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| SKILLS COMMITTEE | AGENDA ITEM No: 2.3 |
| 9 MARCH 2020 | PUBLIC REPORT |

BUDGET AND PERFORMANCE REPORT

1.0 PURPOSE

1.1. This report provides budget and performance reporting to the Skills Committee.

| <u>DECISION REQUIRED</u> | |
|---|--|
| Lead Member: | Councillor John Holdich |
| Lead Officer: | John T. Hill, Director, Business & Skills |
| Forward Plan Ref: n/a | Key Decision: No |
| The Skills Committee is recommended to: (a) Note the January budget and performance monitoring update (b) Recommend that the Combined Authority Board note the forecast underspends as set out in the report. A recommendation to approve the carry forward of unspent budget to enable the work on projects to be completed in 2020/21 will be made to the Board in June once the outturn position has been finalised. | Voting arrangements Simple Majority of all Members |

2.0 BACKGROUND

2.1. Budget and performance reporting should be seen in the round.

2.2. At the September 2019 Combined Authority Board Meeting, the Board approved a refreshed Medium Term Financial Plan (MTFP), including balanced revenue and capital budgets for 2019/20. This report shows the actual expenditure to date and forecast outturn position against those budgets.

- 2.3. The outturn forecast reflects costs incurred to date, accrued expenditure and the impact on the current year assumptions made on staffing, overheads and workstream programme delivery costs as set out in the revised MTFP.
- 2.4. This report highlights where potential carry forward of underspends from the 2019-20 budget into the 2020-21 budget are likely to be requested. As these underspends are forecasts there may be changes between the actual expenditure at year end and that predicted in this report. A report will be brought to the CPCA Board meeting in June to formally request these carry forwards where they are realised.

3.0 BUDGET

Revenue Budget

- 3.1 A breakdown of the Business & Skills Directorate 'Revenue' expenditure for the ten-month period to 31st January 2020, is set out in the table below.

| Business & Skills Revenue 2019/20 | | | | | | | |
|-----------------------------------|--|---------------------|--------------------|----------------------|------------------------|------------------------|---------------------------|
| Para. Ref. | Revenue | MTFP Refresh Budget | Budget Adjustments | Revised 19-20 Budget | Actuals to 31 Jan 2020 | Forecast Outturn (Jan) | Forecast Outturn Variance |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | Business and Skills | | | | | | |
| | Work Readiness Programme (Hamptons) | 110.0 | | 110.0 | 109.7 | 109.6 | -0.4 |
| 3.3.a | Skills Brokerage | 344.2 | | 344.2 | 183.9 | 309.6 | -34.6 |
| 3.3.b | University of Peterborough Taught Degree Awarding Powers | 0.0 | 201.9 | 201.9 | 182.9 | 190.8 | -11.1 |
| | University of Peterborough | 235.0 | | 235.0 | 238.3 | 235.0 | 0.0 |
| | Skills Strategy Programme Delivery | 150.0 | | 150.0 | 148.0 | 148.0 | -2.0 |
| | AEB Devolution programme - Grant | 5576.3 | | 5576.3 | 4639.2 | 5576.3 | 0.0 |
| 3.3.c | AEB Devolution programme - ITP | 1282.3 | | 1282.3 | 274.1 | 404.0 | -878.3 |
| 3.3.d | AEB Programme Costs | 115.4 | | 115.4 | 85.5 | 95.0 | -20.4 |
| | Health and Social Care Work Academy | 1500.0 | | 1500.0 | 267.1 | 1500.0 | 0.0 |
| | EU Exit Funding | 90.9 | | 90.9 | 30.2 | 90.9 | 0.0 |
| | Growth Company Development | 63.0 | | 63.0 | 42.4 | 63.0 | 0.0 |
| | Total Business and Skills | 9467.1 | 201.9 | 9669.0 | 6201.2 | 8722.2 | -946.8 |
| | Economic Strategy | | | | | | |
| | Growth Hub | 92.2 | | 92.2 | 55.0 | 92.2 | 0.0 |
| 3.3.e | Market Town Strategy Implementation | 200.0 | | 200.0 | 75.5 | 102.6 | -97.4 |
| 3.3.f | Energy Hub | 615.4 | | 615.4 | 14.3 | 520.0 | -95.4 |
| 3.3.f | Rural Communities Energy Fund | 1052.5 | | 1052.5 | 0.0 | 500.0 | -552.5 |
| | St Neots Masterplan Revenue | 171.9 | | 171.9 | 45.6 | 171.9 | 0.0 |
| | Trade and Investment Programme | 100.0 | | 100.0 | 45.0 | 99.0 | -1.0 |
| 3.3.g | CPCA LIS Implementation | 200.0 | | 200.0 | 58.9 | 175.0 | -25.0 |
| 3.3.g | LEP Capacity Funding | 400.0 | -80.0 | 320.0 | 19.3 | 202.8 | -117.2 |
| | Skills Advisory Panel (SAP) | 75.0 | | 75.0 | 15.2 | 75.0 | 0.0 |
| | Total Economic Strategy | 2907.0 | -80.0 | 2827.0 | 328.8 | 1938.5 | -888.5 |
| | Total Revenue Expenditure | 12374.1 | 121.9 | 12496.0 | 6530.0 | 10660.7 | -1835.3 |

