes and projects. The budget in 2023/24 and 2024/25 includes items agreed by the JTC in July 2023 to fund transition to the new mayoral combined authority.

2.54 The table below summarises the forecast for the current year across all areas of TNE's revenue budget, with the exception of the Tyne Tunnels which is shown separately in the next section as this is treated as a ringfenced account which is self-financing from tolls income.

**Table 11: TNE Forecast 2023/24 and Budget 2024/25**

	Revised Budget	Spend to Date	2023/24 Forecast	2023/24 Variance	2024/25 Initial Budget
	£m	£m	£m	£m	£m
<b>Expenditure</b>					
Transport Strategy	1.037	0.568	1.126	0.089	1.159
Enhanced Partnerships	76.891	4.567	59.286	(17.605)	31.679
Programmes	9.775	1.619	12.058	2.283	1.651
Rail Partnerships	1.270	0.648	1.287	0.017	1.061
Bus Reform	0.900	0.026	0.900	0.000	0.450
Other Devolution Workstreams	0.897	0.164	0.648	(0.249)	0.672
<b>Total Expenditure</b>	<b>90.770</b>	<b>7.592</b>	<b>75.305</b>	<b>(15.465)</b>	<b>36.672</b>
<b>Income</b>					
LTP Topslice	(0.500)	(0.500)	(0.500)	0.000	(0.500)
Retained Transport Levy	(0.284)	(0.361)	(0.362)	(0.078)	(0.367)
External Funding for Specific Posts	(0.178)	(0.042)	(0.187)	(0.009)	(0.194)
Government Grants	(87.303)	(6.280)	(71.855)	15.448	(34.289)
Interest Income	0.000	0.000	(8.125)	(8.125)	0.000
<b>Total Income</b>	<b>88.265</b>	<b>(7.183)</b>	<b>(81.029)</b>	<b>7.236</b>	<b>(35.350)</b>
<b>Net Expenditure</b>	<b>2.505</b>	<b>0.409</b>	<b>(5.724)</b>	<b>(8.229)</b>	<b>1.322</b>
Devolution Reserve	(1.357)	(0.190)	(1.315)	0.042	(0.966)
JTC Unallocated Reserve	(0.105)	0.354	(0.222)	(0.117)	0.000
Local Rail Studies Reserve	(1.043)	(0.573)	(0.864)	0.179	(0.356)
2023/24 Transport Interest Reserve	0.000	0.000	8.125	8.125	0.000
<b>Total Use of Reserves</b>	<b>(2.505)</b>	<b>(0.409)</b>	<b>5.724</b>	<b>8.229</b>	<b>(1.322)</b>

2.55

Total expenditure across TNE is now forecast to be £75.305m in 2023/24 compared with the revised budget of £90.770m – the reduction being primarily due to reprofiling of expenditure on the Bus Service Improvement Plan (Enhanced

Partnerships) budget where some service improvements will now commence from 2024/25, when previously it was anticipated that they would commence in the current year.

2.56 Total income is forecast at £81.029m, which is above forecast expenditure due to the receipt of unbudgeted interest on revenue balances, arising from the frontloading of government grants and interest rates having risen sharply during 2023. It is proposed that £8.125m be set aside in an earmarked reserve at the 2023/24 year end and held to support investment and activity in future years to facilitate and following the transition to the new mayoral combined authority.

2.57 Savings on historic debt charges inherited from the former Tyne and Wear ITA mean that the amount retained from the Tyne and Wear levy to help fund TNE has been increased, from £0.284m in 2023/24 to £0.367m in 2024/25. This has enabled cost pressures around staffing, such as the national pay award, to be accommodated without any additional contributions from constituent local authorities being required.

### **Tyne Tunnels**

2.58 The Tyne Tunnels are accounted for as a ring-fenced account within the JTC budget, meaning that all costs relating to the tunnels are wholly funded from toll income and Tyne Tunnels reserves, with no call on the levy or external government funding.

2.59 The JTC receives all toll income from the vehicle tunnels in the first instance and a payment under the contract with TT2 is determined based on traffic levels. The balance retained by the JTC is to meet other costs associated with the Tyne Tunnels, primarily interest and principal repayments on borrowing taken out to fund the New Tyne Crossing project, and other client costs associated with the management of the contract with the concessionaire.

2.60 The updated forecast outturn for 2023/24 and budget for 2024/25 is set out below.

**Table 11: Tyne Tunnels Budget 2023/24 and 2024/25**

	<b>Revised Budget</b>	<b>Spend to Date</b>	<b>2023/24 Forecast</b>	<b>2023/24 Variance</b>	<b>2024/25 Initial Budget</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Tolls Income	(35.991)	(23.546)	(36.216)	(0.225)	(39.033)
TT2 Contract	28.032	17.082	28.628	0.596	30.226
Employees	0.147	0.087	0.146	(0.001)	0.153
Historic Pensions	0.065	0.028	0.045	(0.020)	0.047
Premises	0.114	0.003	0.114	0.000	0.014

Support Services	0.160	0.071	0.175	0.015	0.179
Supplies and Services	0.347	0.225	0.626	0.279	0.403
Financing Charges	7.928	6.247	6.674	(1.254)	8.401
Interest/Other income	(0.150)	(0.082)	(0.239)	(0.089)	(0.150)
Repayment from TWITA for temporary use of reserves	(0.240)	(0.240)	(0.240)	0.000	(0.240)
Capital Expenditure Funded from Revenue - TPCT	0.287	0.125	0.287	0.000	0.000
<b>Net Expenditure to be Funded from Reserves</b>	<b>0.699</b>	<b>0.000</b>	<b>0.000</b>	<b>(0.699)</b>	<b>0.000</b>
<b>Contribution to/(from) Reserves</b>	<b>(0.699)</b>	<b>0.000</b>	<b>0.000</b>	<b>0.699</b>	<b>0.000</b>

- 2.61 The forecast tolls income for 2023/24 is higher than the original budget due to higher than forecast traffic levels over the first two quarters. This is also the reason for the forecast TT2 contract payment being higher than the original budget. The 2023/24 forecast for supplies and services exceeds the budgeted amount by approximately £0.280m due to additional requirement for technical services relating to completion of the Tyne Pedestrian and Cycle Tunnels refurbishment works and several engineering projects, above and beyond that anticipated.
- 2.62 Budget estimates for 2024/25 are provided in the table above and are based on the assumption that the JTC Tyne and Wear Sub Committee (TWSC) will decide to increase the tolls in line with the Retail Prices Index (RPI), as set out in the legislation. Decisions on toll charges are reserves for the TWSC and the mechanism for revising the tolls is detailed in the River Tyne Tunnels Order 2005. The TWSC are able to increase the toll paid by customers (the 'Real Toll') once every 12 months, based on the RPI from the application of the last increase, rounded to the nearest 10 pence.
- 2.63 Separately, a 'Shadow Toll' sets the amount paid to TT2 per journey, also based on RPI. It is considered every January and is a contractual commitment as set out in the Project Agreement signed in 2007. The Shadow Toll is required to be rounded to the nearest 10 pence, and an increase is only possible in 10 pence increments.
- 2.64 The legislation does not provide for any alternative to the RPI based increase in the Real Toll and assumes that the authority will increase user charges in line with

the RPI calculation. The Project Agreement similarly prescribes the calculation for the Shadow Toll increase without any alternative.

- 2.65 The Real Toll charged to users needs to be the same amount or similar to the Shadow Toll paid to TT2 per journey, otherwise the JTC would incur a loss on each tunnel journey because the income generated would fall short of the expenditure incurred in servicing the debt charges and meeting the contractual obligations to TT2.
- 2.66 The current Real Toll lags slightly behind the Shadow Toll (10p lower) due to a decision taken by the TWITA in August 2011. However, this has been the position for some years and can be accommodated within the budget. The current Real Toll is £2.20 for Class 2 Vehicles and £4.40 for Class 3 Vehicles, and the Shadow Toll is £2.30. The Shadow Toll will increase to £2.50 on 1 January 2024. The TT2 contract payment for the 2024/25 budget is based on this increase to the Shadow Toll and therefore to ensure the Tyne Tunnels account is balanced, an increase will be required to the tolls in 2024/25. It is forecast that the tolls will increase to £2.40 for Class 2 Vehicles and £4.80 for Class 3 Vehicles, representing a 20p and 40p rise respectively.
- 2.67 The earliest date an increase in the tolls can be applied is May 2024 because of the decision taken by the TWSC last year to delay increasing the toll for Class 2 Vehicles in 2023 until May to provide relief for tunnel users during the winter period taking into account winter fuel bulls and the cost-of-living crisis. The income lost during that period was funded from Tyne Tunnel reserves, however this is not a sustainable long-term position.
- 2.68 The 2024/25 budget for Employee Costs and Support Services is based on assumed cost increases. The 2024/25 budget for Supplies and Services is lower than the 2023/24 forecast outturn and this is primarily due to the handover of the operations and maintenance of the TPCT to TT2, which is planned for May 2024. Nevertheless, ongoing technical advice is required on multiple projects and there have been cost increases introduced by several suppliers.
- 2.69 The costs associated with Premises are largely related to the operations of eth TPCT. Electricity costs for the lighting systems, CCTV and security systems, and the lifts at either end are substantial. Therefore, the proposed budget for Premises is less than in 2023/24 because the TPCT operational costs will be transferred to TT2 as part of the handover which is planned for May 2024 on the basis that the refurbishment works are completed.
- 2.70 Financing charges have reduced significantly compared to the original budget as a result of the early repayment of some outstanding borrowing using cash balances. Interest on revenue balances is higher than budgeted as interest rates have increased since the budget was agreed.

