



Combined Authority Board	Agenda Item
20 March 2024	8

Title:	Budget Update Report March 2024
Report of:	Nick Bell, Executive Director Resources and Performance
Lead Member:	Mayor Dr Nik Johnson
Public Report:	Yes
Key Decision:	Yes
Voting Arrangements:	Simple Majority of Members present and voting

Recommendations:

A	Note the financial position of the Combined Authority
B	Approve the provisional carry-forwards from 2023/24 into 2024/25
C	Approve the allocation of £400k from additional treasury management income to fund the continued improvement workstream in 2024/25 as set out in section 6
D	Approve the financial strategies for 2024/25 following review by the Audit and Governance Committee as summarised 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 February based on spend to the end of January.
1.2	Alongside forecasts Officers have also identified where projects and programmes have budget within 2023/24 which will not be spent by the end of March and have requested these funds be carried forward into 2024/25 to allow the continued delivery of these projects.
1.3	In light of the Combined Authority being issued with a new Best Value Notice on 30 th January 2024, it is proposed that an additional £400k is allocated from additional Treasury Management income to the Improvement Programme. This will bring the total allocated to the Improvement Programme up to £1.4m since the Improvement Programme was established in October 2022 and ensure that sufficient funds exist to fully address the areas highlighted by the new Best Value Notice by 31 st July 2024.
1.4	Approve the adoption of the 2024/25 financial strategies (Capital Strategy, Investment Strategy, Treasury Management Strategy) and the 2024/25 Minimum Revenue Provision Statement following review by the Audit and Governance Committee.

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 February based on spend to the end of January.
2.2	The budgets reported here only include forecasts against those which have been approved to spend by the Board, or relevant Committee, and are thus being actively delivered against. A summary of those budgets which are still subject to approval is also provided.
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 January (YTD) spend and forecast position for the end of the year as agreed by officers during February. 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 £10.0m 'favourable' variance against budget.</p> <p>The main forecast changes from previous reports relate to:</p> <p><u>Slippage</u></p> <ul style="list-style-type: none">• £2,422k reduction in HUG2 spend due to the restrictive nature of the grant in terms of eligible properties and initial technical challenges in appointing and mobilising delivery partners. These challenges are being faced by other organisations delivering HUG2 programmes across the country and a change request will be submitted to DESNZ to allow the unspent funding to be spent in 2024/25.• £450k reduction in costs for the development of Bus Reform as no public consultation has yet started, as the consultation will now be carried out in 2024/25 this will be requested as slip-page. <p><u>Underspend</u></p> <ul style="list-style-type: none">• Reduction in Skills Bootcamp Wave 3 (£520k) and Wave 4 (£337k) as a result of lower enrolment numbers which reflect the trend nationwide. The Wave 3 programme is now complete.• £1,817k reduction in Growth Co Services – the contract finished in December 2023. Whilst the key output KPI, of increased new jobs, has been exceeded this was done significantly under-budget in some workstreams. This budget was funded from EU funds which will not be drawn down reflecting the lower spend. <p>Further details on these changes and all others over £200k can be found in Appendix 2.</p>
3.3	<p>In addition to the above changes there are a number of changes and additions to budgets created by the decisions of the Board earlier in the year. Many of these are as result of the approval of the 2024/25 MTFP, and, where these are reductions, reflect the formalising of already reported underspends and project slippages.</p>
3.4	<p>In addition to the approved budgets shown in the tables below which are regularly monitored, there are £5.6m of Subject to Approval budgets agreed for the year, which are yet to be drawn down. Given the limited time remaining to gain approval to draw these funds down they are likely to remain unspent at year end. A schedule of these is provided as Appendix 3a</p>

Revenue Expenditure to end of Jan £'000	Budget YTD	Actual YTD	Variance YTD	Full-year Budget	Forecast Outturn	Forecast Variance	Change in Forecast	Appendix 2 reference
Mayor's Office	3,751	3,346	-406	3,778	3,741	-37	-33	
Precept	3,624	3,262	-362	3,624	3,624	-	-	
Mayor's Office	127	84	-43	154	117	-37	-33	
Chief Execs Office	1,942	2,058	116	3,360	2,905	-455	-448	
Comms and Engagement	40	77	37	52	205	153	-13	
Monitoring and Evaluation	55	69	14	226	166	-60	-25	
Response Funds	350	599	249	907	907	-	28	
Strategy and Vision	68	54	-14	459	188	-271	-161	
CEX Office Staffing	1,430	1,259	-171	1,716	1,439	-277	-277	1
Resources and Performance	18,071	7,881	-10,190	22,713	19,497	-3,216	4,665	
Digital Services and Support	532	597	65	860	800	-60	355	
Energy	15,088	4,718	-10,370	18,591	15,259	-3,332	4,119	2
Finance and Procurement	207	101	-107	323	313	-9	-94	
Human Resources & Organisational Development	91	40	-51	122	116	-6	21	
Legal, Governance and Member Services	196	188	-8	309	229	-80	-30	
Other Employee Costs and Corporate Overheads*	7	-41	-49	172	108	-64	-40	
R&P Staffing	1,950	2,279	329	2,337	2,672	335	335	3
Economy and Growth	18,530	17,133	-1,397	27,927	23,468	-4,459	-3,010	4 to 8
Place and Connectivity	13,745	11,255	-2,490	20,612	18,752	-1,860	1,289	9
Grand Total	56,040	41,673	-14,367	78,390	68,363	-10,027	2,462	

