

Narrative Report by the Chief Finance Officer

2024/25

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Introduction

Welcome to the North East Combined Authority's (the Authority) Annual Statement of Accounts for 2024/25. The statements have been prepared in accordance with the requirements of the Accounting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

This narrative report aims to provide information so that members of the public, Councillors, partners, stakeholders and other interest parties are able to have:

- A full and understandable explanation of the overarching financial position of the Authority and the financial performance for the year 2024/25;
- Confidence that the public money with which the Authority has been entrusted has been used and accounted for in an appropriate manner;
- Assurance that the financial position of the Authority is sound and secure.

This narrative report provides information about the Authority, including the key issues affecting the Authority and its accounts. It also provides a summary of the financial position at 31 March 2025 and non-financial performance and an executive summary of the Authority's achievements in 2024-25. The purpose is to provide an understandable guide to the most significant aspects of the Authority's financial performance, year-end financial position and cash flows. The narrative report focuses on matters that are of relevance to the principal users of the statement of accounts. As well as complementing and supplementing the information provided in the accounts, it also provides a forward look at the factors likely to impact the Authority in the future.

About the North East Combined Authority

The North East Combined Authority was formed on 7 May 2024. It is led by an Elected Mayor and Cabinet and covers the seven local authority areas of County Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland.

North East England is unique in its diversity. It's also uniquely placed to become the home of real opportunity. Our Combined Authority stretches from vibrant and fast-evolving cities to wild, open countryside and coastlines; whose communities are custodians, living and working in an historic natural environment.

The Authority will focus on delivery, ensuring we have real impact. This means setting clear, long-term goals that contribute to a bold vision of change. The vision and priorities of the Authority are set by the Mayor and Cabinet, and delivered through the five key missions agreed and set out in the Corporate Plan:

Home of real opportunity – Our region is a great place to live and work, but too many people face challenges to success. We will implement policies which help to overcome those challenges – from skills training to child support.

A North East we are proud to call home – Where we live matters. The people of the North East are rightly proud of their local identity and want services and policies that support them to live here.

Home to a growing and vibrant economy for all – We will ensure people have the skills to access work and provide the right conditions for economic growth. We will ensure support and investment in a wide range of economic drivers: from advanced manufacturing to the cultural sector, from skills training to good transport.

Home of the green energy revolution – We will grasp the opportunity that net zero presents to the North East. Not only will we transition to a green economy, creating thousands of jobs and reducing carbon emissions, we'll build the new technologies and solutions needed for the UK to decarbonise too.

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

Governance and Structure

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

The **Cabinet** is the main decision-making body of the North East Combined Authority. It is made up of the Mayor and the leaders of each of the seven constituent authorities. There are also two non-voting members representing the business and community and voluntary sectors.

Advisory boards bring together key stakeholders to support and advise the Cabinet in steering and delivering the Authority's strategies and programmes. For the period covered by the the 2024/25 financial statements, these boards were:

- **Business and Economy Board** – this board brings together industry leaders and stakeholders to drive economic growth, investment and prosperity across the region.
- **Culture, Creative, Tourism and Sport Advisory Board** – this board will support the development of the early priorities set out in the Strategic Portfolio Plan.

- **Environment, Coast and Rural Advisory Board** – this board supports sustainable growth, environmental resilience and rural development to enhance the region’s natural assets and communities.
- **Finance and Investment Advisory Board** – this board provides strategic oversight on funding and investment to drive economic growth and long-term prosperity across the region.
- **Housing and Land Advisory Board** – this board works to improve the range, quality and affordability of housing, drive economic growth and productivity and support the most vulnerable. It also champions community regeneration, town centre revitalisation and infrastructure investment to make the North East a great place to live, work and invest.
- **Transport Advisory Board** – this board shapes the region’s transport investment programme, supporting the development and delivery of the Local Transport Plan, aligning policies across sectors, and advising on funding opportunities. It plays a key role in ensuring effective transport integration, project delivery and collaboration with government and industry partners to improve connectivity and economic growth.
- **Public Service Reform Advisory Board** – this board will support the North East CA to take on a convening role in the reform of public service in our region, bringing together local authorities, cross-sector partners and national government to transform the North East’s public services and tackle underlying inequalities.
- **Education, Inclusion and Skills Advisory Board** – this board fosters collaboration, data-driven decision-making and strategic thinking to address key regional challenges, promote equality and advocate for the region’s education and skills agenda.