### **Reserves**

- 2.71 The JTC holds reserves to fund future activity and to manage financial risk associated with its activities. A summary of the reserves held at 1 April 2023 and

the forecast position at 31 March 2024 and 31 March 2025 is shown in the table below.

**Table 12: JTC Reserves**

	<b>1 April 2023</b>	<b>31 March 2024</b>	<b>31 March 2025</b>
	<b>Actual</b>	<b>Forecast</b>	<b>Estimate</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
JTC Unallocated	1.096	0.874	0.874
2023/24 Transport Interest	0.000	8.125	8.125
Earmarked – JTC Tyne Tunnels	9.626	9.339	9.239
Earmarked – Local Rail Studies	1.963	1.099	0.743
Earmarked – Nexus POP Truth on Server	0.461	0.000	0.000
Earmarked – Transport Devolution Preparation	2.573	1.258	0.292
Earmarked – Metro Reinvigoration	8.267	2.967	2.967
Earmarked – Metro Fleet Replacement	10.367	5.456	5.456
<b>Total</b>	<b>34.353</b>	<b>29.118</b>	<b>27.696</b>

2.72 The budget for 2024/25 contains planned use of earmarked reserves to provide local match funding on the Metro Asset Renewal Plan and Metro Fleet Replacement capital programmes, and to fund work on Metro and Local Rail Studies and Transport Devolution preparation.

2.73 A significant level of interest on revenue balances attributable to high cash balances due to front-loading of government grants is forecast to be received in 2023/24, over and above already budgeted levels. This is due to both the much higher interest rates now compared with at the time of setting the original budget, and significantly higher cash balances held on behalf of the JTC during the year as a result of receipts of large capital grants relating to BSIP, Active Travel and TCF in advance of expenditure being defrayed. A total of £9.018m is forecast, of which £0.893m will be applied to earmarked reserves held on behalf of Nexus and the Tyne Tunnels. It is proposed that the remaining £8.125m is held in an earmarked reserve support investment and activity in future years to facilitate and following transition to the new proposed MCA.

2.74 This table does not include Nexus own reserves, use of which is described in the Nexus budget sections above.

### **3. Reasons for the Proposals**

3.1 The proposals are presented in this report to enable the JTC to set its budget for 2024/25.

### **4. Alternative Options Available**

4.1 Option 1 – the North East Joint Transport Committee may accept the recommendations set out in the report.

4.2 Option 2 – the North East Joint Transport Committee may suggest amendments or alternative proposals to be considered. Option 1 is the recommended option.

4.3 Option 1 is the recommended option. If the recommendations in the report are not agreed, a special meeting of the JTC would be urgently required in order to agree 2024/25 Transport Levies before the statutory deadline of 15 February 2024.

## **5. Next Steps and Timetable for Implementation**

5.1 The NECA Leadership Board and NTCA Cabinet will issue the transport levies to their constituent authorities on behalf of the JTC, and this will be presented to their meetings on 23 January and 30 January respectively.

## **6. Potential Impact on Objectives**

6.1 The budgets presented in this report are aligned to the achievement of the Transport policy objectives of the JTC. They allow a balanced budget to be established in 2024/25 and include a strategy to enable the delivery of services over the medium term.

## **7. Financial and Other Resources Implications**

7.1 The financial and other resource implications are set out in the body of the report.

## **8. Legal Implications**

8.1 The JTC must approve the transport budgets and levies unanimously. The NECA Leadership Board and NTCA Cabinet will issue the levies to their constituent councils by 15 February preceding the financial year to which they relate. The Newcastle upon Tyne, North Tyneside, and Northumberland Combined Authority (Establishment and Functions) Order 2018 specifies that this function is exercisable only by the JTC.

## **9. Key Risks**

9.1 Appropriate risk management arrangements are put in place in each budget area by the delivery agencies responsible. Reserves are maintained to help manage financial risk to the authority.

9.2 The JTC must approve the transport budget and levies unanimously. Despite mitigations including briefings and consultation with all constituent authorities particularly in Tyne and Wear, there remains a risk that it is not possible to achieve unanimous agreement at this meeting.

9.3 Should the proposals for the levies not be agreed unanimously at this meeting, a special meeting of the JTC would be required to consider revised proposals. Without an increase in the Tyne and Wear levy, the approach to balancing the Nexus budget in 2024/25 may involve reductions in services.

9.4 Under the Transport Levying Bodies Regulations 1992, the two combined authorities are required to issue a levy before 15 February preceding the commencement of the financial year in respect of which it is issued. This is to enable constituent local authorities to be able to include the levy amounts in their budgets for the new financial year.

## **10. Equality and Diversity**

10.1 There are no equality and diversity implications arising from this report.

## **11. Crime and Disorder**

11.1 There are no crime and disorder implications arising from this report.

## **12. Consultation/Engagement**

12.1 The NECA Constitution requires that consultation on budget proposals in its role as Accountable Body for the JTC be undertaken at least two months prior to the budget being agreed. The draft proposals have been subject to consultation with members of the JTC Overview and Scrutiny Committee and officer groups.

12.2 The JTC Overview and Scrutiny Committee discussed the draft budget proposals in its meetings on 26 October and 14 December. As part of their discussions, Members recognised that the current forecasts of deficits in the Nexus budget resulted in a serious position for the JTC and a set of stark choices around levy increases.

12.3 Members noted the reliance on reserves in order to balance the budget and the need to reach a balanced position without reliance on reserves at the end of the MTFP period. The forecast for the period to 2026/27 is covered in detail in the report.

## **13. Other Impact of the Proposals**

13.1 There are no other impacts arising from this report.

## **14. Appendices**

14.1 Appendix 1 – Transport Levy Arrangements

Appendix 2 – Nexus Summary Revenue Budget Requirement 2024/25

Appendix 3 – Detailed Nexus 2024/25 Budget

## **15. Background Papers**

15.1 JTC Budget 2023/24 – report to JTC 17 January 2023

[\(Public Pack\) Agenda Document for North East Joint Transport Committee, 17/01/2023 14:30 \(northeastca.gov.uk\)](#)

15.2 Draft JTC Budget Proposals 2024/25 – report to JTC 21 November 2023



**16. Contact Officers**

16.1 Eleanor Goodman, NECA Finance Manager,  
[eleanor.goodman@northeastca.gov.uk](mailto:eleanor.goodman@northeastca.gov.uk)

**17. Sign off**

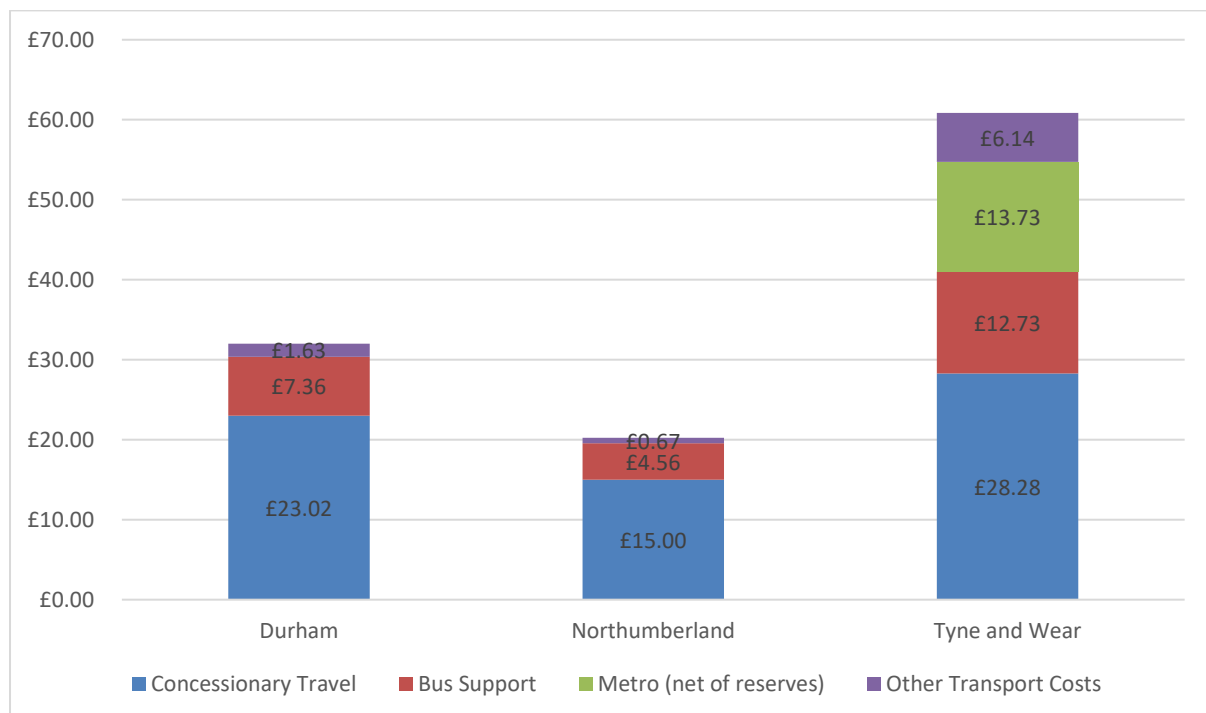
- The Proper Officer for Transport:
- Head of Paid Service:
- Monitoring Officer:
- Chief Finance Officer:

## Appendix 1 – Transport Levy Arrangements

### 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 the Revenue Support Grant paid to metropolitan districts rather than directly to Passenger Transport Authorities (PTAs). The levying arrangements which specified a population apportionment were 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 DLUHC 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 area, unlike other Combined Authority areas, includes three county areas with very different levels of cost and grant 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 JTC 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:



## 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 2024/25 levy, this is the 2022 Mid-Year estimates published by the Office for National Statistics (ONS). The population estimates for 2021 and 2022 are set out in the table below. The population estimates for all five authorities have changed by different proportions:

