

necca

North East Combined Authority

DURHAM • GATESHEAD • SOUTH TYNESIDE • SUNDERLAND

Narrative Report for the Year ended 31 March 2023

1. Introduction

This Narrative Report provides information about the North East Combined Authority (NECA), including the key issues affecting the Authority and its accounts. It provides an explanatory narrative to key elements of the statements and sections in the accounts and also provides a summary of the Authority's financial performance for 2022/23 and its future financial prospects.

This report provides the reader with:

- A guide to the different financial statements within the Statement of Accounts.
- An overview of the activities and significant matters which occurred during the year.
- A summary of the Authority's financial performance during the year ending 31 March 2023 and its financial position at that date.
- A look ahead to 2023/24 and beyond.

The Statement of Accounts sets out the financial performance of the Authority for the year ending 31 March 2023 and its financial position at that date. They have been prepared in accordance with proper practices as set out in the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Code requires that the accounts give a true and fair view of the financial position of the Authority. In line with the Code, suitable accounting policies have been applied and where necessary prudent judgements and estimates have been made.

The accounts feature four main financial statements:

- Movement in Reserves Statement.
- Comprehensive Income and Expenditure Statement.
- Balance Sheet.
- Cash Flow Statement.

The purpose of each of the above statements is described at the end of this report and the actual statements are contained within the accompanying Statement of Accounts document, which also includes detailed notes providing further information relating to specific amounts and balances.

The main statements are supplemented by a further section which presents the Group Accounts, consolidating the figures of Nexus with those of the Authority.

These statements and accounts collectively provide a comprehensive view of the Authority's financial position during the period to which they relate. The format of the accounts changed in 2018/19 to reflect the impact of the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 (the [Order](#)) which changed the boundaries of NECA on 2 November 2018.

The Authority seeks to make the best possible use of resources available with regard to economy, efficiency and effectiveness. This is a responsibility shared by Members and Officers of the Authority, with the Chief Finance Officer having a specific role in ensuring the adequacy of resources and proper financial administration. Our budget proposals for 2023/24, available on the NECA website (www.northeastca.gov.uk) sets out how we will do this looking forward. The Statement of Accounts accompanying this report looks back at our performance over the past year. Reviewed together they provide the reader with an understanding of the financial position of the Authority.

2. What is the North East Combined Authority?

The North East Combined Authority (NECA) was established in April 2014 as a legal body that brought together the seven councils which serve Durham, Gateshead, Newcastle upon Tyne, North Tyneside, Northumberland, South Tyneside and Sunderland. It had transport and economic development powers and its ambition was to create the best possible conditions for growth in jobs, investment and living standards, making the North East an excellent location for business and enabling residents to develop high-level skills so they can benefit long into the future.

The North of Tyne authorities secured a devolution deal with devolution funding for the North of Tyne area, which required the establishment of a separate North of Tyne Mayoral Combined Authority during 2018/19. On the 2 November 2018, the Newcastle upon Tyne, North Tyneside and Northumberland Combined Authority (Establishment and Functions) Order 2018 changed the boundaries of NECA.

As a result of these governance changes, from 2 November 2018 the boundary of NECA covers the Local Authorities of Durham, Gateshead, South Tyneside and Sunderland. At the same time the North of Tyne Combined Authority was established, and the North East Joint Transport Committee was created, which continues to exercise the Transport functions over the area covered by the two Combined Authorities.

A Deed of Cooperation was made on the 4 July 2018 between the seven Constituent Authorities in the area that outlines a framework for collaborative working across the region, the Deed of Cooperation was updated in March 2020.

On 20 November 2018 NECA was formally confirmed as retaining the Accountable Body role for Transport on behalf of the North East Joint Transport Committee.

NECA continued to be the accountable body for the North East Local Enterprise Partnership (North East LEP) until the North of Tyne Mayoral Combined Authority (NTCA) was fully established. The role of accountable body for the North East LEP transferred on 1 April 2020. NECA continues to work closely with other bodies in the region to secure external funding, including funding for transport; infrastructure; economic development; skills and employment activities. NECA works closely with the North East LEP and the wider business community to deliver the Strategic Economic Plan for the North East and capitalise on these opportunities.