The Authority has two committees appointed to review its work. They are made up of councillors from the constituent authorities.

- **Audit and Standards Committee** - the Audit and Standards Committee supports and monitors the governance, risk management, external audit, internal audit and financial reporting of the North East CA, ensuring they are managed to a high standard of openness, integrity and accountability.
- **Overview and Scrutiny Committee** – effective scrutiny arrangements are an essential component of local democracy, enhancing accountability and transparency of decision making and enabling local councillors to represent the views of their constituents.

Key delivery achievements of the first 12 months

The first year of the Mayor and Combined Authority has been marked by both the achievement of immediate impact on the lives of people in the North East,

alongside developing plans and investments that will lay the foundations for further improvements in outcomes over the short, medium and longer term.

Highlights include:

- **Agreement to make around £500 million of public investment** in the North East, including transport, housing, skills, culture and child poverty prevention.
- Creation of the UK's first **Child Poverty Reduction Unit**, the co-development of a regional Child Poverty Action Plan to be launched this summer and delivery of 1,000 baby boxes to families with new babies, supported over 4,500 pupils across the region to take part in extra-curricular activities, with £1.5m in annualised benefit gains for families as a result of advisors in schools and communities.
- Launch of the **Mayor's Childcare Grant**, which will provide support of up to £6,800 to families in County Durham with at least one child under five, before potentially being expanded.
- Delivery of Round 1 of the **Mayor's Opportunity Fund** which awarded 22 grants totalling £264,210 to grassroots organisations providing small-scale community projects. Round 2 will launch in June 2025, investing £225,000 more in grassroots organisations and small charities that help to tackle poverty and increase opportunity for people living in our most disadvantaged neighbourhoods.
- Committing investment to deliver **800 new homes**, with 2,200 more in the pipeline, while agreeing the North East Strategic Place Partnership with Homes England to speed up regeneration.
- Approved Investment Fund, Investment Zone and Trailblazer programmes which will create nearly **3,000 jobs and back almost 650 businesses to grow** in the region.
- Began delivering Skills Bootcamps and Adult Skills provision which will support over **52,000 people with skills**, training and back to work support.
- Providing £18m funding to **revitalise South Shields Town Centre** through the relocation of South Tyneside College and its world-famous marine school to a central site.
- Approval of £17m funding to support **jobs and local communities** through a new Environmental Stewardship, Coast and Rural Growth Investment Plan.
- Launch of the North of England's **first Carbon and Nature Marketplace**, opening the way for North East firms to use carbon credits to fund environmental schemes close to home.
- Publication of the Mayor's **Local Transport Plan** following consultation with over 16,000 members of the public supporting the ambition to create a safe, fully integrated and green public transport network. The first two years of the plan will see £800 million of investment into the region's transport network.
- Beginning the process to **bring buses back into public control**, through the start of a programme to assess the benefits of franchising.

- Starting the work to bring **Metro to Washington** through £8m funding for a detailed business case and technical and environmental studies along the northern part of the Leamside Line and out from South Hylton in Sunderland.
- Sustainable transport funding of more than £200m approved for projects including a new Shields Ferry landing, new ticket gates for Metro stations, **100km of improved walking, cycling and wheeling routes** and delivery of **20 new zero emission buses**, with a further 75 buses on order.
- Keeping the cost of bus travel low: Young people aged 21 or under have made **22.8 million journeys at £1 single and £3 all day fares** guaranteed by the Mayor in the last 12 months. More than 6.2 million adults have taken advantage of the £2.50 maximum ‘Mayor’s Fare’ for bus travel in the region subsidised since January 2025.
- Extending **Kids Go Free on public transport** across all school holidays until 2026, in a deal with bus operators to ease the cost for families and inspire visits to town centres and visitor attractions.
- Funding the £15.8m installation of up to **1,000 new EV charging points** over the coming years, focused on rural villages and housing estates without off-street parking but spread throughout the region.
- Publication of the interim **Local Growth Plan**, which sets out our ambitions to drive investment and jobs, both in six key sectors and across the foundational economy.
- Setting up the £70m North East Investment Fund to back small businesses and help them grow, with a target to **invest in 470 firms and create 2,300 new jobs** over 15 years, as part of our wider jobs creation programme.
- Securing **£50m of investment** from Japanese car firm Jatco, adding to our work-leading strengths in advanced manufacturing, car making and electric vehicles.
- Secured investments into the region which will create **over 2,000 jobs**.
- Championing regional culture and creative industries through a cultural events programme, including landing the **MOBO Awards and Mercury Music Prize** in the region and attracted a new national Centre for Writing.