	2021 MYE	2022 MYE <sup>4</sup>	Change	
	People	People	People	% increase/-decrease
Gateshead	196,154	197,722	1,568	0.8%
Newcastle	298,264	307,565	9,301	3.1%
North Tyneside	209,151	210,487	1,336	0.6%
South Tyneside	147,915	148,667	752	0.5%
Sunderland	274,211	277,354	3,143	1.2%
<b>Total Tyne &amp; Wear</b>	<b>1,125,695</b>	<b>1,141,795</b>	<b>16,100</b>	<b>1.4%</b>

Apportioning the proposed levy of £70.300m gives the following figures for Tyne and Wear:

	2023/24	2024/25	Change	
	£	£	£	%
Gateshead	11,814,249	12,173,688	359,439	3.0%
Newcastle	17,964,279	18,936,691	972,412	5.4%
North Tyneside	12,597,051	12,959,626	362,574	2.9%
South Tyneside	8,908,840	9,153,386	244,546	2.7%
Sunderland	16,515,580	17,076,609	561,029	3.4%
<b>Total Tyne &amp; Wear</b>	<b>67,800,000</b>	<b>70,300,000</b>	<b>2,500,000</b>	<b>3.7%</b>

<sup>4</sup> [Population estimates for England and Wales - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

## Appendix 2 – Nexus Summary Budget Requirement 2024/25

### Revenue Budget 2024/25

	Direct Costs	External Income	Net Costs	Net Indirect	Grants	Loan Interest	Capital Adjustment	2024/25 Net
	£m	£m	£m	£m	£m	£m	£m	£m
ENCTS	28.701	-	28.701	0.597	-	-	-	29.298
Discretionary CT	3.392	(0.590)	2.802	0.185	-	-	-	2.987
Metro	126.980	(54.728)	72.252	14.262	(28.634)	1.049	(38.435)	20.494
Ferry	1.877	(0.455)	1.422	0.941	-	0.014	(0.378)	1.999
Bus Services	17.111	(2.833)	14.278	1.204	(0.891)	0.009	(0.070)	14.530
Bus Infrastructure	2.473	(0.423)	2.050	0.639	-	0.225	(0.368)	2.546
Public Transport Information	0.595	(0.164)	0.431	0.707	-	0.028	-	1.166
<b>Total requirement</b>	<b>181.129</b>	<b>(59.193)</b>	<b>121.936</b>	<b>18.535</b>	<b>(29.525)</b>	<b>1.325</b>	<b>(39.251)</b>	<b>73.020</b>
<b>JTC Grant (levy)</b>								<b>(68.200)</b>
<b>Deficit</b>								<b>4.820</b>

### Appendix 3 – Detailed Nexus Budget 2024/25

Service Area	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
ENCTS	28.701	-	-	-	-	-	28.701
<b>ENCTS</b>	<b>28.701</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28.701</b>
Discretionary CT	3.392	(0.590)	-	-	-	-	2.802
<b>Discretionary CT</b>	<b>3.392</b>	<b>(0.590)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.802</b>
<b>METRO</b>							
Metro Farebox	0.867	(48.294)	-	-	-	-	(47.427)
PFN Income	-	(0.785)	-	-	-	-	(0.785)
Car Park Income	0.005	(0.198)	-	-	-	-	(0.193)
Ticketing & Gating	1.189	-	-	-	-	-	1.189
Automatic Fare Collection	1.685	(0.004)	-	-	-	-	1.681
<b>Fare Collection &amp; Revenue</b>	<b>3.746</b>	<b>(49.281)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(45.535)</b>
MMA Management	12.785	-	-	-	-	-	12.785
Contracts & Commercial	7.197	(1.369)	-	-	-	-	5.828
<b>Contracts &amp; Commercial</b>	<b>19.982</b>	<b>(1.369)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18.613</b>
System Development	4.000	(4.000)	-	-	-	-	-
<b>System Development</b>	<b>4.000</b>	<b>(4.000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Planning & Performance	1.492	-	-	-	-	-	1.492
Service Delivery	2.852	-	-	-	-	-	2.852
Operations Delivery	18.150	(0.066)	-	-	-	-	18.084
<b>Metro Operations</b>	<b>22.494</b>	<b>(0.066)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22.428</b>

Service Area	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
Insurance & Claims	1.731	-	-	-	-	-	1.731
Rates	1.725	-	-	-	-	-	1.725
Utilities	1.894	-	-	-	-	-	1.894
Metro Marketing	0.699	-	-	-	-	-	0.699
Metro pensions and provisions	2.140	-	-	-	-	-	2.140
Depreciation	39.537	-	-	-	-	-	39.537
<b>Metro - Other</b>	<b>47.726</b>	-	-	-	-	-	<b>47.726</b>
HV Power	13.880	-	-	-	-	-	13.880
Safety & Assurance Metro	3.609	-	-	-	-	-	3.609
Engineering	0.281	-	-	-	-	-	0.281
Buildings & Facilities	3.247	-	-	-	-	-	3.247
IMSM/facilities	0.145	-	-	-	-	-	0.145
Civils & Structures	2.347	-	-	-	-	-	2.347
Rail Management & Administration	0.217	-	-	-	-	-	0.217
Permanent Way	1.882	(0.011)	-	-	-	-	1.871
Power Supplies	0.842	-	-	-	-	-	0.842
Signalling	1.339	-	-	-	-	-	1.339
Stores	0.207	(0.001)	-	-	-	-	0.206
ID Admin & performance	1.036	-	-	-	-	-	1.036
<b>Infrastructure Management</b>	<b>29.032</b>	<b>(0.012)</b>	-	-	-	-	<b>29.020</b>
<b>Metro</b>	<b>126.980</b>	<b>(54.728)</b>	-	-	-	-	<b>72.252</b>
Ferry	1.877	(0.455)	-	-	-	-	1.422
<b>Ferry</b>	<b>1.877</b>	<b>(0.455)</b>	-	-	-	-	<b>1.422</b>

Service Area	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
Contract Management	0.510	-	-	-	-	-	0.510
TaxiCard	0.179	(0.021)	-	-	-	-	0.158
Secured Bus Services	16.422	(2.812)	-	-	-	-	13.610
<b>Bus Services</b>	<b>17.111</b>	<b>(2.833)</b>	-	-	-	-	<b>14.278</b>
Bus Infrastructure	2.473	(0.423)	-	-	-	-	2.050
<b>Bus Infrastructure</b>	<b>2.473</b>	<b>(0.423)</b>	-	-	-	-	<b>2.050</b>
Information	0.595	(0.164)	-	-	-	-	0.431
<b>Public Transport Information</b>	<b>0.595</b>	<b>(0.164)</b>	-	-	-	-	<b>0.431</b>
<b>INDIRECT</b>							
Pensions & Provisions	-	-	2.581	-	-	-	2.581
Investment Income	-	-	(2.786)	-	-	-	(2.786)
Democratic Services & Executive	-	-	1.411	-	-	-	1.411
<b>Central Other</b>	-	-	<b>1.206</b>	-	-	-	<b>1.206</b>
Media & Communications	-	-	0.490	-	-	-	0.490
Print & Distribution	-	-	0.220	-	-	-	0.220
Marketing	-	-	0.420	-	-	-	0.420
Customer Services	-	-	1.332	-	-	-	1.332
<b>Customer Services &amp; Communications</b>	-	-	<b>2.461</b>	-	-	-	<b>2.461</b>
Human Resources	-	-	0.896	-	-	-	0.896
Learning & Development	-	-	2.322	-	-	-	2.322

Service Area	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
Corporate Planning	-	-	1.536	-	-	-	1.536
<b>People &amp; Culture</b>	-	-	<b>4.754</b>	-	-	-	<b>4.754</b>
Administration & Secretarial	-	-	0.177	-	-	-	0.177
Legal Services	-	-	0.480	-	-	-	0.480
Finance & Audit	-	-	1.695	-	-	-	1.695
Procurement	-	-	0.345	-	-	-	0.345
Estates	-	-	0.734	-	-	-	0.734
ICT	-	-	4.551	-	-	-	4.551
<b>Finance &amp; Resources</b>	-	-	<b>7.982</b>	-	-	-	<b>7.982</b>
ICT Projects	-	-	0.089	-	-	-	0.089
ISTP	-	-	0.265	-	-	-	0.265
<b>Major Projects</b>	-	-	<b>0.354</b>	-	-	-	<b>0.354</b>
Safety & Assurance	-	-	1.776	-	-	-	1.776
<b>Safety &amp; Assurance</b>	-	-	<b>1.776</b>	-	-	-	<b>1.776</b>
<b>Indirect</b>	-	-	<b>18.535</b>	-	-	-	<b>18.535</b>
Loan Charges	-	-	-	-	1.325	-	1.325
Released from:							
Released from Capital Grants	-	-	-	-	-	(37.414)	(37.414)
Released from Capital Reserves	-	-	-	-	-	(1.838)	(1.838)
<b>Asset Financing</b>					<b>1.325</b>	<b>(39.251)</b>	<b>(37.926)</b>



Service Area	Direct Costs £m	External Income £m	Indirect £m	Grants £m	Loan Interest £m	Asset Financing £m	Net £m
Bus Operators Grant	-	-	-	(0.891)	-	-	(0.891)
Metro Rail Grant	-	-	-	(28.634)	-	-	(28.634)
<b>Grants</b>	-	-	-	<b>(29.525)</b>	-	-	<b>(29.525)</b>
<b>TOTAL REQUIREMENT</b>	<b>181.129</b>	<b>(59.193)</b>	<b>18.535</b>	<b>(29.525)</b>	<b>1.325</b>	<b>(39.251)</b>	<b>73.020</b>
JTC Grant	-	-	-	(68.200)	-	-	(68.200)
<b>JTC Grant</b>	-	-	-	<b>(68.200)</b>	-	-	<b>(68.200)</b>
<b>DEFICIT / (SURPLUS)</b>	<b>181.129</b>	<b>(59.193)</b>	<b>18.535</b>	<b>(97.725)</b>	<b>1.325</b>	<b>(39.251)</b>	<b>4.820</b>

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## North East Joint Transport Committee

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**Date:** 16 January 2024  
**Subject:** Transport Capital Programme 2024/25  
**Report of:** Chief Finance Officer

### Executive Summary

This report provides the North East Joint Transport Committee (JTC) with an updated forecast capital outturn for 2023/24 and presents the initial 2024/25 capital programme, totalling £304.416, for consideration and approval.

