



Combined Authority Board	Agenda Item
29 November 2023	13

Title:	Budget Update Report November 2023
Report of:	Nick Bell, Executive Director Resources and Performance
Lead Member:	Mayor Dr Nik Johnson
Public Report:	Yes
Key Decision:	KD2023/060 – Recommendation B KD2023/061 – Recommendation C
Voting Arrangements:	Recommendation B – majority of the Board including the Mayor Recommendation C – No vote required, allocation of Highways Grant funding is a Mayoral decision

Recommendations:

A	Note the financial position of the Combined Authority
B	Approve the proposed use of unbudgeted Treasury Management loan interest to fund the proposals set out in section 6.
C	The Combined Authority Board on the Mayor's intention to allocate additional in-year highways maintenance funding to the two local highways authorities, and the amended anticipated figures for 2024-25, as set out in section 7.

Strategic Objective(s):

	The proposals within this report impact on all four of the Combined Authority's strategic objectives as understanding the budget available for 2023-24 allows the continuation of the delivery of the Authority's programmes in an efficient manner, and within its means.
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1. Purpose

1.1	This report provides the Board with an update on its financial performance for the year. Forecasts were agreed with Officers in October based on spend to the end of September.
1.2	As reported at the previous two Board meeting the high level of interest from the Treasury Management investments is forecast to deliver a substantial surplus above budget in 2023-24 and the Board are asked to approve further one-off uses of this windfall.
1.3	Following confirmation of additional highways maintenance funding awarded to the area this paper also seeks to consult the Board on the Mayor's intended allocations of this additional funding to the area's two highways authorities.

2. Background

2.1	This report provides the Board with an update on its financial performance for the year. Forecasts were agreed with Officers in October based on spend to the end of September.
2.2	The budgets reported here only include those which have been approved to spend by the Board, or relevant Committee, and are thus being actively delivered against.
2.3	As previously reported to the Board, the materiality threshold above which changes in forecast expenditure for the year (forecast outturn) are required to provide a specific explanation are £200k for all revenue budgets and £500k on capital projects.

3. Revenue Expenditure Position

3.1	<p>The table on the following page contains a summary of the year to the end of September (YTD) spend and forecast position for the end of the year as agreed by officers during October. More detail is provided for the Mayor's Office, the Chief Exec's Office and Resources and Performance as these budgets are not reviewed in more detail by the Thematic Committees.</p> <p>All figures are in thousands of pounds (£'000) and a more detailed breakdown of income and expenditure for the year is shown at Appendix 1a.</p>
3.2	<p>Across the revenue budget the Combined Authority is forecasting a £4.5m 'favourable' variance against budget.</p> <p>The main forecast changes from the previous reports are:</p> <ul style="list-style-type: none">• -£8,100k forecast underspend on HUG2 caused by scaling back of the programme from the local authorities. It has been approved by DESN as change request.• £2,000k forecast increase on the Local Energy Demonstrator programme, this is the result of the budget review which show carried forward budget being missed.• -£1,097k forecast underspend on the Skills Bootcamps wave 4 due to reprofiling of the activities within this and the following financial year. This is in line with DfE expectation as the programme will end in next financial year.• -£992k forecast underspend on the Public Sector Decarbonisation caused by resources being redirected on the delivery of HUG1 and LAD3 resulting in the delay of the programme, which will be now completed in the next financial year.• -£525k forecast underspend within Passenger transport; this is the effect of the retender of the bus service. This also includes the extension of the DRT contract.• £278k forecast increase on the UK Share Prosperity Funds – Skills. This is a new programme starting in January 24. <p>Further details on these changes can be found in the Appendix 2.</p>
3.3	<p>In addition to the above changes there are a number of new budgets created by the decisions of the Board earlier in the year funded either by the Programme Response Fund or the forecast treasury management income. Those above the materiality threshold are:</p> <ul style="list-style-type: none">• £500k for the Health and Wellbeing Strategy• £150k for Climate Evidence and Data• £150k for Bus reform consultation• £150k for Civil Parking Enforcement• £110k for Climate Action• £70k for Future Fens• £60k for the Local Area Energy Plan