Despite being in its first year, the position, potential and effectiveness of the North East Combined Authority has been recognised by the Government identifying this as one of only four areas of the country with an “Established Mayoral Strategic Authority”. This paves the way for access to the full range of funding, flexibilities and powers available through an Integrated Financial Settlement from 2026-27. This success reflects the work carried out by partners and regional leaders in establishing a new Combined Authority at pace and bringing together predecessor organisations to create the new strategic body.

As a convener, the North East CA has harnessed the collective knowledge, experience and resource available across the region, through nurturing existing relationships and building new ones to drive forward delivery to achieve the missions set out in the Corporate Plan.

Delivery Priorities for Year Two

In the second year, delivery of the region's five missions will continue, alongside preparing for the implementation of the Integrated Settlement in 2026. Priorities include:

- Launch of a five-year **Child Poverty Action Plan** setting out how the North East CA will use the collective levers and resources available to prevent and reduce child poverty.
- Launch of the **New Deal for North East Workers** including the implementation of Shine, which will provide support for employers of all sizes to be recognised for their good work credentials or work towards improvements through a tiered assessment and reward system.
- Delivery of the £50m **Connect to Work** scheme to help thousands of people with disabilities and health conditions get into work.
- Launch of a **High Streets Commission** exploring and testing the best ideas to revitalise our town and city centres with the people who live there.
- **Making public transport easier to use** through the roll out of new smart payment technology across bus, Metro and rail through the Smart Travel Evolution Programme.
- Progressing the **next steps of our programme to reform buses**, including completing our Franchising Scheme Assessment ahead of public consultation.
- Deliver improvements to access and information, as well as **new shelters at bus stops** across the region in a programme which will eventually reach 639 locations.
- Advance the introduction of new Metro trains with half the new fleet (23 trains) to be carrying passengers by spring 2026, with the remaining 23 entering service by the end of 2026.
- Finalisation of the region's **Local Growth Plan** and associated support for major inward investment.
- Delivery of a revised approach to **boost tourism and create new jobs** as we seek to double the size of the visitor economy in the next 10 years.
- Progressing the next stage of **major regional investment programmes** including the Leamside Investment Corridor, Durham Investment District, Tyne Economic Corridor as well as support for our core and emerging strengths in green energy, advanced manufacturing and automotive, and AI.
- Launch of the North East **offshore wind programme**, including the delivery of the £1m Technology, Innovation in Green Growth for Offshore Renewables programmes.
- Step-up delivery of the £69m Capital Regeneration Programme and £49m Brownfield Housing Fund Programme which will see more **new quality and affordable homes** start to be built.
- Build on our robust evidence base to develop a **Homelessness prevention blueprint**.

- Launching a region-wide one-stop-shop warm homes service, including a £1 million fund, to provide advice and the opportunity to apply for a loan to 800+ residents. Bringing together key regional stakeholders to form a Warm Homes North East Taskforce that will develop the long term strategy and action plan to ensure we tackle cold, damp homes and fuel poverty, and prepare for devolved funding for retrofit by 2028.
- Develop a **Spatial Development Strategy** for the region that helps to enable our growth priorities and infrastructure requirements underpinning our Local Growth Plan.
- Design localised provision of high quality **all-age career guidance** for local residents.
- Launch of the £10 million North East CA Economic Inactivity Trailblazer to develop and test new and innovative ways to address the persistent challenges of economic inactivity. The aim of this activity is to harness untapped human potential to help grow our economy, raise living standards, reduce child poverty and create opportunities from which everyone can benefit.

Financial Performance

Revenue expenditure covers the cost of the Authority's day to day operations and contributions to and from reserves. A summary of North East CA's revenue expenditure against its operational budget is set out in Table 1 below.