The report identifies that total capital expenditure on Transport schemes of £232.693m is now forecast for 2023/24 against the revised programme budget of £278.496m – forecast slippage / underspending of £45.803m (16.4%). The main variances since the last update reported to the committee is a substantial revision of forecast expenditure on the Transforming Cities Fund Tranche 2 programme and the Active Travel Fund Tranches 2, 3 and 4 programmes. There are also variances forecast on the Bus Service Improvement Plan, the Metro Asset Renewal Programme and the Metro Flow programme which are detailed in the report.

The capital expenditure forecast on the Transforming Cities Fund Tranche 2 schemes is now estimated to be £48.212m in 2023/24. This is a revision of £12.189m on the previous forecast and is mainly due to scheme development difficulties, ongoing resource and capacity constraints and challenging market conditions which have led to some scheme promoters failing to hit assurance milestones.

£3.369m of capital expenditure is forecast on Active Travel Fund Tranches in 2023/24, which is a sizeable revision (reduction) on the previous forecast of expenditure (£22.725m) and has arisen largely due to difficulties in developments, scheme interdependencies and delays in Active Travel England sign off on final designs.

The report sets out details of the Nexus Capital Programme for 2024/25, totalling £102.143m, which includes the Metro Asset Renewal Program (MARP £47.191m), Fleet Replacement Programme (MFR £50.579m), Metro Flow (MFL £1.553m) and Other Nexus Capital Projects (Nexus OCP £2.819m). Indicative figures for 2025/26 and 2026/27 are included, which are subject to approval of funding.

The programme includes an estimated £14.057m of Local Transport |Plan Integrated Transport Block grant that will be received by NECA on behalf of the JTC, most of which will be paid to constituent authorities and Nexus on a quarterly basis to support

their capital programmes. Expenditure on the Nexus elements is included in the sections on the Nexus capital programme and to avoid double counting the remaining £11.309m is reported against the LTP Integrated Transport Block programme line.

The vast majority of the planned capital expenditure will be funded from specific government grants received, with these capital resources augmented with the use of earmarked reserves also. Full details of the funding of the planned expenditure are set out in the report.

## **Recommendations**

The North East Joint Transport Committee is recommended to:

- i) Note the latest position in respect of the 2023/24 capital programme, summarised in section 2.1 and exemplified in more detail in the sections that follow;
- ii) Approve the proposed initial capital programme for 2024/25 which amounts to £304.416m, as summarised in section 2.1 and exemplified in more detail in the sections that follow;
- iii) Note that grant funding for the Metro Asset Renewal Programme (MARP) for years 2025/26 and 2026/27 is still subject to Department for Transport (DfT) approval, therefore the element of Nexus' capital programme relating to the MARP in these years, can only be considered indicative at this stage, pending the outcome of ongoing discussions with DfT officials;
- iv) Note that a further report to consider the MARP programme once will be prepared once the grant funding for years 2025/26 and 2026/27 is confirmed by DfT; and
- v) Approve the other elements of Nexus' capital programme (2024/25 to 2025/26) for the MARP (2024/25 only), the Fleet Replacement Programme and Other Projects as detailed in this report.

## 1. Background Information

- 1.1 In January 2023, the JTC approved the initial 2023/24 capital programme of £238.994m. The capital programme was updated to take account of adjustments for slippage in the 2022/23 outturn and new developments and funding secured. The revised updated budget for 2023/24, as reported to the JTC in November 2023 is £278.496m.
- 1.2 The programme for 2024/25 includes schemes for which funding has been identified. Where funding announcements are still outstanding (for example in relation to the Local Electric Vehicle Infrastructure (LEVI) bid submitted at the end of November 2023) schemes will be brought forward for inclusion in the capital programme once funding has been confirmed.
- 1.3 The report describes the work underway to develop the potential programme for the City Region Sustainable Transport Settlement. The indicative CRSTS programme will continue to be refined through the development of the CRSTS Business Case. The North East Mayoral Combined Authority and newly elected Mayor will be required to submit the CRSTS Business Case to Government for consideration post May 2024.

## 2. Proposals

### 2023/24 Capital Programme forecast and Indicative 2024/25 Capital Programme

- 2.1 A summary of the Transport capital outturn forecast for 2023/24, together with details of actual expenditure to 31 October 2023 and the indicative Transport capital programme for 2024/25 is set out in the table below, with further details provided in the sections that follow.

**Table 1: Transport Capital Programme 2023/24 and 2024/25**

	<b>2023/24 Revised Budget</b>	<b>2023/24 Forecast Outturn</b>	<b>2023/24 Variance</b>	<b>Actual Spend to 31 Oct</b>	<b>2024/25 Initial Programme</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
ATF Tranche 2	2.929	0.540	(2.389)	1.885	0.464
ATF Tranche 3	17.612	1.929	(15.683)	0.000	16.000
ATF Tranche 4	2.184	0.900	(1.284)	0.000	5.979
BSIP	40.982	33.291	(7.691)	0.000	40.467
CRSTS <sup>1</sup>	0.000	0.000	0.000	0.000	49.000

<sup>1</sup> A total of £147m funding for allocation to projects from CRSTS capital settlement. Until a programme is agreed, this is shown as equal allocations of £49m per annum which will be refined at a later date.

EV Charging Infrastructure	0.299	0.153	(0.146)	0.189	0.000
Levelling Up Fund	0.000	4.097	4.097	0.000	14.622
LTP Highways Maintenance Block <sup>2</sup>	0.000	0.000	0.000	0.000	52.143
LTP Integrated Transport Block <sup>3</sup>	11.396	11.391	(0.005)	4.663	11.309
MARP	43.686	36.635	(7.051)	15.908	47.191
MFR	90.986	91.318	0.332	74.738	50.600
MFL	4.126	0.987	(3.139)	2.956	1.533
Nexus OCP	3.544	2.889	(0.655)	1.741	2.819
TCF	60.401	48.212	(12.189)	13.011	12.189
Tyne Tunnels	0.287	0.287	0.000	0.125	0.100
ULEV – Taxis	0.064	0.064	0.000	0.000	0.000
<b>Total</b>	<b>278.496</b>	<b>232.693</b>	<b>(45.803)</b>	<b>115.216</b>	<b>304.416</b>

### Active Travel Fund

- 2.2 In November 2020, the North East region was allocated £9.049m of grant funding from Tranche 2 of the Active Travel Fund (ATF) (£7.714m capital and £1.335m revenue). To date £6.984m of the capital funding has been spent.
- 2.3 Eight active travel schemes across the seven constituent local authorities have been allocated capital funds. In order for a Grant Funding Agreement (GFA) to be set up and claims to be processed for schemes, all required grant funding agreements are now in place.
- 2.4 Due to development difficulties and scheme interdependencies, it is forecast that two schemes will now not be completed this year and will complete in 2024/25, with a budget of £0.464m associated with these schemes.

<sup>2</sup> Following transition to the proposed Mayoral Combined Authority from May 2024, Local Transport Plan funding will form part of the overall CRSTS grant settlement. It is proposed that for the years 2024/25 – 2026/27 allocations remain as previously agreed for distribution to constituent local authorities and Nexus.

<sup>3</sup> As above. Excludes local match for MARP shown under that budget line.

- 2.5 In March 2022, the North East was allocated £17.929m of capital grant funding from ATF Tranche 3. Schemes are now entering into final development stages before delivery commences. Nine schemes across four local authorities were originally allocated funds, and following change control requests and the award of an additional £6.500m to a North Tyneside scheme, there are now eight schemes and the allocation for ATF Tranche 3 totals £26.962m. Active Travel England (ATE) must sign off final designs before schemes can progress into delivery, which is being considered through a design review meeting process.
- 2.6 There have been delays in processing schemes through the design review process by ATE, however one scheme has now entered into delivery (North Tyneside Sea Front Sustainable Route) and a further four are due to commence before or shortly after the end of the 2023/24 financial year. Therefore, the majority of the allocation of Tranche 3 expenditure will now be incurred next year and has needed to be reprofiled into 2024/25.
- 2.7 In March 2023, the North East was allocated £7.203m from Tranche 4 of the Active Travel Fund, of which £6.879m is capital. Four of the schemes are capital delivery schemes, and two are revenue development schemes. One scheme (NCN1 – South Tyneside to Sunderland) has entered into delivery, but to date no grant funding has been spent. As a result, the majority of capital spend is forecast for 2024/25.
- 2.8 The assurance process for Tranche 4 follows that for Tranche 3, in that schemes must provide an Assurance Statement and Monitoring & Evaluation plan, and also go through an ATE design review before a GFA is issued.