* This budget group includes recharges to grants of costs across Finance and Procurement, Human Resources & Organisational Development and Legal, Governance and Member services as well as itself so total income from recharges can be larger than the gross costs.

4. Capital Expenditure

4.1	<p>A summary of the 2023/24 Capital Programme, including expenditure to the end of January, is shown at the top of the next page. A project-level breakdown of the capital programme is included in Appendix 1b.</p>
4.2	<p>The capital programme is forecasting a £41,497k 'favourable' variance, which has increased by £15,024k since the last reported figures. Due to a net reduction in budget of £20,819k, the forecast spend has reduced by a combined £35,843k. This reduction reflects the work undertaken since last report to ensure as accurate an outturn forecast as possible.</p> <p>Detail of all material variances since the last report are provided at Appendix 2.</p> <p>The most significant variances are all on programmes which will continue in 2024/25 so the budget is requested to be slipped for delivery in 2024/25:</p> <ul style="list-style-type: none">• £20,838k reduction in HUG2 due to the restrictive nature of the grant in terms of eligible properties and initial technical challenges in appointing and mobilising delivery partners. These challenges are being faced by other organisations delivering HUG2 programmes across the country. This funding is being carried forward to next financial year where it is currently anticipated that it will be spent in full.• £2,850k reduction in the Business Growth Fund – a new delivery organisation has been appointed but the programme will not launch until the next financial year.• £2,724k reduction in Fengate Access Study - Eastern Industries Access - Phase 1 due to little use of the risk contingency. A paper on the TIC agenda in March considers the possible uses for this underspend.• £1,938k reduction in Affordable Housing Grant Programme due to the slippage to June of the completion of one scheme expected in March
4.3	<p>In addition to the above changes there are a number of changes and additions to budgets created by the decisions of the Board earlier in the year. Many of these are as result of the approval of the 2024/25 MTFP, and, where these are reductions, reflect the formalising of already reported underspends and project slippages.</p>
4.4	<p>Over 80% of the £41m Forecast Outturn underspend position is caused by five schemes. HUG2 represents over 50% of the underspend with 4 other projects: A141 Strategic Outline Business Case, the A10 Upgrade, Fengate Access Study – Eastern Industries Access – Phase 1 and the Housing grant programme accounting £13m (over 30%) of the remaining amount.</p>
4.5	<p>As capital programmes, by their nature, cross multiple financial years requests to carry forward unspent budgets into future financial years are agreed by default and recognised as savings by exception. In order to enable continued delivery of in-flight projects between the end of this financial year and the next Board meeting on 5th June, the Board is requested to approve provisional carry forward of the forecast underspends as slippage detailed in Appendix 1.</p> <p>The CA Board will be provided with explanations of all material variances for the year (including slippage) alongside the final outturn report following the year-end closure and accruals process.</p>
4.6	<p>In addition to the approved budgets which are monitored in the tables below, there are also £9.8m of Subject to Approval budgets agreed for the year, which are yet to be drawn down. Given the limited time remaining to gain approval to draw these funds down and spend them they are likely to remain unspent at year end and so are included in the requested carry-forwards. A schedule of these is provided as Appendix 3b</p>

5. Income

5.1	<p>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 1c.</p>
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5.2	<p>There are several material variances to report to the Board in this cycle:</p> <ul style="list-style-type: none"> • A further £1.3m increase in forecast interest receivable this year from the Treasury Management loan portfolio compared to the January forecast, bringing the total forecast income for the year to £10m. Section 6 asks the Board to approve the allocation of £400k of this additional surplus to fund the additional costs of the improvement programme to meet the requirements of the most recent Best Value Notice. • £600k reduction in Skills Bootcamp Wave 4 to reflect reduction in courses. • £19,795k new grant for Local Net Zero Accelerator Programme which is expected to be spent next financial year. This was profiled in-year as Government specified it would be 2023/24 funding however delivery will be in 2024/25. • £12,493k reduction in HUG 2 grant as no further funding is expected until next financial year. • £6,860k reduction in Transforming Cities Fund income as, following a letter from DfT, this income is now anticipated early next financial year.
5.3	<p>The majority of the income forecast to be received during the year had been received by the end of the January.</p>