Table 1:

All numbers in £m	Revised budget 2024- 25	Quarter 3 forecast	31 March 2025 Outturn	Variance (actual vs Q3 forecast)
Employees	14.460	12.971	11.775	(1.196)
Premises	0.433	0.472	0.306	(0.166)
Supplies and Services	92.409	92.509	91.997	(0.512)
Third Party Payments	0.399	0.560	0.361	(0.199)
Central Support and Other Recharges	13.800	13.800	10.355	(3.445)
Total Expenditure	121.501	120.312	114.488	(5.518)
Grants and Contributions	(108.706)	(108.756)	(108.054)	0.217
Unallocated interest	(1.730)	(1.730)	(9.104)	(7.374)
Other Income	(0.685)	(0.685)	(0.376)	0.309
Recharges	(0.509)	(0.509)	(0.791)	(0.282)
Total Funding	(111.630)	(111.680)	(118.325)	(6.645)
Funding Towards capital financing costs from Tyne Tunnels	(9.872)	(9.872)	(9.872)	0.000
Net Budget	0.000	(1.240)	(13.403)	(12.163)

Expenditure totalling £114.488m was lower than the revised budget of £121.501m due to savings on salaries as a result of a number of vacancies; and savings on Corporate contingencies and capital financing charges. Income at £118.325m was higher than the revised budget of £111.630m due to higher interest on short term investments being received as a result of interest rates and balances being higher than budgeted.

Outturn expenditure on the Authority's capital and revenue delivery programmes is shown in table 2 below, with further explanations provided in the subsequent paragraphs.

All numbers in £m	2024-25 Revised Programme	2024-25 Provisional Outturn	Variance
Investment Fund incl. Legacy	38.325	28.832	(9.493)
Brownfield Housing Fund	18.047	12.188	(5.859)
Early Capital Regeneration	25.450	23.175	(2.275)
Investment Zones	2.716	0.920	(1.796)
Enterprise Zones	15.035	18.010	2.975
Transport programmes	199.700	142.161	(57.539)
Adult Skills Funding	51.422	53.145	1.724
Skills Bootcamps	17.000	10.269	(6.731)
Free Courses for Jobs	3.447	3.906	0.459
Trailblazer	8.745	3.562	(5.183)
UK Shared Prosperity Fund and Multiply*	24.816	40.988	16.172
Rural England Prosperity Fund	3.044	2.978	(0.066)
Connect to Work	0.000	0.124	0.124
Economic Inactivity Trailblazer	0.000	0.079	0.079
Total	407.747	340.337	(67.412)

The North East Devolution Deal grants the North East CA control over a £48 million per year **investment fund** for 30 years (phased £34 million revenue, £14 million capital) to support regional growth and long-term priorities. Over the next five years, the fund totals £240 million, with 10% allocated to funding North East CA operating costs. To date, £115.84 million has been committed across nine North East CA projects, NTCA legacy commitments, and the operating costs. In May 2024, the North East Combined Authority Cabinet resolved that decisions made by the former North East Combined Authority and North of Tyne Combined Authority would be recognised as decisions of the Authority. Consequently, several NTCA Investment Fund projects remain active under the NTCA Legacy Investment Fund programme. The programme is supported by £39.41m carried forward from 2023/24 NTCA Investment Fund, with an additional £27.34m committed

from the North East CA Investment Fund. The provisional outturn for 2024-25 is £29.042m against the revised budget of £38.325m.

The **Brownfield Housing Fund** (BHF) total allocation is £49.2m from 2020/21 to 2025/26, of which £47.15m has been committed to projects covering the North and South of Tyne. The programme is forecast to leverage £198.3m of private sector investment. Approved projects are forecasting the creation of 2,797 homes, in addition to 71.10ha of Brownfield land which will be remediated. There will be a delay before outputs are realised, reflecting the early stage of our intervention, which acts as a catalyst for attracting private sector investment to fully regenerate the respective sites. The North of Tyne and South of Tyne BHF are managed as a single programme, with both programmes now due to end in March 2026 following recent confirmation from Government. Provisional outturn for 2024-25 is £12.188m against the revised budget of £18.047m, with re-phasing of capital works underspend into 2025-26.

The **Early Capital Regeneration** programme totals £69m and includes £20m allocated in December 2022 as part of devolution deal negotiations, the additional £35m for development of the Crownworks Studio, Forth Yards and Health Innovation Neighbourhood sites, and £14m of Investment Fund, allocated by NTCA in September 2023. The pipeline of capital activity was agreed in September 2023 with further project approvals since. Contracting has taken longer than originally anticipated, and a number of projects have undertaken delivery at risk. The provisional 2024-25 outturn is £22.6m against the revised budget of £25.6m.