### **Bus Service Improvement Plan**

- 2.9 In April 2022, the North East's BSIP was awarded £163.5 million of indicative funding through the government's competitive BSIP funding pot, of which £73.5m was for capital expenditure. All funding has now been confirmed by DfT.
- 2.10 A series of corridor-based bus priority improvement schemes which focus on improving bus reliability on high passenger demand routes across the region was approved at JTC in July 2023 totalling £20.250m. A further £13.040m was approved for the continued roll out of Intelligent Transport Systems (ITS). Preparatory work is currently underway to develop a programme of works for the remaining allocation.
- 2.11 At the JTC meeting in December 2023, Members agreed to the release of £0.350m of allocated professional fees to advance the remaining BSIP capital schemes and £3.4m to accelerate the delivery of Jesmond bus priority measures and Metrocentre Pocket Park and Ride. Capital expenditure to 31 October 2023 is nil with forecast expenditure to the year-end being £33.291m.

### **City Region Sustainable Transport Strategy**

- 2.12 On establishment of the proposed mayoral combined authority, the region will be able to access £147m of new capital funds through the CRSTS. A business case, including a proposed programme to allocate this funding, will be presented to the

mayor and cabinet for agreement post May 2024, which must then be submitted to Government for consideration.

- 2.13 During the year, TNE has procured consultancy support to undertake an Independent Assessment of CRSTS candidate schemes as a means of identifying a prospective programme. An evidence-based recommendation will be developed, to ensure that the emerging indicative programme of prospective CRSTS schemes offers value for money and crucially can deliver within the CRSTS timescales.
- 2.14 Until a programme is developed and agreed by the new MCA, the total £147m CRSTS capital available has been indicatively profiled in the table above as £49m per annum. This will be refined and updated as the programme is agreed.

### **Electric Vehicle Charging Infrastructure**

- 2.15 Work is nearing completion on the installation of EV charging infrastructure at six further sites around the region, in Gateshead, West Denton, The Dunes at South Shields, Morpeth, Crook and Tynemouth Swimming Pool. In some cases, sites have had to be altered to reflect changing circumstances or restrictive network capacity.

### **Levelling Up Fund**

- 2.16 Following positive subsidy control appraisal of the region's £19.5m, levelling up Fund programme, the region is now able to progress towards delivery of the programme. This involves the delivery of 52 electric buses and supporting infrastructure and 92 Electric Vehicle chargers at park and ride locations and key destinations. A memorandum of understanding is due to be signed with the Department for Transport which will see the first capital payment of £4.7m made in January 2024. Thereafter orders for vehicles can be placed and infrastructure procured. Proportionate extensions to the programme have been agreed with DfT to account for the revised commencement date.

### **Local Transport Plan**

- 2.17 Currently, LTP Highways Maintenance Funding is paid directly to constituent local authorities by DfT. From 2024/25 and the creation of the proposed MCA, this funding will be awarded to NEMCA to allocate. For at least the CRSTS1 period (2024/25 to 2026/27), this will continue to be allocated to each local authority on the same basis as they currently receive the funding. Any change to these arrangements post 2026/27 will need to be agreed by NEMCA.
- 2.18 LTP Integrated Transport Block funding is currently paid to NECA on behalf of the JTC for local allocation, and this principle will continue from 2024/25 under NEMCA. Proposed allocations for 2024/25 are in line with current distributions and set out in the table below.

### ***Table 2: LTP Integrated Transport Block allocation 2024/25***



<b>Authority</b>	<b>Gross Allocation</b>	<b>UTMC Contribution</b>	<b>TNE Contribution</b>	<b>Net Allocation</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Durham	2,810,594	0	(62,500)	2,748,094
Gateshead	1,338,823	(79,187)	(62,500)	1,197,136
Newcastle	1,662,476	(115,397)	(62,500)	1,484,579
North Tyneside	1,096,864	(79,761)	(62,500)	954,603
Northumberland	1,708,124	0	(62,500)	1,645,624
South Tyneside	849,247	(58,583)	(62,500)	728,164
Sunderland	1,618,226	(109,208)	(62,500)	1,446,518
Nexus/PT allocation	2,972,647	0	(62,500)	2,910,147
<b>Total</b>	<b>14,057,000</b>	<b>(442,136)</b>	<b>(500,000)</b>	<b>13,114,864</b>

### **Nexus Capital Programme**

- 2.19 The JTC approved Nexus' capital programme for 2023/24 to 2025/26 in January 2023. Following consideration of the 2022/23 outturn report a revised 2023/24 Capital Programme budget was approved by the JTC in July 2023. The programme is sub-divided into the following sections:
- i. Metro Asset Renewal Programme (MARP);
  - ii. Fleet Replacement Programme (FRP);
  - iii. Other Capital Projects (OCP); and
  - iv. Metro Flow (MFL).
- 2.20 The following report reviews the financial performance, at the end of Period 8 against the latest revised programme budget approved in terms of:
- i. Actual cumulative spend at the end of the period;
  - ii. Latest forecast outturn for 2023/24; and
  - iii. Actual capital grant recovery.
- 2.21 Nexus' revised capital programme for 2023/24, provided for gross expenditure of £142.342m. By comparison, the 2023/24 programme forecast outturn as at Period 8 stands at £133.829m. The £8.513m forecast under spend (6%) is illustrated below and detailed within the report. At the end of Period 8 the total programme spend was £95.343m, against an approved budgeted spend of £102.105m. The £6.762m variance is highlighted throughout the remainder of this report.

### **Table 3: Total Nexus Capital Programme**

	<b>Original Budget £m</b>	<b>Revised Budget £m</b>	<b>Actual / Forecast £m</b>	<b>Variance £m</b>
Cumulative to Period 8				
Metro Asset Renewal Programme	20.665	20.665	15.908	(4.757)
Fleet Replacement Programme	74.608	74.608	74.738	0.130
Other Capital Projects	2.912	2.912	1.741	(1.171)
Metro Flow	3.920	3.920	2.956	(0.964)
	<b>102.105</b>	<b>102.105</b>	<b>95.343</b>	<b>(6.762)</b>
Outturn				
Metro Asset Renewal Programme	43.897	43.686	36.635	(7.051)
Fleet Replacement Programme	115.236	90.986	91.318	0.332
Other Capital Projects	3.107	3.544	2.889	(0.655)
Metro Flow	1.075	4.126	2.987	(1.139)
	<b>163.315</b>	<b>142.342</b>	<b>133.829</b>	<b>(8.513)</b>

2.22 At the end of Period 8, £91.440m of capital grant has been claimed from the DfT. This includes both the MARP and DRP. The actual amount claimed in total was 100.7% of forecast and therefore within DfT tolerance levels of +/- 5%.

### **Metro Asset Renewal Programme**

2.23 Cumulative actual spend at the end of Period 8 was £15.908m compared with an original forecast of £20.665m. This is a £4.757m under spend relates to the timing of spend and is across a number of projects, the most notable being the Ticket Vending Machine (TVM) upgrade, Cullercoats Footbridge (there was a delay to the award of contract but the project is still expected to be completed this year), Whitley Bay Canopy (detailed further below) and the Benton Square Compound refurbishment.

2.24 Overall, the forecast outturn for 2023/24 stands at £36.635m (including £0.769m of contingency) compared to the approved budget of £43.686m. This is a forecast under spend of £7.051m (16%). There are a number of projects that contribute to this, but those of particular note are:

- Whitley Bay Canopy – to reflect a revised programme of works as a direct consequence of the Buckingham Group going into Administration and the subsequent novation to the new contractor.
- Multi-Storey Car Parks - to reflect the latest project timetables which have been impacted by consultancy availability and quality.
- Switches and crossings at Pelaw – to limit the cumulative impact of network closures to take into account the availability of suitable of bus replacement services.

- Nexus Office and Operational Buildings – to allow for the scope of the project to be fully developed.

- 2.25 The November grant claim was £2.953m, compared to the forecast £3.000m and therefore within the +/- 5% DfT target. Total grant claimed to date is £16.707m and MRG (capital) grant totalling £30.900m (including £2.987m Metro Flow spend) is forecast to be claimed by year end. This represents the total available MRG (Capital) Grant for 2023/24.
- 2.26 The forecast outturn of £36.635m is currently being critically examined in light of uncertainties surrounding future funding, particularly in relation to financial years 2025/26 and 2026/27. For now, the forecast represents work currently being undertaken, but this could change in the next month or two depending on levels of available funding, once known. In the meantime, the current forecast would be funded from £27.913m MRG capital grant from DfT, with the remaining £8.722m funded from £2.718m of local funding (LTP), plus £5.300m of earmarked reserves. There is currently £0.704m of unfunded over programming. Originally over programming was £8.224m.
- 2.27 Metro Rail Grant (Capital) for 2023/24 to 2024/25 has been included as part of the North East devolution deal announced on 28 December 2022. The majority of the local contribution, currently sourced from the Public Transport allocation of the LTP Integrated Transport Block is likely to form part of CRSTS.

### **Fleet Replacement Programme (FRP)**

- 2.28 Cumulative actual spend at the end of Period 8 was £74.748m compared to the revised expected spend of £74.608m, following a re-set of contract milestones, reflecting delays in the new fleet becoming operational. The £0.130m over spend relates to the Carriage Wash fit out works at Gosforth Depot which are ahead of forecast.
- 2.29 Forecast outturn for 2023/24 is £91.318m (including a risk contingency of £2.719m), compared to the approved budget of £90.986m. therefore broadly on budget. The 2023/24 forecast outturn is based on the revised delivery programme. The £0.332m in-year pressure can but funded from within existing resources and the programme contingency continues to be critically examined each period in order to contain the budget within overall funding levels.
- 2.30 The November grant claim is £13.060m and 101.3% of the forecast and therefore within the +/- 5% DfT target.
- 2.31 The £91.318m forecast outturn is funded from the £89.900m DfT Fleet Replacement grant available in 2023/24, with the balance, £1.418m, funded from Nexus Fleet Reserves. This includes contingency expenditure of £2.719m and therefore if this not used in-year, spend may fall below the £89.900m DfT Fleet Replacement grant allocation and permission would need to be sought from the DfT for the virement of any under recovery of grant.