On 28 December 2022, HM Government announced a “minded to” devolution deal with the seven local 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 £4.2 billion of additional investment to the region over 30 years, including a £1.4 billion investment fund alongside significant funding for transport, education and skills, housing and regeneration.

The deal requires the creation of a new mayoral combined authority for the region. 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. NECA and NTCA; 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).

These changes would also entail the abolition of the Joint Transport Committee as NEMCA would be responsible for the exercise of transport functions across the regions in the future.

As the first stage of the statutory process, the North East Councils undertook a governance review regarding the proposals set out above. The results of the governance review were reported to their respective Cabinets in January 2023. On the basis of the governance review, each Council's Cabinet concluded that the proposals were likely to improve the exercise of statutory functions in accordance with sections 108 and 111 of the 2009 Act. The North East Councils therefore agreed to progress to the next stage of the statutory process by publishing a scheme relating to the proposals and then carrying out a public consultation exercise.

The public consultation began on 26 January 2023 and closed on 23 March 2023. It provided information about how the devolution deal would be implemented and the proposed changes to governance across the region, and allowed residents, businesses and other stakeholders to comment on these proposals. Opportunities to take part in the consultation included the completion of surveys, attending an event or by submitting written comments. In total, around 3,235 people or organisations took part in the consultation process.

The majority of responses from residents, businesses, the voluntary and community sector and other key stakeholder groups have been positive, and in agreement with the proposed governance changes as set out in the constitution. In addition, their comments have expressed strong support for the overall aims and objectives of the "minded to" devolution deal. There was particularly strong support for devolution around transport, skills, employment and adult education.

Revenue Financial Summary 2022/23

Revenue expenditure covers the cost of the Authority's day to day operations and contributions to and from reserves. A summary of NECA expenditure against the budget is set out in Table 1 below. Expenditure totalling £136.693m was slightly lower than the revenue budget of £138.773m due to the reprofiling of some Transport North East project based work, such as Active Travel Fund revenue projects and aspects of the Metro Futures Studies work, into the 2023/24 financial year. Income received was £139.315m, which resulted in a net transfer to reserves of £2.622m which has been carried forward to fund expenditure in 2023/24, particularly on the Transport devolution workstreams.

Table 1: Summary of Revenue Expenditure

	2022/23 Revised Budget	2022/23 Actual	Variance
	£000	£000	£000
Expenditure			
Joint Transport Committee			
- Retained Levy Budget	2,120	1,998	(122)
- Grant to Durham	15,609	15,609	-
- Grant to Nexus	63,125	63,125	-
- Grant to Northumberland	6,347	6,347	-
Tyne Tunnels			
- Contract Payments	24,104	24,555	451
- JTC costs	1,038	1,334	296
- Financing Costs	6,466	6,241	(225)
Other Transport Activity			
- Transport North East Core Budget	860	929	69
- Transport North East Grants/Revenue Projects	18,218	15,648	(2,570)
Corporate/Central Budget	886	907	21
Total Expenditure	138,773	136,693	(2,080)
Income			
Revenue Grants	(19,564)	(17,119)	2,445
Transport Levies	(87,201)	(87,201)	-
Tolls Income	(30,977)	(31,530)	(553)
Interest/Investment Income	(356)	(2,868)	(2,512)
Contributions from Constituent Authorities	(170)	(170)	-
Other Income	(436)	(427)	9
Total Income	(138,704)	(139,315)	(611)
Net Revenue Expenditure to fund from Reserves	69	(2,622)	(2,691)

This statement provides a comparison of the outturn position with the NECA (including JTC) revised revenue budget for 2022/23, before any allocation of costs and income between the accounts of NECA and NTCA. The purpose of this statement is to give the reader an understanding of overall spending and income for the whole year, in comparison with the revised budget.