Investment Zones (IZs) were announced in the Spring Budget 2023 to catalyse the development of high-potential clean energy and green manufacturing clusters, with total Government support of £160 million over the next 10 years. The North East has agreed a funding profile for the first 5 years of the IZ (£33m Capital and £22m Revenue), and the 10 year programme is expected to leverage £3bn investment and create more than 4,000 jobs. The main aim is to boost productivity and growth with Investment Zones designed to harness local sector strengths to increase inward investment and create jobs on designated sites. Work has been undertaken in collaboration with Local Authorities, Universities, Catapults and businesses to develop the pipeline. At 31 March 2025 three proposals had been approved with a total value of £26.4m, and a further two proposals were approved by Finance and Investment Board at its meeting on 27 May 2025 for recommendation to Cabinet and officer approval. Four projects are in development and expected to seek approval in the next 12-18 months. Expenditure during 2024-25 was £0.920m against the budget of £2.7m; this will ramp up through 2025-26 as the approved projects enter their delivery phase.

2024-25 represents year 13 of the round 1 **Enterprise Zone** sites and year eight of the round two sites. Constituent local authorities' capital spend for Enterprise Zones is funded by loans financed by the North East CA, which are covered by business rates income.

Expenditure of £18.033m was incurred during 2024/25, primarily on the International Advanced Manufacturing Park, Jade Business Park and Holborn sites.

The total revised programme for **Transport** revenue and capital projects was £199.7m, with outturn expenditure to 31 March 2025 of £142.2m. Slippage and underspend against the programme was primarily on Local Transport Plan (LTP), Bus Service Improvement Plan (BSIP) Capital, Active Travel Fund (ATF), Transforming Cities Fund (TCF) and Levelling Up Fund (LUF) projects.

Following the establishment of the North East CA on 7 May 2024, all Local Transport Plan funding (including Highways Maintenance and Integrated Transport Block grant) will be paid to North East CA, with onward payments of funding made to constituent councils. The first quarterly payment (£13.1m) was made before the establishment of the North East CA and therefore is not included within outturn expenditure. Similarly, the first quarter of Integrated Transport Block funding (£3.5m) was accounted for in the 2023/24 accounts of the former combined authorities due to the extended financial year end.

BSIP Capital outturn spend was £3.829m against budget of £10.852m. The delivery of the programme is ongoing, however there have been delays in schemes entering into contract, arising from the progression of required legal orders and local consultation. This has therefore resulted in lower than expected expenditure. The North East CA is working actively with scheme promoters – chiefly local authorities – to support in reducing delays wherever possible, with mitigations in place to ensure schemes are capable of delivering the to the required BSIP programme timescales.

Delivery is underway associated with the Levelling up Fund Transport Decarbonisation Programme which is delivering 52 electric buses and 92 electric vehicle chargers. All contracts are in place and the full funding has been released by the Department for Transport ahead of the spend deadline of 31st March 2026. Timescales in securing electrical connections associated with the project remain the highest risk item but steps are in place with Northern Powergrid to mitigate this. Outturn expenditure was £1.607m, with further claims expected during the first quarter of 2025-26.

The Transforming Cities Fund (TCF) programme is well into delivery, with over 90% of the programme grant expended (including Metro Flow). The completion of several schemes has extended into 2025/26 due to minor construction delays, which accounts for the lower than expected expenditure in 2024-25. It is forecast that the remainder of TCF will be spent by 31 March 2026, with the exception of the £4.58m underspend on the Metro Flow scheme, which was reallocated towards the delivery of the North Shields Ferry Landing scheme at the July 2024 Cabinet. The TCF contribution towards this scheme is forecast to be incurred by 31 March 2027.

The delivery of the region's Active Travel Fund programme is ongoing. There have been delays in several schemes entering into contract, which has resulted in lower than expected expenditure. This has largely arisen from delays in finalising detailed designs and

subsequently advancing schemes through the region's shadow Design Review Panel. North East CA is actively working with these scheme promoters to enter into delivery as soon as possible.

The North East Devolution Deal includes a fully devolved **Adult Skills Fund** of circa £69.7m per annum. This includes a ring-fenced allocation for the delivery of Level 3 Adult Skills '**Free Courses for Jobs**' (FCFJ). The allocation for academic year 2024-25 (1st August 2024 to 31st July 2025) has been fully committed via grant funding agreements with 20 adult education providers and procured Contracts for Services with 25 adult education providers. The fund remains fully committed for the academic year 2024-25 and providers are performing well against delivery profiles. Two of the key deliverables have exceeded their targets for this stage of the programme, while a third is on a track. The provisional outturn for 2024-25 is £53.1m for Adult Skills Funding and £3.9m for FCFJ, both broadly in line with budget.