### **Other Capital Projects (OCP)**

- 2.32 In 2023/24 Other Capital Projects have an approved budget of £3.544m comprising of £1.878m for the Transforming Cities digital car parks project, £0.023m for the completion of the Bus Contracts system, £0.862m for Ground Investigation (GI) works at the site of the proposed North Ferry Landing relocation project, and a further £0.781m for Ferry vessels and maintenance of existing landings (North and South).
- 2.33 Cumulative actual spend at the end of Period 8 was £1.741m against the approved budget profile of £2.912m. The £1.171m under spend relates to:
- Digital Car Parking – Delays in contractor installing new ticket machines, plus a reduction in overall use of contingency. The completion date is now February 2024, which is within TCF funding deadlines.
  - Bus Contracts system – Delays in testing due to additional software development being required.
  - Ferry North Landing Relocation – The actual cost of delivering the North Landing Relocation project GI works is less than budget.
  - Ferry – Slippage of the South Landing works and a reduction for a change in scope for the Ferry TVM solution.
- 2.34 Forecast outturn for 2023/24 is £2.889m against an approved budget of £3.544m. The £0.655m forecast underspend (18%) refers largely to the aforementioned underspend on North Landing GI works, a reduction in contingency for Digital Car Parking and slippage on the Ferry South Landing project.
- 2.35 The £2.889m outturn forecast is funded by £1.642m of Transforming Cities Grant in relation to Digital Car Parks, £0.079 LTP funding, £0.018m Clean Maritime Demonstration Competition funding and £1.150m Capital Reserves.

### **Metro Flow (MFL)**

- 2.36 Cumulative actual spend at the end of Period 8 was £2.956m, against the approved budget profile of £3.920m. The £0.964m underspend is as a result of delays to delivering remaining remedial works to the main contract, which were previously being delivered by the main contractor Buckingham Group and are now delayed following Buckingham Group going into receivership and termination of the contract.
- 2.37 Forecast outturn for 2023/24 is £2.987m compared with the approved budget of £4.126m. The forecast in-year underspend is due to the termination of the Buckingham contract, with remedial works now scheduled to be carried out in 2024/25.
- 2.38 The forecast outturn of £2.987m is expected to be funded by £2.987m of MRG (Capital) Grant. £3.456m of 2023/24 MRG (Capital) Grant had been allocated to fund Metro Flow in this financial year. The forecast 2023/24 underspend

therefore results in a £0.469m under spend of MRG (Capital) Grant and zero use of TCF grant retained for Metro Flow in 2023/24.

- 2.39 Surplus TCF grant of c£4.500m is anticipated, which the DfT has agreed can be retained by the region and is expected to be used as contribution towards the North Shields Ferry landing relocation.

### **Nexus 2024/25 Capital Programme**

- 2.40 Nexus' capital programme for 2024/25 to 2026/27 includes investment in three main areas:

- I. Metro infrastructure (the Metro Asset Renewal Programme or MARP);
- II. A new fleet of Metrocars (the Fleet Replacement Programme or FRP); and
- III. Other Capital Projects (OCP) e.g., the cross Tyne Ferry and projects where external funding is being sought;

- 2.41 Funding is largely provided by the DfT:

- I. In respect of the MARP, the Department for Transport (DfT) is still to confirm the level of grant funding to be made available to Nexus for 2025/26 and 2026/27;
- II. In relation to FRP, 2023/24 represents the sixth year of capital funding from DfT, with the programme expected to complete in 2026/27;
- III. OCP is funded via a combination of earmarked reserves and external grant in the form of the City Regional Transport Scheme (CRSTS) and Transforming Cities Fund (TCF).

- 2.42 The financing of the proposed programme, assuming a certain level of grant funding from DfT is detailed in the following table:

	<b>Proposed Budget 2024/25 £m</b>	<b>Proposed Budget 2025/26 £m</b>	<b>Proposed Budget 2026/27 £m</b>
Metro Rail Grant (DfT)	38.400	39.300	19.079
Fleet Replacement Grant (DfT)	50.579	28.073	-
Transforming Cities Grant (DfT)	0.772	-	-
LTP ITB	2.797	2.797	2.797
Reserves	3.487	4.500	0.822
Overprogramming	4.554	1.723	0.000
	<b>100.589</b>	<b>76.393</b>	<b>22.698</b>

### **Metro Asset Renewal Programme (MARP)**

- 2.43 At its January 2023 meeting, the JTC approved the capital programme for 2023/24 to 2025/26. At that time, grant funding was only secured for 2023/24 and

2024/25, but there was an assumption that grant funding would be secured for 2025/26 at a later date.

2.44 The North East Devolution Deal confirmed the following in connection with funding for the Metro Essential Renewals Programme:

- Funding for Metro’s Essential Renewals programme and operational support will be paid direct to Nexus as Metropolitan Rail Grant, out with the CRSTS mechanism. However, £57 million of capital funding was transferred from the North East’s nominal CRSTS allocation to take account of the additional Metropolitan Rail Grant capital payments in 2023/24 and 2024/25; and
- Funding for Metro Essential Renewals and operational support for 2025/26 and 2026/27 will be considered as part of the next Comprehensive Spending Review following the production of a business case and discussion between the government, the North East Mayoral Combined Authority, and Nexus.

2.45 Following informal dialogue between Nexus and DfT civil servants, a programme for 2025/26 and 2026/27 has been developed totalling £65.709m.

2.46 However, at this point no funding has been confirmed by DfT for 2025/26 and 2026/27. Discussions are ongoing, and a further report will be brought to the Joint Transport Committee when the outcome is known.

2.47 Based on discussions with DfT officials, investment that Nexus envisages it might be funded to deliver over the next 36 months (2024/25 to 2026/27) at asset category level is set out below and in more detail at Appendix 1.

	<b>Proposed Budget 2024/25 £m</b>	<b>Proposed Budget 2025/26 £m</b>	<b>Proposed Budget 2026/27 £m</b>
Capital Maintenance	2.840	3.310	2.500
Civils	5.067	3.340	1.125
Level Crossings	0.100	0.100	0.100
Mechanical and Electrical	3.934	4.500	1.300
Overhead line	3.750	5.025	5.606
Permanent Way (Plain line)	7.058	10.345	1.031
Plant	0.625	1.250	0.400
Risk Contingency	2.000	5.752	5.629
Signalling	7.561	6.898	3.380
Stations	4.445	0.230	0.200
Business Applications	1.404	0.310	0.075
ICT Infrastructure	3.040	0.957	0.370
Miscellaneous	4.797	1.824	-
Power	0.570	0.100	0.100
	<b>47.191</b>	<b>43.941</b>	<b>21.816</b>

2.48 The programme is developed based on funding discussions with DfT officials, using a prioritisation model that, in the context of the finite funding available for investment in the Metro asset base, targets resources based on a range of criteria ranging from safety and performance to impact on customer demand/experience and broader strategic fit. Whilst the proposed programme is set out in Appendix A, a summary of its key components is provided below:

### **Civils**

- Refurbishment of bridges at Stoddart Street (Newcastle)
- Development of a scheme to replace the track system on Howdon Viaduct
- Asbestos Management in central area tunnels
- Remedial works to Regent Centre, Four Lane Ends and Northumberland Park Multi-Storey Car Parks and Surface Car Parks across the network
- Heworth Interchange roofing works
- Carlisle Street works

### **Permanent Way**

- Renewal of Prudhoe Street switch and crossing (central Newcastle tunnel)
- Renewal of switches and crossings at Pelaw
- Procurement of switches and crossings for installation at Monkseaton in the following year
- Design, planning and renewal and refurbishment of track between Regent Centre and Airport
- Scope and option development to enable reduced reliance on lookout protection for infrastructure works

### **Mechanical and Electrical**

- Continued renewal of tunnel lighting across the network with efficient LED units
- Lift renewal
- Escalator renewal
- Fire safety improvement surveys
- Sump pump replacement
- Development and design of Electric Vehicle charging infrastructure

## **Overhead Line Equipment**

- Continuation of the overhead line renewal
- Replacement of fixed tension sections with automatically tensioned equipment

## **ICT Infrastructure**

- Renewal of the CCTV storage platform
- Upgrade of the Public Address system
- Replacement of Copper cable for communications systems

## **Business Applications**

- Replacement of the Asset Management Systems
- Replacement of Bank Note Recyclers in Ticket Vending Machines (to accommodate the change to the Kings Head appearing on bank notes)

## **Signalling**

- Continued development of proposals for a new signalling system, including feasibility assessments
- Implementation of a new Supervisory Control and Data Acquisition (SCADA) system, which allows remote monitoring of various items of equipment across the network, some of it safety critical
- Continuation of works to address cable degradation in a multi-year programme continuing across the Metro infrastructure

## **Stations**

- Refurbishment of Whitley Bay Station canopy.
- Continuation of works to refresh and update Halt Stations across the network.
- Northumberland Park Car Park refurbishment

## **Capital Maintenance/Other**

- Continued heavy maintenance of the existing fleet and a contribution towards the mid-life refurbishment of the new trains
- Replacement of road vehicles, and specialist Engineering and Road-Rail vehicles



- Investment in the Nexus estate
- Permanent way, rail grinding, off track enhancements and vegetation management around the system
- Refurbishment of electrically powered engineering locomotives

### Fleet Replacement Programme (FRP)

2.49 In October 2017, government announced £336.8m of grant funding for the replacement of Nexus' fleet of Metrocars. This funding is augmented by a £25.0m local contribution.