3.4	Revenue Expenditure to end of Sept £'000	Budget YTD	Actual YTD	Variance YTD	Full-year Budget	Forecast Outturn	Forecast Variance	Change in Forecast	Appendix 2 reference
	Mayor's Office	2,251	1,865	-386	3,778	3,702	-76	-76	
	Precept	2,174	1,812	-362	3,624	3,624	-		
	Mayor's Office	77	53	-24	154	78	-76	-76	
	Chief Execs Office	1,175	1,224	49	3,332	3,271	-61	-50	
	Comms and Engagement	29	36	6	52	76	24	24	
	Monitoring and Evaluation	39	43	4	226	191	-35	-35	
	Response Funds	210	358	148	879	879	-	-28	
	Strategy and Vision	39	39	-	459	409	-50	-11	
	CEX Office Staffing	858	748	-109	1,716	1,716	-	-	
	Resources and Performance	3,921	3,262	-659	15,884	14,944	-940	-6,996	
	Digital Services and Support	141	154	13	410	410	-	-	
	Energy	2,281	1,460	-821	12,212	11,229	-983	-6,975	1,2,3
	Finance and Procurement	131	146	14	323	408	85	-15	
	Human Resources & Organisational Development	59	30	-29	122	130	8	-	
	Legal, Governance and Member Services	118	95	-23	309	259	-50	-	
	Other Employee Costs and Corporate Overheads	22	141	118	172	172	-	-5	
	R&P Staffing	1,168	1,236	69	2,337	2,337	-	-	
	Economy and Growth	13,734	11,390	-2,344	29,191	27,212	-1,979	-119	4,5
	Place and Connectivity	7,563	6,815	-747	18,380	16,936	-1,444	1,208	6
	Grand Total	28,645	24,557	-4,088	70,566	66,065	-4,501	-6,033	



4. Capital Expenditure

4.1	A summary of the 2023-24 Capital Programme including expenditure to the end of September is shown at the top of the next page, a project-level breakdown of the capital programme is included in Appendix 1b.
4.2	<p>There are 4 budgets forecasting material variances from the latest report. Further detail is provided on these at Appendix 2.</p> <ul style="list-style-type: none">• -£14.04m reduced spend on HUG 2 caused by scaling back of the programme from the local authorities. It has been approved by DESNZ as change request.• -£7.43m reduced spend on Growth Co Services as the disbursement of grant in the region has been lower than planned. The unutilised funds will be repurposed by the Combined Authority on similar activities.• £0.68m increase on spend on the Peterborough Station Quarter. This reflects the increase in budget for the programme.• £3.97m increase spend on the March junction improvement. This reflects the drawdown from budget to approval.• £0.37m increase in spend on the regeneration of Fenland Stations. This relates to the final claims for financial years 2021/22 and 2022/23. The final bill exceeded the estimated accrual made in the 2022/23 accounts. We'll work with our Constituent Authority to identify if there has been an overclaim.
4.3	The current Forecast Outturn position is dominated by 3 large projects: the HUG 2 programme, the Growth Work investment fund, and the Housing grant programme; these account for £28m out of a total £31m forecast variance. While these are significant variances it does indicate that the majority of the Authority's capital programme is forecasting spend in line with its budget after half the year.
4.4	Based on slippage emerging in the final quarter of the year previously the Authority will be concentrating on the capital programme's forecasts in the next few months to ensure that this forecast position is realistic or identify areas of undeclared slippage to enable appropriate early intervention.

5. Income

5.1	The lower table on the following page sets out the Combined Authority's current and forecast income for the financial year and a more detailed breakdown is provided in Appendix 1.
5.2	<p>There are several material variances to report to the Board in this cycle:</p> <ul style="list-style-type: none">• £14.4m reduction in HUG2 Capital income, in line with scaling down of the programme, as agreed with DESNZ.• £3.83m increase income for GSE Net Zero Hub due to• £2.25m reduction in HUG2 Revenue income, in line with scaling down of the programme, as agreed with DESNZ.• £2.2m increase income for the GSE Local Energy Advice Demonstrator due to• £1.7m increase in forecast Treasury Management income. As reported to the Board in July, there is a substantial surplus on Treasury Management balances due to high interest rates, the current income forecast is £8.50m against a budget of £0.75m.• £1.36m reduction in Bootcamp Wave 4 income this year, in line with the delivery of the programme that will take place in next financial year.• £0.80m reduction on income from Growth Co Services due to the reduction of the activities on the ERDF programme, now ended.• £0.82m additional income has now been received from repayment of the Histon Road loan, owing to changes to the profile of the repayment of the loan facility and interest.

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| | <ul style="list-style-type: none">• £0.68m increased income for Peterborough Station Quarter, matching the newly profiled expenditure on the capital programme. |
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5.3 The total income received by the Combined Authority to the end of September is a little above £105m, the table below shows a lower figure as it includes the £6.9m repayment of HUG2 funds to DESNZ which appears in the accounts as negative income.