- 3.2 The Forecast Outturn as set out in the table above shows a reduction in expected costs for the year of £1,835.3k compared to the budget. 'Actual' figures are based on payments made and accrued expenditure where known.
- 3.3 Variances between the predicted revenue outturn position and the annual budget for the main budget headings are set out below:

- (a) Skills Brokerage is forecast to underspend by £34.6k, partly due to the AGE Grant project completing, and lower spend on research and data analysis. The Skills Brokerage contract is being extended to run to the end of the academic year, rather than the current financial year, therefore it is recommended that any underspend is carried forward to assist with running the programme prior to transition to the Growth Service.
- (b) University of Peterborough Taught Degree Awarding Powers budget line has now been completed and will be brought in under the original budget by £11.1k.

- (c) The AEB – ITP expenditure is expected to be £878k below the original forecast at year end as delivery numbers have not kept up with the expected profile.

The AEB team have been working with providers to understand the reasons for this, and providers have highlighted that it is due to it taking time for them to gain traction in the market as this is the first 6 months of the new devolved regime; however, providers remain confident that they can deliver the total number of contracted courses within the academic year.

As the contracts with the providers are for a number of courses to be run over the academic year, and providers are forecasting to over deliver in the latter part of the academic year to make up for slow take up in the earlier part. As such the committed budget across the academic year remains unchanged and thus it is prudent to carry forward the underspend in this financial year to cover the increased expenditure expected in the next.

- (d) AEB programme costs are projected to come in under budget by £20.4k, due to several items which are paid for over the 2019-20 academic year falling into the 2020-21 financial year. As this expenditure was not budgeted for in the original 2020-21 budget it is intended that the underspend is carried forward into the next year's AEB programme costs budget. This is a decision for the Combined Authority.
- (e) The £97.4k forecast underspend for the Market Town Strategy Implementation is due to timing delays with local district councils carrying out the feasibility studies. There may be accruals for this period as much of the work is being carried out at present. Any underspend will be applied to be carried into 2020/21 as it will be required to continue the work.
- (f) Both the Energy Hub and the Rural Communities Energy Fund have experienced lengthy delays due to putting in place the required governance arrangements in parallel with work to identify a more suitable Accountable Body. The latter will result in the grant funding, and responsibilities, being passed to a different Local Authority within the next six months. While there is a significant underspend forecast, the

expenditure is entirely funded by a ring-fenced grant and therefore cannot be re-allocated to another project. As such, it is anticipated that the budget be carried forward into next year.

- (g) Local Enterprise Partnership (LEP) Capacity Funding is currently showing a potential underspend of £117.2k, but it is possible that new opportunities will arise in the coming months that may utilise the budget. The LEP capacity grant is a ringfenced grant, thus underspend on this line must be used for the same purposes in 2020-21 or returned to Government; therefore, it will be requested that the budget be carried forward into next year to enhance the Growth Service and LEP priorities in line with the purposes of the grant funding. The secession of the LEP Capacity funding means that the total budget for implementing the Combined Authority's LIS is forecast to drop significantly between 2019-20 and 2020-21: carrying forward the underspend on the LEP capacity line will partially, but not wholly, mitigate this decrease. Allowing the carry forward of the unspent 2019-20 LEP implementation budget will further mitigate this decrease between years.