2.50 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	19/20	20/21	21/22	22/23	23/24	24/25	25/26	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£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
	<b>1.1</b>	<b>29.2</b>	<b>46.1</b>	<b>44.0</b>	<b>78.6</b>	<b>117.7</b>	<b>43.6</b>	<b>1.5</b>	<b>361.8</b>

2.51 During 2023/24 the profile has evolved further with most notably a contract reset delaying completion until 2026/27:

	18/19 to 22/23	23/24	24/25	25/26	26/27	Total
	£m	£m	£m	£m	£m	£m
DfT Capital	168.2	89.9	50.6	28.1	-	336.8
Local Cont.	18.5	1.4	-	4.3	0.8	25.0
	<b>186.7</b>	<b>91.3</b>	<b>50.6</b>	<b>32.4</b>	<b>0.8</b>	<b>361.8</b>

2.52 The re-profiling of the delivery programme reflects the approved contract reset programme for the planned delivery of the new train fleet. Currently, it is envisaged that over the next 36 months, some residual Gosforth Depot works will complete, Driver Transition Training will commence and complete and the Manufacture and Supply Agreement (MSA) will progress through manufacture and acceptance leading to the delivery of all 46 new trains. The following expenditure is forecast:

	<b>Proposed Budget 2024/25</b>	<b>Proposed Budget 2025/26</b>	<b>Proposed Budget 2026/27</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
New Train Fleet (MSA)	43.282	29.031	0.822
Gosforth Depot (DCC)	0.155	-	-
Project Delivery	5.272	1.939	-
Risk Contingency	1.870	1.382	-
	<b>50.579</b>	<b>32.352</b>	<b>0.822</b>

### **Other Capital Projects (OCP)**

2.53 Other Capital Projects for which funding is confirmed largely feature investment in Ferry related infrastructure and the finalisation of works in relation to the Metro Flow project:

	<b>Proposed Budget 2024/25</b>	<b>Proposed Budget 2025/26</b>	<b>Proposed Budget 2026/27</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Ferry Vessels	0.517	0.060	0.060
South Landing works	0.749	0.040	-
Metro Flow	1.553	-	-
	<b>2.819</b>	<b>0.100</b>	<b>0.060</b>

2.54 There are a number of emerging projects for which funding is yet to be confirmed that Nexus may undertake during the life of the proposed programme. These include:

- Bus Service Improvement Plan (BSIP) projects e.g., website development, bus stops and shelters;
- CRSTS projects e.g., smart ticketing, Regent Centre, Metro gatelines, North ferry landing, Callerton car park;
- Levelling Up Fund projects e.g., customer facing EV charging infrastructure;
- Other third party funded projects e.g., Green Lane bridleway crossing improvements, Wallsend bus station improvements, Clean Ferry feasibility study.

2.55 In addition, during the lifetime of the proposed programme Nexus expects to develop the business cases for the Washington Loop Metro expansion and the renewal of the existing signalling system. Whilst the proposed programme contains a budget to undertake feasibility studies and establish options available, construction/works are subject to future funding submissions and therefore do not feature within the programme detailed in this report.

## **Transforming Cities Fund**

- 2.56 The North East was awarded £198m of capital grant for Tranche 2 of Transforming Cities Fund. Within the Tranche 2 schemes, £103.8m is for schemes where the decision making on funding is devolved to the region, and the remaining £94m is for the Metro Flow scheme managed by Nexus, where the decision making on the funding is retained by the Department for Transport. Updates on Metro Flow are included with the Nexus Capital Programme sections in this report.
- 2.57 Total expenditure to date within the TCF Tranche 2 programme stands at approximately £56.002m, which represents 54.2% of the overall grant. Over quarter 1 and quarter 2 of 2023/24, £13.011m from the Devolved Pot was incurred. A total of £12.189m of expenditure is now forecast for 2023/24. Therefore, a rapid acceleration in the spending over the remainder of 2022/23 is required to meet the forecast. Expenditure forecasts have been based on quarterly monitoring returns and expenditure profiles included within scheme business cases.
- 2.58 Scheme development difficulties, ongoing resource and capacity constraints and challenging market conditions have led to some scheme promoters failing to hit assurance milestones and because of these delays, expenditure is likely to run into the 2024/25 financial year. Talks are ongoing with DfT regarding the revised expenditure profile.

## **Tyne Tunnels**

- 2.59 The Tyne Tunnels capital programme relates to the refurbishment of the Tyne Pedestrian and Cycle Tunnels (TPCT). The TPCT reopened for public use in August 2019 after being closed for several years for refurbishment. They are currently open to the public with no charge to users. To access the tunnels, pedestrians and cyclists can use the vertical lift at both ends. The tunnels are monitored via CCTV by the 24-hour security presence on-site.
- 2.60 The inclined glass lifts at the TPCT are additional lifts which have been planned to increase capacity for cyclists and to provide a tourist attraction, as they are bespoke glass lifts which travel on a steep incline down the historic escalator shaft to the lowest part of the tunnels. Completion and certification of the inclined lifts has been significantly delayed due to the bespoke nature of the design and issues with contractors. However, the works have been completed and are in the final stages of testing and certification and should be opening to the public within the next few months.
- 2.61 There is a planned handover of the TPCT to TT2 scheduled for May 2024 on the basis that the refurbishment works are completed. However, the JTC (and any future equivalent bodies) will remain responsible for carrying out major maintenance and renewal of assets, and therefore, it is prudent to set aside funds for these capital works within the budget. An asset life cycle schedule will be developed as part of the handover documentation, which will detail when the TPCT assets are likely to require renewal based on the manufacturer's specification. This will inform the capital works budget, however in the meantime

a provisional figure of £0.1m has been included in the 2024/25 budget. The future capital needs will be constantly reviewed, and the budget updated accordingly to ensure suitable provision is made for capital works.

### **Ultra Low Emission Vehicles – Taxi Project**

- 2.62 It is expected that the final North Tyneside charger will go live imminently with orders being placed for connections. The Newcastle site remains delayed owing to legal agreements being sought. It is hoped the works will be fully complete this financial year.

### **3. Reasons for the Proposals**

- 3.1 The proposals are presented in this report to enable the JTC to agree its capital programme for 2023/24.

### **4. Alternative Options Available**

- 4.1 Option 1 is the recommended option.

- 4.2 Option 1 – the North East Joint Transport Committee may accept the recommendations set out in the report.

- 4.3 Option 2 – the North East Joint Transport Committee may suggest amendments or alternative proposals to be considered. Option 1 is the recommended option.

### **5. Next Steps and Timetable for Implementation**

- 5.1 Progress against the JTC Capital Programme will be reported regularly throughout the year and monitored carefully by officers at the various delivery bodies. AS and when updated information on funding bids is received, the capital programme will be updated.

### **6. Potential Impact on Objectives**

- 6.1 The budgets presented in this report are aligned to the achievement of the Transport policy objectives of the Authority.

### **7. Financial and Other Resources Implications**

- 7.1 The financial and other resource implications are set out in the body of the report.

### **8. Legal Implications**

- 8.1 The Newcastle upon Tyne, North Tyneside, and Northumberland Combined Authority (Establishment and Functions) Order 2018 specifies that the setting of the capital programme in relation to transport is a function exercisable only by the JTC. Unanimous approval is required.

### **9. Key Risks**

9.1 Risks associated with the delivery of transport schemes by the key delivery bodies are factored into the risk management processes of those organisations.

## **10. Equality and Diversity**

10.1 There are no equality and diversity implications arising from this report.

## **11. Crime and Disorder**

11.1 There are no crime and disorder implications arising from this report.

## **12. Consultation/Engagement**

12.1 Projects being delivered by constituent authorities and other delivery partners, or in constituent authority areas, are subject to local consultation and planning approvals.

## **13. Other Impact of the Proposals**

13.1 There are no other impacts arising from this report.

## **14. Appendices**

14.1 Appendix 1 – Nexus Proposed Capital Programme 2024/25 to 2026/27

## **15. Background Papers**

15.1 JTC 2023/24 Capital Programme January 2023 ([Public Pack](#))[Agenda Document for North East Joint Transport Committee, 17/01/2023 14:30 \(northeastca.gov.uk\)](#)

15.2 JTC 2023/24 Capital Programme Update November 2023 ([Public Pack](#))[Agenda Document for North East Joint Transport Committee, 21/11/2023 14:30 \(northeastca.gov.uk\)](#)

## **16. Contact Officers**

16.1 Eleanor Goodman, NECA Finance Manager,  
[eleanor.goodman@northeastca.gov.uk](mailto:eleanor.goodman@northeastca.gov.uk)

## **17. Sign off**

- The Proper Officer for Transport:
- Head of Paid Service:
- Monitoring Officer:
- Chief Finance Officer:

## **18. Glossary**

ATF – Active Travel Fund

BSIP – Bus Service Improvement Plan  
CRSTS – City Region Sustainable Transport Settlement  
EV – Electric Vehicles  
LUF – Levelling Up Fund  
LTP – Local Transport Plan  
MARP – Metro Asset Renewal Plan  
MFR – Metro Fleet Replacement  
MFL – Metro Flow  
OCP – Other Capital Projects  
TCF – Transforming Cities Fund  
ULEV – Ultra Low Emission Vehicles