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 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 **Movement in Reserves Statement** (MIRS, page 4 of the Statement of Accounts) reflects these statutory adjustments and shows how the financial performance for the year has impacted on the Authority's reserves. There has been an increase in reserves from £145.419m at 31 March 2022 to £217.747m at 31 March 2023, mainly due to an increase in the capital grants unapplied reserve and earmarked reserves holding revenue grants, arising from a significant amount of grants being received during the year which have not yet been applied to fund transport activity.

The gross cost of services during the year including capital grants to third parties as well as revenue expenditure was £108.336m (£80.578m in 2021/22). 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 £15.544m surplus (£7.016m deficit in 2021/22). Expenditure was funded from sources including the Transport Levy, other contributions from Constituent Authorities and Government Grants 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.

Usable reserves totalled £145.472m at 31 March 2023, which included £59.669m earmarked reserves (including earmarked revenue grants) and £77.627m capital grants unapplied, representing funds committed to meet expenditure requirements in future years.

3. Treasury Management

The Balance Sheet on page 6 of the accounts shows total external borrowing of £94.069m at the end of the year, which is split between short term borrowing (£1.260m) and long term borrowing (£92.809m), after the allocation of part of the transport borrowing to NTCA accounts. This is a small decrease compared to the total external borrowing of £94.834m the previous year due to repayments made on Equal Instalment of Principal (EIP) loans during the year. The average rate of interest on external borrowing for the year was 4.3%, which is comparable with the previous year.

The Balance Sheet also shows short term external investments of £152.694m in the NECA Group accounts at the end of the year compared to £89.792m at the end of the previous year. The total of investments included £34.391m of investments held on behalf of Nexus. A further £17.058m cash equivalents were held on behalf of Nexus. The increase compared to the previous year is due to NECA receiving a significant amount of transport grants during the year which have not yet been applied to fund capital expenditure on projects, particularly in relation to the Bus Service Improvement Plan (BSIP) but also the Transforming Cities Fund and Active Travel Fund programmes.

4. Debtors

The Balance Sheet on page 6 of the accounts shows a short-term debtors balance at 31 March 2023 of £3.277m (£1.890m at 31 March 2022). This relates mainly to interest income due on short term investments (which has increased significantly during this financial year as interest rates have increased) and interest and principal repayments due within 12 months on borrowing by Nexus and is analysed in more detail in Note 14.

5. Creditors

Short term creditors at 31 March 2022 were £66.212m (£56.654m at 31 March 2022). These balances are analysed in more detail in Note 17. This includes a creditor for balances owed to Nexus for short term investments and cash equivalents placed on their behalf (£93.500m total creditor of which £51.448m is shown in the NECA accounts) and has increased during the year due to a higher value of Quarter 4 claims submitted by project sponsors as part of the Transforming Cities Fund programme where the majority of schemes are now in delivery.

6. Pensions Costs

The Authority is an employer in the Tyne and Wear Pension Fund (the pension fund), which is part of the Local Government Pension Scheme (LGPS), which provides defined benefits based on members' final pensionable salary and years of service. In accordance with IAS19, 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.

NECA 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 NECA pension fund is in a notional surplus position amounting to £12.460m at 31 March 2023, compared with £6.240m at 31 March 2022. The increase in the net surplus is primarily due to a lower valuation of future liabilities due to a higher discount rate.

Unfunded or discretionary benefits (such as early retirement awards) sit outside the Authority's funded part of the scheme and are therefore not backed by assets and must be paid as incurred on a monthly basis. These costs relate to former Tyne Tunnels employees and are paid from the Tyne Tunnels revenue account, at a cost of approximately £50,000 in 2022/23. At the end of the year there was an unfunded liability of £0.570m (£0.670m at 31 March 2022).

Note 19 to the accounts provides further analysis and detailed disclosures in relation to Pension liabilities.