The North East CA secured Grant Funding of circa £18m from the Department for Education for the delivery of **Skills Bootcamps** across the North East region during the financial year 2024-25. This allocation was fully committed via procured Contracts for Services awarded to 23 organisations and includes a £1.2m allocation for operating costs. Scheduled provider performance management meetings undertaken in Nov/Dec 24 resulted in the reallocation of £2.4m of the Skills Bootcamp funds due to under-delivery on contracts for services. A delegated decision report was approved in Jan 25 to redistribute this funding through variations to eight contracts for services where additional demand for provision was evidenced. This demand is particular to growth sector areas such as Green Power, Engineering and Manufacturing, Construction (including retrofit) and Digital. The provisional outturn for 2024-25 is £10.3m against the available budget of £17.0m. This budget included funding for the remainder of the academic year, so expenditure to the end of March is lower. Spend will continue beyond the contract period 31 March 2025 to claim completions and job outcomes for learners who started in Feb/March, with the funding spent in full.

The **UK Shared Prosperity Fund** (UKSPF) aims to enhance local pride and life opportunities across the UK. The 2024-25 outturn covers the final year of the North of Tyne Programme (April 2022–March 2025, which consisted of £45m UKSPF core funding and £3m from the Rural England Prosperity Fund (REPF), supporting 62 approved projects. Full spend was achieved on core UKSPF projects.

The North East CA was successful in securing additional funding from the Department for Work and Pensions, including a £10m **Economic Inactivity Trailblazer** (one year funding) and £52.6m **Connect to Work** programme (over 6 years). Some initial costs on programme mobilisation were incurred during 2024-25; £0.124m for Connect to Work and £0.079m for Economic Inactivity Trailblazer, with delivery to begin during 2025-26.

Statement of Accounts

Within the accompanying Statement of Accounts document the **Comprehensive Income & Expenditure Statement** (CIES, page 5 of the Statement of Accounts) sets out the Authority's financial position for the year before taking account of statutory adjustments required to be made to the accounts. The figures presented in the accounts can appear different from the budgeted capital and revenue income and expenditure as they include accounting adjustments for costs such as Depreciation, Revenue Expenditure Funded by Capital Under Statute and certain pensions account adjustments not included in the revenue budget.

The gross cost of services during the year including capital grants to third parties as well as revenue expenditure was £445.659m. This includes a significant amount of 'Revenue Expenditure Funded by Capital Under Statute' – representing investment in capital assets owned by third parties, not by the Authority itself.

After deducting specific grants and income from fees and charges, the net cost of services was a surplus of £74.701m. Expenditure was funded from sources including the Transport Levies, Government Grants and contributions, interest on external investments, and was a surplus position due to specific capital and revenue grants being credited to the CIES where conditions are met but where they have not yet been applied to fund expenditure, in line with accounting requirements for grants and contributions.

The **Movement in Reserves Statement** (MIRS, page 4 of the Statement of Accounts) reflects these statutory adjustments and shows how the financial performance for the period has impacted on the Authority's reserves. There has been an increase in reserves from £543.774m brought across from the former combined authorities at 7 May 2024 to £621.345m at 31 March 2025, mainly due to an increase in the level of capital grants unapplied.

Usable reserves totalled £482.072m on 31 March 2025, which included £190.556m earmarked reserves (including earmarked revenue grants) and £275.122m capital grants unapplied, representing funds committed to meet expenditure requirements in future years.

The **Balance Sheet** on page 7 of the accounts shows total external borrowing of £125.107m at the end of the year, which is split between short term borrowing (£1.774m) and long-term borrowing (£123.333m). This is a decrease compared to the total external borrowing of £148.667m transferred in from the former combined authorities due to repayments made on Equal Instalment of Principal (EIP) loans during the year (£0.667m) and early repayment of some Lenders Option Borrowers Option (LOBO) loans (£24.000m). The average rate of interest on external borrowing for the year was 4.2%, which is comparable with that of the previous combined authorities. No new borrowing has occurred since inception of the North East CA.