Capital Expenditure to end of Sept 2023 £'000	Budget YTD	Actual YTD	Variance YTD	Full-year Budget	Forecast Outturn	Forecast Variance	Change in Forecast	App 2 Ref
Economy and Growth	11,768	1,970	-9,798	30,484	23,335	-7,149	-7,427	
Business	1,463	-	-1,463	5,961	5,961	-	-	7
Growth	7,200	1,222	-5,978	12,326	4,900	-7,426	-7,426	
Market Town	1,905	748	-1,157	6,082	6,359	277	-	
SPF	-	-	-	716	716	-	-	
FE Cold Spots	1,200	-	-1,200	2,400	2,400	-	-	
University	-	-	-	3,000	3,000	-	-	
Place and Connectivity	59,953	52,588	-7,365	113,294	103,209	-10,085	4,399	
Climate Action and Spatial Planning	1,682	-	-1,682	4,330	2,830	-1,500	-250	8 9
Digital Connectivity	751	271	-481	1,719	1,719	-	-	
Housing	11,378	6,057	-5,321	19,126	11,943	-7,183	-	
Public Transport	3,264	8,333	5,069	6,938	6,938	-	680	
Strategic Transport	42,877	37,927	-4,951	81,181	79,779	-1,402	3,969	
Resources and Performance	14,170	5,833	-8,337	46,833	32,793	-14,040	-21,931	
Accommodation	72	104	32	167	167	-	-	10
Digital Services and Support	17	-	-17	42	42	-	-	
Energy Hub	14,080	5,729	-8,352	46,624	32,584	-14,040	-21,931	
Grand Total	85,891	60,390	-25,500	190,611	159,337	-31,274	-24,959	

5.4

Combined Authority income to end of Sept 2023 £'000	Actual YTD	Full-year Budget	Forecast Outturn	Forecast Variance	Change in Forecast
Mayor's Office	-1,812	-3,624	-3,624	-	-
Chief Execs Office	-39	-	-	-	-
Economy and Growth	-17,649	-27,125	-24,518	2,607	2,244
Place and Connectivity	-44,913	-49,632	-50,453	-821	-680
Resources and Performance	-33,231	-69,005	-52,472	16,533	33,233
Grand Total	-97,644	-149,386	-131,067	18,319	34,797



6. Use of treasury management income

6.1	<p>Whilst the rate of inflation in the UK has begun to fall from its peak earlier this year, interest rates remain higher than forecast at the time the budget was set, which continues to deliver significantly higher rates on the Combined Authority's treasury management investments. This, along with higher than forecast balances due to later than forecast spend on the capital programme, has resulted in the interest receivable on already contracted investments standing at 8.5m against an original forecast for the year of £736k, an unbudgeted surplus of £7.764m.</p>																					
6.2	<p>This income is a one-off source of revenue; as inflation levels and interest rates are forecast to fall over the next 12-24 months and the Combined Authority's cash balances are expected to reduce over the same period as multi-year capital budgets are replaced with project specific funds paid in arrears based on expenditure.</p>																					
6.3	<p>It is not prudent for this level of income to be forecast into future years, as this could lead to potentially unaffordable expansion of costs which could not be funded when income decreases. There will, however, be various discrete pieces of work which are one-off in nature and which contribute towards strategic objectives without creating an unaffordable increase in its medium term plans.</p> <p>At the Board meeting in September Officers were asked to identify options to use a portion of the remaining income to help address the cost-of-living crisis in a targeted manner, together with other proposals that will help the Authority achieve its strategic objectives by utilising one-off funding. A summary of each proposal is included as Appendix 3.</p>																					
6.4	<table border="1"> <thead> <tr> <th>Investment Proposal</th> <th>Total Amount (£000)</th> </tr> </thead> <tbody> <tr> <td>Reduced bus fares for those under 24</td> <td>650</td> </tr> <tr> <td>Transport Strategies</td> <td>2,270</td> </tr> <tr> <td>Devolution Phase 2 support</td> <td>900</td> </tr> <tr> <td>Refresh sector business strategies</td> <td>400</td> </tr> <tr> <td>Inward Investment</td> <td>200</td> </tr> <tr> <td>Support for publicity campaigns</td> <td>150</td> </tr> <tr> <td>Passenger Transport Services trial</td> <td>130</td> </tr> <tr> <td>Develop Strategic Infrastructure Fund</td> <td>100</td> </tr> <tr> <td>Total proposed to be allocated</td> <td>£4.8m</td> </tr> </tbody> </table>	Investment Proposal	Total Amount (£000)	Reduced bus fares for those under 24	650	Transport Strategies	2,270	Devolution Phase 2 support	900	Refresh sector business strategies	400	Inward Investment	200	Support for publicity campaigns	150	Passenger Transport Services trial	130	Develop Strategic Infrastructure Fund	100	Total proposed to be allocated	£4.8m	
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6.5	<p>The total of the items above (£4.8m), along with the £1.975m of one-off expenditure previously approved by the Board is £6.775m. Including the currently unallocated remainder of the Programme Response Fund, this will leave the Combined Authority with around £1.7m of unallocated funds for 2023-24. It is proposed that this funding is temporarily transferred into an earmarked reserve to cover the potential risk of non-payment of part of the £2.625m of grants held back by DLUHC pending conclusion of the Best Value Notice. Should those grants be paid in full then the funding can be released for use on other purposes at that stage.</p>																					