7. Net Assets

Net assets in the NECA accounts have increased from £145.419m at 31 March 2022 to £217.747m at 31 March 2023. The increase is due to mainly to a significant amount of grants being received during the year which have not yet been applied to fund transport activity. Cash balances have been placed in short term investments in line with the authority's treasury management policies until such time as they are required to fund revenue and capital expenditure.

8. Group Results

The Group Accounts included as part of the Statement of Accounts fully incorporate the results of Nexus (The Tyne and Wear Passenger Transport Executive). More details can be found in Group Note G01 on page 82.

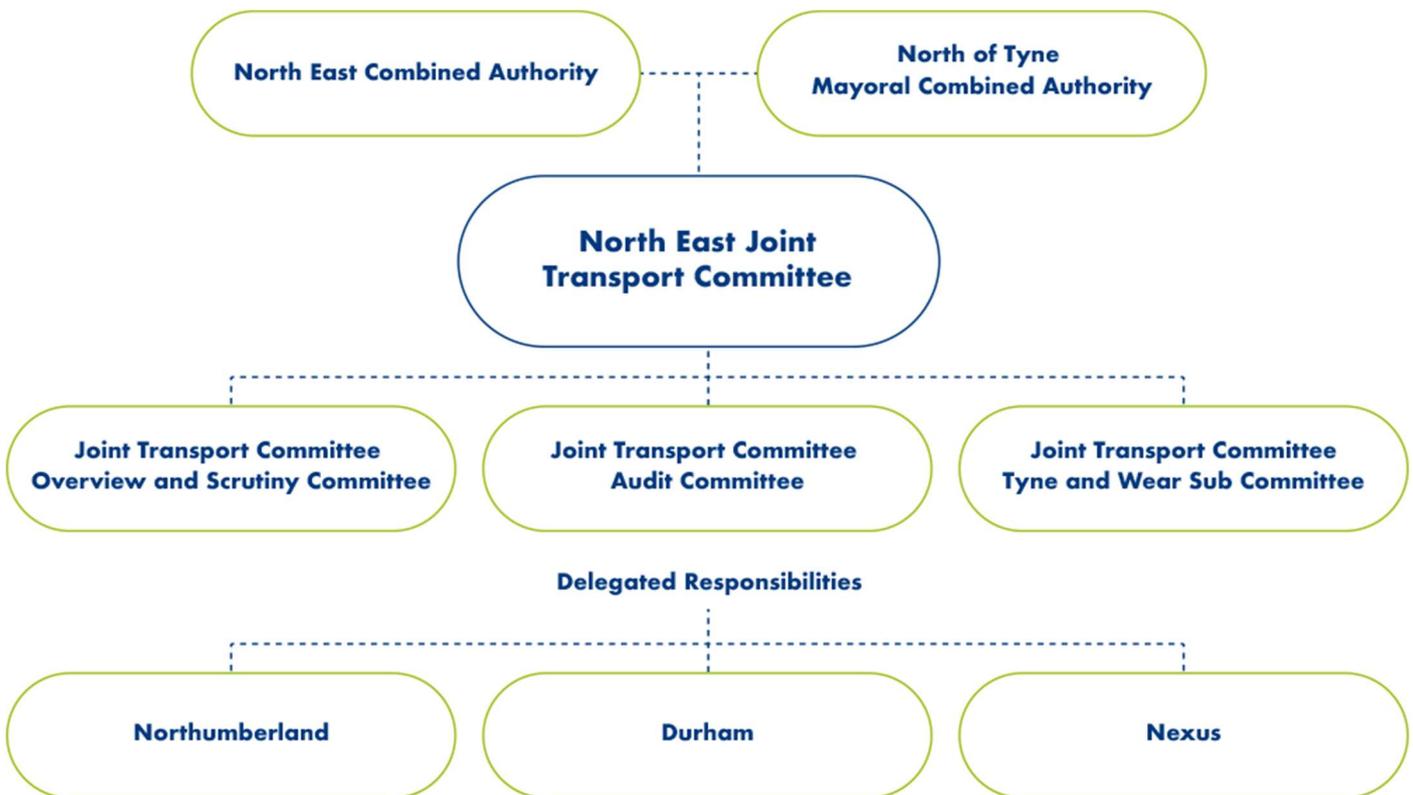
The Nexus accounts are apportioned between NTCA and NECA accounts (after elimination of intra-Group transactions), with the balance sheet information at 31 March 2023 allocated between the two Combined Authorities in proportion to their relative share of Tyne and Wear Population as set out in table 2. The full accounts for the Nexus Group and more information about their activity and performance can be obtained from the Nexus website at <https://www.nexus.org.uk>.