Capital Budget

- 3.4 A breakdown of the Business & Skills Directorate 'Capital' expenditure for the ten-month period to 31st January 2020, is set out in the table below.

| | Capital | MTFP Refresh Budget | Budget Adjustments | Revised 19-20 Budget | Actuals to 31 Jan 2020 | Forecast Outturn (Jan) | Forecast Outturn Variance |
|-----|---|---------------------|--------------------|----------------------|------------------------|------------------------|---------------------------|
| | | £m | £m | £m | £m | £m | £m |
| 3.5 | Peterborough University - Business case | 1.52 | | 1.52 | 0.14 | 0.30 | -1.2 |
| | Total Committed Direct Control Expenditure | 1.52 | 0.00 | 1.52 | 0.14 | 0.30 | -1.22 |
| 3.6 | Market Town Pump Priming | 0.50 | | 0.50 | 0.00 | 0.00 | -0.5 |
| | Costed but not Committed | 0.50 | 0.00 | 0.50 | 0.00 | 0.00 | -0.50 |
| | Total Capital Expenditure | 2.02 | 0.00 | 2.02 | 0.14 | 0.30 | -1.72 |

- 3.5 The University of Peterborough project is proceeding as planned. The Outline Business Case (OBC) has been approved with the Full Business Case (FBC) being presented in financial year 2020-21. Due to delays in this project at the beginning of the financial year, a large portion of the capital expenditure that was programmed for 2019-20 is now expected in 2020-21, thus resulting in the need for budget reprofiling.
- 3.6 Market Town Pump Priming is dependent on projects being brought forward from the Market Town Masterplans. As the majority of these plans have only been approved in 2020 there has been nothing spent to date. As the plans are now in place it is anticipated that projects will start to come forward, but it is unlikely that these will commence spending prior to April 2020. As the Combined Authority has communicated to the Market Towns an overall capital budget of £5m it is recommended that the £500k which will not be spent this year is carried forward to fund the proposals now being expected

4.0 PERFORMANCE REPORTING

- 4.1 The Cambridgeshire and Peterborough Devolution Deal is about delivering better economic outcomes for the people of our area and commits us to specific results. The Combined Authority needs to monitor how well it is doing that.
- 4.2 The Performance Dashboard in Appendix 1 was presented at the Combined Authority Board meeting in January. This provides an overview of the rating of the key projects on a Red/Amber/Green scale, which reflects financial, delivery and risk considerations. The current format is under review following a request for additional information by the Combined Authority Board and a new version will be presented during May 2020.
- 4.3 Appendix 1 shows the current Performance Dashboard with the RAG status for Skills' projects. There are currently only seven live projects as the AGE Grant closed in December.

5.0 FINANCIAL IMPLICATIONS

- 5.1. A summary of the changes to the Business and Skills revenue budgets, should carry forwards be decided by the Combine Authority, is presented in the table below, the capital budgets for the University of Peterborough and Market Town implementation will be re-profiled across multiple years if the carry forwards are approved and realised.

| Business & Skills | Original 20-21 Budget | Recommended Carry Forward | Revised 20-21 Budget |
|---|----------------------------------|--------------------------------------|---------------------------------|
| AEB Devolution Programme | 10,948.9 | 878.3 | 11,827.2 |
| AEB Programme Costs | 564.1 | 20.4 | 584.5 |
| Marketing and Promotion of Services | 75.0 | - | 75.0 |
| Careers and Enterprise Company | 80.5 | - | 80.5 |
| Energy Hub | 697.8 | 95.4 | 793.2 |
| EU Exit Funding | 181.8 | - | 181.8 |
| Growth Hub | 246.0 | - | 246.0 |
| Health and Care Sector Work Academy | 1,100.0 | - | 1,100.0 |
| LEP Capacity Funding | - | 117.2 | 117.2 |
| LIS Implementation | 195.0 | 25 | 220 |
| Local Growth Fund Costs | 480.0 | - | 480.0 |
| Market Town Implementation of Strategies | 175.0 | 97.4 | 272.4 |
| Marketing | 20.0 | - | 20.0 |
| Rural Community Energy Fund | 1,713.2 | 552.5 | 2,265.7 |
| Skills Advisory Panel (DfE) | 75.0 | - | 75.0 |
| Skills Brokerage | 75.0 | 34.6 | 109.6 |
| Skills Strategy Implementation | 125.0 | - | 125.0 |
| St Neots Masterplan | 167.0 | - | 167.0 |
| Trade and Investment Programme | 100.0 | - | 100.0 |
| EZ Funded Growth Company Contribution | 230.0 | - | 230.0 |

| | | | |
|---|-----------------|----------------|-----------------|
| Total Business & Skills Approved Budgets | 17,249.3 | 1,820.8 | 19,070.1 |
|---|-----------------|----------------|-----------------|

6.0 LEGAL IMPLICATIONS

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

7.0 SIGNIFICANT IMPLICATIONS

- 7.1 There are no implications for nature.

8.0 APPENDICES

- 8.1. Appendix 1 – Performance Dashboard.

| <u>Background Papers</u> | <u>Location</u> |
|--|---|
| Combined Authority Board reports September 2019 | Combined Authority Reports September 2019 |