The Balance Sheet also shows short-term external investments of £490.024m in the North East CA accounts at the end of the year (compared to £400.119m transferred across from the former NECA and NTCA at 7 May 2024). The increase compared to the previous year is

due to receipt of further grant income from government which has not yet been applied to fund expenditure on projects.

Pensions

The Authority is an employer in the Tyne and Wear Pension Fund, which is part of the Local Government Pension Scheme (LGPS). The fund provides defined benefits based on members' pensionable salary and years of service. In accordance with International Accounting Standard (IAS) 19, the Authority is required to value all pension liabilities that have accumulated at the end of the year consisting of:

- Pension benefits that are being paid out to former employees who have retired;
- Pension benefits earned to date by current employees but not yet paid out.

IAS19 also requires the Authority to value all investments held by the pension fund at market value at the end of the year.

When assets and liabilities at year-end are compared, this results in a surplus or deficit.

North East CA has two types of pension liabilities, described as funded and unfunded. Funded pension liabilities are within the LGPS and are backed by assets attributable to the Authority. For the funded element of the scheme, the North East CA pension fund is in a notional surplus position of £16.770m as at 31 March 2025, although the asset value is restricted to nil on the balance sheet because, in accordance with IAS 19, an asset ceiling has been applied to the value of the surplus.

Unfunded or discretionary benefits (such as early retirement awards) sit outside the Authority's funded part of the scheme, are therefore not backed by assets, and consequently must be paid as incurred on a monthly basis at a cost of approximately £0.05m per annum. At the end of the year there was an unfunded liability of £0.480m.

Note 20 to the accounts provides further analysis and detailed disclosures in relation to pension liabilities.

Group Accounts

The Group Accounts included as part of the Statement of Accounts fully incorporate the results of Nexus (Tyne and Wear Passenger Transport Executive). More details can be found in note G01 to the accounts.

Basis of Preparation and Presentation of Accounts

The Combined Authority completes its accounts on a going concern basis on the presumption that it will continue in existence for the foreseeable future. The Statement of Accounts that follow demonstrates the North East CA's financial performance for the

financial period from 7 May 2024 to 31 March 2025. These accounts are completed in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25. Disclosures are made within the accounts based on an assessment of materiality; a disclosure would be considered material if through omission or misstatement the decision made by the user of the accounts would be influenced.

The accounts for 2024/25 are the first set of accounts for the North East Combined Authority and cover the period 7 May 2024 (when the Authority was created) to 31 March 2025. As a result, statements do not include prior year comparators.

Explanation of sections in Annual Statement of Accounts

- **Statement of Responsibilities for the Statement of Accounts**
This outlines the responsibilities of the both the Authority and the Chief Finance Officer for the production and content of the Annual Statement of Accounts.
- **Narrative Report**
Provides a summary of the Authority's financial and non-financial performance for the year.
- **Movement in Reserves Statement (MIRS)**
This statement shows the movement in the year on the different reserves held by the Authority. It shows how the deficit for the year in the Comprehensive Income and Expenditure Statement is adjusted by the costs that are not a charge to local taxpayers.
- **Comprehensive Income and Expenditure Statement**
This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards (IFRS), rather than the amount to be funded by local taxpayers and government funding.
- **Balance Sheet**
The balance sheet shows the value as at the balance sheet date of the Authority's recognised assets and liabilities.
- **Cash Flow Statement**
This statement shows the changes in cash and cash equivalents held by the Authority during the reporting period.
- **Expenditure and Funding Analysis**
This analysis shows how annual expenditure is used and funded from resources (government grants and contributions, levies) by the Authority in comparison with those resources consumed or earned in accordance with generally accepted accounting practices.
- **Accounting Policies and Concepts**
These are the specific principles, bases, conventions, rules and practices applied by the Authority in preparing and presenting the financial statements.
- **Notes to the Financial Statements**

These include information required by the Code and additional material items of interest to assist the reader's understanding of the reported figures.

- **Events after the reporting period and authorised for issue date**

This summarises any major events that happened between the year end and the authorised for issue date. Events coming to light after the authorised for issue date will not be included in the financial statements.

- **Group Accounts**

This includes the accounts for Nexus, the Tyne and Wear Passenger Transport Executive.

- **Glossary of financial terms**

The nature of this document means that technical words are unavoidable. The glossary found at the end of this accounts document is intended to simplify and explain such words.