9. Accounting for the North East Joint Transport Committee

The North East Joint Transport Committee brings together a total of seven members from each of the Constituent Authorities of the region; four Members from the North East Combined Authority and three Members from the North of Tyne Combined Authority in accordance with the Order and was created on the 2nd November 2018.

Transport is of strategic importance to the North East, and the collaborative working of both Combined Authorities allows effective decision making across the region, which ensures that the local needs and priorities are delivered.

The structure for Transport that was established in November 2018 is shown in the diagram below.



Under the CIPFA Code, the JTC meets the definition of a 'joint operation', which determines its accounting treatment. Where a Joint Committee is accounted for as a Joint Arrangement each Joint Operator (in this case NECA and NTCA) must account for their own share of the assets, liabilities, revenues and expenses held or incurred jointly in their own financial statements. In order to comply with the CIPFA Code, NECA must:

1. Split the revenues between that which relates to NECA and NTCA. In this case, the constitution of the JTC and its funding arrangements suggests that, in the first instance, the revenues should be divisible into that which relates to Northumberland (allocated wholly to

NTCA), that which relates to Durham (allocated wholly to NECA) and that which relate to Tyne and Wear (requires further division into NECA and NTCA).

- The revenues which relate to Tyne and Wear must be divided into that which relates wholly to the NECA or NTCA area and that which relates to activities now wholly attributable under the preceding two points which requires apportionment.

The Order gives no clear instruction on the basis of division of revenues, but the Deed of Cooperation made on 4 July 2018 between the seven local authorities in the area indicates that resident populations shall be used as a basis of apportionment.

For the 2022/23 accounts the mid-year estimated population published by the Office of National Statistics as at June 2020 is used, which is the basis on which the Transport Levy payments for the year are required to be calculated. The calculation of the proportion used to allocate the figures in the accounts at 31 March 2023 is shown in Table 2 below.

Table 2 - Population used to allocate Transport Assets/Liabilities between NECA and NTCA

	Mid-Year 2020 Population	Proportion
	People	Proportion
NECA		
- Gateshead	201,950	
- South Tyneside	151,133	
- Sunderland	277,846	
	630,929	0.55025
NTCA		
- Newcastle	306,824	
- North Tyneside	208,871	
	515,695	0.44975
Tyne and Wear Total	1,146,624	

10. The Statement of Accounts

The Statement of Accounts is set out in the accompanying document, they consist of the following statements that are required to be prepared under the Code of Practice:

Movement in Reserves Statement (Statement of Accounts page 4)

This statement shows the movement in the year on the different reserves held by the Authority, analysed into Usable Reserves (i.e. those which can be applied to fund expenditure) and Unusable Reserves (which cannot). The surplus or deficit on the provision of services line shows the economic cost in accounting terms of providing NECA's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for the purposes of setting the levy. The net increase or decrease before transfers to earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Comprehensive Income and Expenditure Statement (Statement of Accounts page 5)

The Comprehensive Income and Expenditure Statement shows the accounting cost in year of providing services in accordance with generally accepted accounting practice, rather than the amount to be funded from the levy and other sources of income which is set out in the MiRS, as described above.

Balance Sheet (Statement of Accounts page 6)

The Balance Sheet summarises the Authority's financial position at 31 March each year. The net assets of the Authority (total assets less total liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories, Usable and Unusable as described above. Unusable Reserves include those which hold unrealised gains and losses (e.g. the Revaluation Reserve) where amounts only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the MiRS line "adjustments between accounting basis and funding basis under regulations".