**Appendix 1 – Nexus Proposed Capital Programme 2024/25 to 2026/27**

<b>Asset Category</b>	<b>Proposed Budget 2024/25 (£m)</b>	<b>Proposed Budget 2025/26 (£m)</b>	<b>Proposed Budget 2026/27 (£m)</b>
<b>Metro ARP</b>	<b>47.191</b>	<b>43.941</b>	<b>21.816</b>
<b>Capital Maintenance</b>	<b>2.840</b>	<b>3.310</b>	<b>2.500</b>
<i>Capital Maintenance - Existing fleet and transition.</i>	1.700	1.700	1.700
<i>Infrastructure Vehicle Renewal and Refurbishment (RRV's, wagons, etc.)</i>	0.540	0.660	-
<i>Plain Line (Heavy Maintenance)</i>	0.600	0.600	0.800
<i>Rail Grinding</i>	-	0.350	-
<b>Civils</b>	<b>5.067</b>	<b>3.340</b>	<b>1.125</b>
<i>Structural Assessments - overbridges</i>	0.075	0.075	0.075
<i>Tunnels - repairs and asbestos maintenance</i>	0.150	0.150	0.150
<i>Howdon Viaduct - Track System Renewal</i>	0.342	0.050	0.050
<i>Stoddart Street bridges - repair/waterproofing</i>	2.578	0.040	-
<i>Multi Storey Car Parks refurbishment</i>	0.066	0.925	-
<i>Surface Car Parks Refurbishment</i>	0.200	0.100	0.100
<i>Bridges - condition and assessment led repairs/painting</i>	0.750	0.750	0.750
<i>Earthworks GST-SSS</i>	0.106	-	-
<i>Carlisle Street Overbridge - deck refurbishment</i>	0.150	0.500	-
<i>Station- Heworth Interchange- Construction - Roof</i>	0.250	0.750	-
<i>Seaburn station platform repairs</i>	0.400	-	-
<b>Level Crossings inc. foot crossing</b>	<b>0.100</b>	<b>0.100</b>	<b>0.100</b>
<i>Crossing Upgrade / repairs</i>	0.100	0.100	0.100

<b>Asset Category</b>	<b>Proposed Budget 2024/25 (£m)</b>	<b>Proposed Budget 2025/26 (£m)</b>	<b>Proposed Budget 2026/27 (£m)</b>
<b>Mechanical and Electrical</b>	<b>3.934</b>	<b>4.500</b>	<b>1.300</b>
<i>Escalators - Haymarket (No. 1&amp;3) 1/2 Life Refurbishment</i>	0.016	-	-
<i>Lighting inverters</i>	0.077	-	-
<i>Tunnel Lighting</i>	0.500	1.000	1.000
<i>Escalator Replacements</i>	0.850	0.505	-
<i>Lift Replacements</i>	1.120	1.680	-
<i>Fire Safety Improvement Programme</i>	0.771	0.540	-
<i>NRHQ Gas Improvement Works</i>	0.035	-	-
<i>Protection testing</i>	0.130	-	-
<i>Sump Pump Replacement Works</i>	0.225	0.225	-
<i>Lighting Control Programme</i>	0.030	0.100	0.100
<i>Decarbonisation Programme</i>	0.050	0.250	-
<i>BMS Programme</i>	0.030	0.100	0.100
<i>EV Vehicle infrastructure</i>	0.100	0.100	0.100
<b>Overhead line</b>	<b>3.750</b>	<b>5.025</b>	<b>5.606</b>
<i>OHL renewal - Continued from Phase 2 ARP</i>	3.450	3.525	3.606
<i>Replacement of fixed tensioning with automatic</i>	0.300	1.500	2.000
<b>Permanent Way</b>	<b>7.058</b>	<b>10.345</b>	<b>1.031</b>
<i>Vegetation management / Off track remedial works</i>	0.750	0.750	0.500
<i>Metro Infrastructure Boundary improvements</i>	0.100	0.100	0.100
<i>Switches &amp; Crossings - Pelaw 7005/7006/7017 pts</i>	1.357	-	-



<b>Asset Category</b>	<b>Proposed Budget 2024/25 (£m)</b>	<b>Proposed Budget 2025/26 (£m)</b>	<b>Proposed Budget 2026/27 (£m)</b>
<i>Switches &amp; Crossings - Prudhoe Street 6007A/B pts</i>	0.451	-	-
<i>Plain Line Refurbishment. SGF to Airport (Col)</i>	3.400	6.804	0.040
<i>Switches &amp; Crossings - Monkseaton 2036Bpts (Turnout), 2034 Abpts (Crossover), 2032 AB pts (Crossover)</i>	0.750	2.300	-
<i>Lookout Protection infrastructure works</i>	0.250	0.250	0.250
<i>Bridge longitudinal timbers</i>	-	0.141	0.141
<b>Plant</b>	<b>0.625</b>	<b>1.250</b>	<b>0.400</b>
<i>Vehicle replacement Programme</i>	0.300	0.400	0.400
<i>Battery Locomotive refurbishment</i>	0.325	0.850	-
<b>Risk Contingency</b>	<b>2.000</b>	<b>2.000</b>	<b>2.000</b>
<b>Signalling</b>	<b>7.561</b>	<b>6.898</b>	<b>3.380</b>
<i>Cable Testing and Replacement</i>	0.500	0.500	0.500
<i>Location Rewire</i>	0.200	0.200	0.200
<i>Cable degradation - relay rooms</i>	1.083	-	-
<i>Scada (and Mimic)</i>	4.480	3.265	0.115
<i>LED Signal Replacement</i>	0.100	0.100	0.100
<i>Signalling componentary sundry</i>	0.200	0.200	0.200
<i>Remote condition monitoring</i>	0.100	0.100	0.100
<i>Signal Sighting works - Stop boards</i>	0.018	-	-
<i>Troughing and trayplating</i>	0.100	0.100	0.100
<i>Signalling System replacement development</i>	0.400	1.000	-

<b>Asset Category</b>	<b>Proposed Budget 2024/25 (£m)</b>	<b>Proposed Budget 2025/26 (£m)</b>	<b>Proposed Budget 2026/27 (£m)</b>
<i>RTMS Upgrade / refresh</i>	0.100	0.500	0.900
<i>Passenger Information Displays</i>	0.100	0.933	1.165
<i>Uninterrupted Power Supply</i>	0.100	-	-
<i>Point Heaters</i>	0.080	-	-
<b>Stations</b>	<b>4.445</b>	<b>0.230</b>	<b>0.200</b>
<i>Northumberland Park Car Park</i>	0.770	-	-
<i>Whitley Bay (Canopy)</i>	3.425	0.030	-
<i>Monkseaton (inc. canopy)</i>	0.050	-	-
<i>Chichester refurbishment</i>	0.050	0.050	0.050
<i>Halt Stations - including Sunderland line</i>	0.150	0.150	0.150
<b>Business Applications</b>	<b>1.404</b>	<b>0.310</b>	<b>0.075</b>
<i>Asset Management Software Replacement</i>	0.526	0.235	-
<i>Finance BACS application</i>	0.003	-	-
<i>Bank Note Acceptors</i>	0.800	-	-
<i>Business Applications</i>	0.075	0.075	0.075
<b>ICT Infrastructure</b>	<b>3.040</b>	<b>0.957</b>	<b>0.370</b>
<i>Microsoft SQL Server</i>	0.050	-	-
<i>Network Refresh</i>	0.050	-	-
<i>CCTV Storage Platform</i>	1.882	-	-
<i>CCTV - Safety and Security led enhancements</i>	0.050	-	-
<i>Copper ICT 50 pair cable</i>	0.110	0.050	-

<b>Asset Category</b>	<b>Proposed Budget 2024/25 (£m)</b>	<b>Proposed Budget 2025/26 (£m)</b>	<b>Proposed Budget 2026/27 (£m)</b>
<i>Lift Help Points</i>	0.038	0.037	-
<i>PA Speakers and Cabling</i>	0.050	0.050	0.050
<i>Office LAN</i>	0.340	-	-
<i>Telephony architecture</i>	-	0.100	-
<i>PA Head End Upgrade</i>	0.350	-	-
<i>Cyber Security / Environment Hardening</i>	-	0.425	-
<i>Wi/Fi Upgrade</i>	-	0.175	-
<i>Laptop / desktop replacement</i>	-	-	0.200
<i>Smartphone renewal</i>	0.120	0.120	0.120
<b>Miscellaneous</b>	<b>4.797</b>	<b>1.824</b>	<b>-</b>
<i>Control Centre improvements (further)</i>	1.700	-	-
<i>LV Top Shed</i>	0.150	-	-
<i>Benton Square Security</i>	0.150	-	-
<i>Infra Del NRHQ office refurb</i>	0.075	-	-
<i>Smart Card Reader 3 Upgrade / Fare collection systems</i>	1.800	-	-
<i>Nexus Office and Operational Property strategy delivery.</i>	0.872	1.824	-
<i>Upgrade TVMs, gates/barriers, validators, TOMs XP</i>	0.050	-	-
<b>Power</b>	<b>0.570</b>	<b>0.100</b>	<b>0.100</b>
<i>DC Switch Boxes</i>	0.420	-	-
<i>HV Improvements</i>	0.150	0.100	0.100
<b>Inflation Allowance</b>	<b>-</b>	<b>3.752</b>	<b>3.629</b>

<b>Asset Category</b>	<b>Proposed Budget 2024/25 (£m)</b>	<b>Proposed Budget 2025/26 (£m)</b>	<b>Proposed Budget 2026/27 (£m)</b>
<i>Inflation at 3% annually from 2027/28</i>	-	3.752	3.629
<b>Metro Flow</b>	<b>1.553</b>	-	-
<b>Fleet Replacement Programme</b>	<b>50.579</b>	<b>32.352</b>	<b>0.822</b>
<i>MSA</i>	43.283	29.031	0.822
<i>DCC</i>	0.155	-	-
<i>Project Delivery</i>	5.272	1.939	-
<i>Risk Allowance</i>	1.869	1.382	-
<b>Other Capital Projects</b>	<b>1.266</b>	<b>0.100</b>	<b>0.060</b>
<i>Ferry Vessels</i>	0.517	0.060	0.060
<i>South Landing works</i>	0.749	0.040	-
<b>Total Capital Programme</b>	<b>100.589</b>	<b>76.393</b>	<b>22.698</b>