7. Allocation of additional highways maintenance funding

7.1	<p>On the 17th November 2023 the Department for Transport (DfT) published the allocations of additional highways maintenance capital funding released as part of the Network North policy. While the overall policy released funds over the next decade specific allocations have only been announced for 2023-24 and 2024-25.</p>
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7.2	<p>The DfT made the allocations based on the existing Highways Maintenance Block (HMB) formula, and this has been followed in the proposed split between the local highways authorities.</p> <p>This funding is additional to that already awarded by the Mayor in July and the Mayor is required to consult the Board before exercising his power to allocate highways grants to local authorities, this paper represents the required consultation to allow the funds to be provided to the highways authority to deliver much needed road maintenance across the area.</p>																		
7.3	<p>In-line with the DfT's formula the proposed allocations of the additional funding are set out below:</p> <table border="1"> <tr> <td>Total</td> <td>£2,909,000</td> </tr> <tr> <td>Peterborough City Council</td> <td>£545,189</td> </tr> <tr> <td>Cambridgeshire County Council</td> <td>£2,363,811</td> </tr> </table>			Total	£2,909,000	Peterborough City Council	£545,189	Cambridgeshire County Council	£2,363,811										
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7.4	<p>As the DfT had published highways maintenance settlements for 2024-25 as well as the current year the Mayor consulted the Board in July on his intention to make the same allocations to the highways authorities in 2024-25 – as the fund from DfT was the same in both years.</p> <p>Applying this approach to the additional funding now confirmed for 2024-25 results in the updated intended allocations for the 2024-25 financial year:</p> <table border="1"> <thead> <tr> <th>£'000</th> <th>Original funding allocation per July paper</th> <th>Additional funding allocation</th> <th>Total allocation for 2024/25</th> </tr> </thead> <tbody> <tr> <td>Total allocation</td> <td>31,677</td> <td>2,909</td> <td>34,586</td> </tr> <tr> <td>Cambridgeshire County Council</td> <td>25,169</td> <td>2,364</td> <td>27,532</td> </tr> <tr> <td>Peterborough City Council</td> <td>6,508</td> <td>545</td> <td>7,054</td> </tr> </tbody> </table>			£'000	Original funding allocation per July paper	Additional funding allocation	Total allocation for 2024/25	Total allocation	31,677	2,909	34,586	Cambridgeshire County Council	25,169	2,364	27,532	Peterborough City Council	6,508	545	7,054
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7.5	<p>In the absence of further changes to the area's funding from DfT for 2024/25 this will constitute the Mayor consulting the CA Board on these allocations.</p>																		

8. Appendices

8.1	Appendix 1. Detailed breakdown of revenue income and expenditure budgets for the financial year 2023-24.
8.2	Appendix 2. Material Variance Explanations
8.3	Appendix 3. Details of investment proposals

9. Implications

Financial Implications

9.1 The financial implications of the decisions are set out in the body of the report.

Legal Implications

9.2 The Combined Authority is required to prepare a balanced budget in accordance with statutory requirements.

This report monitors how the Combined Authority and the Mayoral Fund performed against the financial targets set in January 2022 through the Budget setting process in accordance with the Cambridgeshire and Peterborough Combined Authority Order 2017 and the Combined Authorities Financial Order 2017.

Chapter 3 of the constitution provides:

Rule 3.2.1 The Mayor will exercise the following general function:

	<p>3.2.1.1 <i>The Mayor may pay a grant to Cambridgeshire County Council and Peterborough City Council to meet expenditure incurred by them as highways authorities. The Mayor must exercise this function under section 31 Local Government Act 2003 concurrently with a Minister of the Crown.</i></p> <p>3.2.1.2 <i>Prior to the payment of the grant the Mayor must consult the Combined Authority. 3.2.1.3 Members and officers of the Combined Authority may assist the Mayor in the exercise of the function to pay a grant.</i></p>
Public Health Implications	
9.3	The projects in delivery or planned to be delivered do not have direct Public Health implications.
Environmental & Climate Change Implications	
9.4	The projects in delivery or planned to be delivered do not have direct Public Health implications.
Other Significant Implications	
9.5	There are no other significant implications.
Background Papers	
9.6	July 2023 CA Board Paper on allocation of Highways Capital Grants