Cash Flow Statement (Statement of Accounts page 7)

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows from operating, investing and financing activities. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Expenditure and Funding Analysis (Statement of Accounts page 9)

The objective of the expenditure and funding analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, levies, contributions) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The expenditure and funding analysis also shows how this expenditure is allocated for decision making purposes between the authority's service areas. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Group Financial Statements and Notes (Statement of Accounts page 77 onwards)

Reports the financial picture of all activities conducted by the Authority, including those delivered through partnership and separate undertakings controlled by the Authority.

11. Annual Governance Statement

To accompany the Narrative Report and Statement of Accounts, the leadership of the Authority prepares an Annual Governance Statement that sets out the principal arrangements that operate to ensure proper governance of the Authority's affairs and the stewardship of resources at its disposal. It also outlines the principal arrangements that are in place to ensure that a sound system of internal control is maintained.

12. Non-Financial Performance

The Statement of Accounts is focused on the financial performance of the Authority. NECA also reports non-financial Performance through thematic updates on Economic Development and Digital, Transport, and Finance, Skills & Employability. These are available on the NECA website under the Leadership Board agendas.

Transport

Since the formation of the North East Joint Transport Committee, the LA7 Authorities have been working together on shared transport priorities. During 2022/23 progress has been made in delivering the key priorities detailed in the North East Transport Plan, including:

- **Bus Service Improvement Plan (BSIP)** – following the highest allocation in England of £163.5m in government funding to improve bus services in the North East, stakeholders across the bus industry are working together through the newly formed Enhanced Partnership to implement the interventions outlined in the BSIP. One of the early measures is the introduction of a capped fares scheme which allows Under 22s to travel on a single fare anywhere in the region for £1. Further fare initiatives are set to be introduced later this year, including capped adult tickets and free travel for young people leaving local authority care. Work also continues on a variety of other improvements to the bus network, including bus priority implementation, new bus services and enhancements to existing services through increasing frequencies. The combination of these measures will lead to bus travel becoming cheaper, faster and more reliable.
- **Active Travel Fund** – approximately half of the £9.049m Tranche 2 programme is now complete. An additional £17.9m was secured through Tranche 3 with delivery of schemes expected to commence imminently. At the end of March 2023, the region was also successful in securing an additional £17.4m through the Tranche 4 bid, taking the total to £46.5m of active travel funding since March 2020.
- **Capability Fund (Active Travel)** - £2.16m of capability fund activities have been delivered providing resources and training for those using the active travel network, this includes maps, itineraries and family friendly roadshows. The region successfully secured £1.4m through the 2022/23 bid which is actively being used to support the development of schemes and wider behaviour change initiatives.
- **Transforming Cities Fund** – the TCF programme is well under way with 20 schemes now in delivery. By the end of March 2023, £102.6m of investment in sustainable transport projects was approved by the JTC. In December 2022, Nexus completed the delivery of the £104m TCF funded Metro Flow project to enhance capacity and improve reliability across the network.
- **Levelling Up Fund** – In January 2023, the region received an indicative award of £19.5m from the Levelling Up Fund, to deliver new high-quality zero emission buses and supporting infrastructure, which will operate on eight of the highest frequency bus routes across the North East which currently experience some of the highest levels of air pollution. Up to 82 new Electric Vehicle (EV) chargers will be provided across 36 regional sites including Park and Ride locations and other key destinations to encourage multi-modal journeys.
- **Leamside Line** – TNE has continued its campaign for the full reopening of the Leamside Line, the most important piece of infrastructure for the economic future of the North East which would operate as a diversionary route for the East Coast Main Line, freeing up much-needed capacity to meet future rail needs, and allow the extension of rail and Metro services to more communities in the region. In January 2023 the Strategic Outline Business Case for the “Washington Metro Loop” was submitted to the Department for Transport and work on the more detailed “Outline Business Case” has now begun.
- **Tyne Tunnels** – in November 2021 the ‘Tyne Pass’ scheme for barrierless open road tolling was launched at the Tyne Tunnels. The barrierless scheme has modernised the payment

system, reduced journey times and provides other benefits for the area, including significantly reduced carbon emissions and the creation of new local jobs. Traffic during 2022/23 has recovered to and exceeded pre-pandemic levels. Whilst the rise in traffic will be in part due to the effects of displaced traffic from other river crossings, the tunnel operators, TT2, considers that the main reason for the higher traffic level is the faster journey times due to the barrierless system at the Tyne Tunnels and other A19 improvements such as Testos and Silverlink which have also improved journey times on this stretch of road.

Table 3 – Tyne Tunnel Traffic Flow data

	Class 1	Class 2	Class 3	Exempt	Total
2022/23	80,736	16,848,793	1,054,301	508,011	18,491,841
2021/22	102,536	14,371,810	931,608	472,178	15,878,132
2020/21	99,990	10,441,472	775,745	423,317	11,740,524
2019/20	153,474	14,928,809	824,798	648,435	16,555,516
2018/19	171,626	14,839,928	823,469	631,444	16,466,467
2017/18	172,655	14,802,233	855,656	584,809	16,415,353
2016/17	197,688	15,705,319	951,785	605,670	17,460,462
2015/16	204,751	16,218,493	989,451	581,377	17,994,072
2014/15	195,798	15,265,379	873,270	508,444	16,842,891
2013/14	185,471	13,970,360	804,147	464,529	15,424,507

Class 1 = Motorcycles; Class 2 = Car, Van or Bus less than 3.5 tonnes; Class 3 = LGV, Van or Bus more than 3.5 tonnes Exempt = emergency vehicles and blue badge holders

The tolls were increased in line with inflation on 11 April 2022 from £3.70 to £3.90 for Class 3 vehicles. There was no increase for Class 2 vehicles during the 2022/23 financial year.

Tyne and Wear Passenger Transport Executive – Nexus

The North East Joint Transport Committee sets public transport policy for the region, which in Tyne and Wear is delivered operationally by Nexus. The following performance indicators describe the general performance of public transport in Tyne and Wear during 2022/23.

- The number of passenger journeys across all modes within Tyne and Wear in 2022/23 was estimated at 123.4 million, a 15.4% increase when compared to the 106.9 million in the previous year and a 20.1% decline when compared to 154.5 million in 2019/20.
 - Bus patronage was 92.1 million in 2022/23; a 13.1% increase when compared to 81.4 million in the previous year and a 22.9% decline when compared to 119.4 million in 2019/20.
 - Metro patronage was 29.3 million in 2022/23; a 21.1% increase when compared to 24.2 million in the previous year and a 11.5% decline when compared to 33.1 million in 2019/20.
 - Ferry patronage was 0.292 million passengers in 2022/23; a 8.6% increase when compared to 0.269 million journeys in the previous year and 8.3% decline when compared to 0.353 million journeys in 2019/20.
 - Rail patronage was 1.695 million journeys in 2022/23; a 54.1% increase when compared to 1.1 million journeys in the previous year and a 12.6% decline when compared to 1.94 million journeys in 2019/20.
- Metro reliability (operated mileage) was 94.6% during 2022/23, a decrease of 0.7% versus the figure of 95.3% achieved in the previous year.

- Metro reliability (Charter punctuality) was 81.7% during 2022/23, a decrease of 2.4% on the 81.4% achieved in the previous year.

NECA Staffing

- NECA continues to adapt and change to meet the requirements of the area, while keeping costs to a minimum. Many services are provided through Service Level Agreements with constituent local authorities.
- The majority of the NECA employees work on behalf of Transport North East with numbers growing in 2022/23 as the responsibilities of the team increase following successful bids for grant funding.

Table 4 – Change in Staffing numbers since 2015/16

	Total NECA Employees at the year end	Employed on behalf of North East LEP
2022/23	30	0
2021/22	26	0
2020/21	16	0
2019/20	63	56
2018/19	43	39
2017/18	29	21
2016/17	21	18
2015/16	15	11

13. Looking Ahead

As set out in section 2, the Government and the seven North East Councils agreed a “minded to” devolution deal during the year. The governance review carried out by the North East Councils concluded that the creation of a new mayoral combined authority would meet the necessary statutory criteria under the Local Democracy, Economic Development and Construction Act 2009, namely that it would improve the exercise of statutory functions across the region.

In order to establish the new regional NEMCA, the existing combined authorities – NECA and NTCA – will need to be abolished. The Leadership Board of NECA and the Mayor and Cabinet of NTCA will therefore also need to consent to the statutory order which provides for their abolition and the creation of NEMCA. It is envisaged that the existing combined authorities would be abolished and NEMCA established simultaneously when the elected mayor for NEMCA takes office in early May 2024.

The statutory order is expected to provide 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 is also to provide for the staffing, assets, rights and liabilities of the existing combined authorities to transfer to NEMCA. This will ensure that the regional transport arrangements which are currently overseen by the Joint Transport Committee (and the existing funding programmes of NTCA) are maintained by the NEMCA without interruption. For this reason it is considered appropriate, in line with the Code of Practice on Local Authority Accounting, for these accounts to be prepared on a going concern basis. Officers from both combined authorities and the local authorities are liaising on the operational requirements of the transition.

NECA continues to focus on working with delivery partners on its thematic areas of Transport, Economic Development and Digital, and Finance, Skills and Employability. Key areas of focus for the year ahead are detailed below.

Transport

During 2023/24 the EP signed with regional bus operators will begin to deliver fares initiatives and capital infrastructure aimed at making bus travel cheaper, faster and more reliable.

2023/24 is the planned final year of the Transforming Cities Fund Programme, which will at completion have delivered over £153m of investment in sustainable transport when local and private contributions are taken into account.

In 2023/24 TNE will continue to deliver improvements to the region's walking and cycling network totalling £17.9m awarded through Tranche 3 of the Active Travel Fund and £17.4m awarded through Tranche 4.

The Local Electric Vehicle Infrastructure fund (LEVI) aims to deliver public electric vehicle chargepoints, primarily aimed at benefiting residents who do not have off street parking. The region has already received £250k of capability funding and this is being used to support a bid for a further initial allocation of up to £15.8m capital and a further £1.1m capability funding.

Work is underway on development of a programme level business case for the delivery of the City Region Sustainable Transport Fund, which must be agreed with DfT and HMT and will set out the schemes the region wishes to bring forward.

Economic Development and Digital

The economic picture across the NECA area continues to be one of challenges as businesses continue to recover from the impact of the pandemic and are now being buffeted by both skills shortages and, most pointedly, the surge in inflation.

Invest North East England has a healthy project and visit pipeline which it hopes to secure investments in 2023/24. Key areas of focus include electrification projects, renewables, digital technology and advanced manufacturing.

Finance, Skills and Employability

Employment and Skills issue and the opportunities for development remain under development through meetings of the Skills and Employment Working Group. Working arrangements and the Employment and Skills focus may change over the coming months in line with the further development and consultation on the recently announced North East Devolution Deal.

Activity continues to progress all aspects of the Finance, Skills and Employment needs and opportunities across NECA. The UK Shared Prosperity Fund (UKSPF) provides £2.6bn of funding for local investment by March 2025. Every place in the UK has been allocated a share of the UKSPF. In order to access UKSPF funding, lead local authorities are being asked to complete an investment plan, setting out how they intend to use and deliver the funding, in conjunction with local stakeholders.

14. Further Information Available

Access to this report, the accounts and the Annual Governance Statement will be made available to the general public via the Authority's website. If this information is needed in another format or language, please use the contact below.

If you have any problems understanding this publication, any general enquiries on the accounts or have any suggestions on how it may be improved, please contact:

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