Capital Expenditure to end of Jan 2024 £'000	Budget YTD	Actual YTD	Variance YTD	Full-year Budget	Forecast Outturn	Forecast Variance	Change in Forecast	Requested Slippage	Appendix 2 reference
Economy and Growth	9,700	7,635	-2,065	19,651	18,029	-1,622	-6,769	1,527	
Business	947	7	-939	2,378	1,185	-1,193	-4,783	700	11,12
Growth	3,391	3,478	87	4,916	4,452	-464	-448	-	13
Market Town	3,807	2,696	-1,111	6,503	6,788	285	274	827	14,15
SPF	1,555	154	-1,401	1,555	1,304	-251	588	-	
FE Cold Spots	-	-	-	-	-	-	-2,400	-	
University	-	1,300	1,300	4,300	4,300	-	-	-	
Place and Connectivity	71,002	64,324	-6,678	107,839	88,814	-19,025	-8,225	18,117	
Climate Action and Spatial Planning	1,174	-	-1,174	2,140	1,055	-1,085	-1,775	805	16,17
Digital Connectivity	1,462	539	-924	1,726	1,719	-7	-	-	
Housing	11,630	9,210	-2,420	11,943	9,210	-2,733	-1,938	2,733	18
Intercompany	-	-	-	-	-	-	-	-	
Public Transport	6,194	8,333	2,139	9,188	9,188	-	-	-	
Strategic Transport	50,542	46,242	-4,299	82,843	67,642	-15,200	-4,512	14,579	19-23
Resources and Performance	32,847	6,462	-26,385	32,793	11,943	-20,850	-20,850	20,838	
Accommodation	120	112	-8	167	135	-32	-32	-	
Digital Services and Support	31	-	-31	42	62	20	20	-	
Energy Hub	32,695	6,350	-26,345	32,584	11,746	-20,838	-20,838	20,838	24
Grand Total	113,549	78,421	-35,127	160,284	118,786	-41,497	-35,843	40,482	

Combined Authority income to end of Jan 2024 £'000	Actual YTD	Full-year Budget	Forecast Outturn	Forecast Variance	Change in Forecast
Mayor's Office	-3,262	-3,624	-3,624	-	-
Chief Execs Office	-39	-39	-39	-	-
Economy and Growth	-19,724	-27,061	-23,054	4,007	448
Place and Connectivity	-56,090	-56,263	-59,559	-3,295	-6,654
Resources and Performance	-82,240	-86,109	-85,953	156	-4,573
Grand Total	-161,355	-173,096	-172,229	867	-10,779

6. Funding for the improvement programme in 2024/25

6.1	<p>On 30th January 2024 the Combined Authority were notified that DLUHC had issued a further Best Value Notice. It recognised the good work done by the Combined Authority to address the concerns expressed in the previous Best Value Notice but expressed the view that there is still work to be done to continue that improvement, setting out the following 5 items:</p> <ol style="list-style-type: none">1. Continue with the independent Improvement Board, making full use of its support and engaging with its recommendations over the next six months.2. Continue to implement and embed the changes agreed by the Combined Authority Board as part of the improvement plan.3. Continue to implement and monitor cultural change across the organisation, for both officers and members, with a focus on measurable outcomes.4. Commit, through strong partnership working at both officer and member level, to develop the strategic priorities and aspirations for the area that will benefit local residents, and a credible delivery strategy for progressing these. We hope that this can be achieved through consensus but, if not all stakeholders are ready to fully engage, the opportunity should be left open for them to do so when they feel ready to. This work is also important in informing CPCA's approach to further devolution.5. Continue to engage regularly with the Department at official level throughout the period of this Notice.
6.2	<p>A separate paper on the Board's agenda discusses the closure of phase 2 of the improvement programme and a move into phase 3. The new phase recognises that some elements of phase 2 are now being embedded as 'Business as Usual' so descopes these leaving a focus on 3 workstreams aligned to items 2-4 above.</p>
6.3	<p>To ensure the Combined Authority can continue to maintain the momentum which has been built through the first two phases of the improvement programme, and deliver tangible outputs which can assure DLUHC that the areas of concern have been addressed within the 6-month duration of the Best Value Notice, the Combined Authority needs to retain the support of the team that have effectively delivered phase 2, as well as retaining funding for specialist support from other external organisations as required.</p>
6.4	<p>In order to deliver against this tight timeframe the Board are asked to approve a £400k revenue budget to support the work on the improvement plan in 2024/25, to be funded from the increased interest from treasury management activities in 2023/24 as reported above. This will bring the total allocated to the improvement programme to £1.4m (£750k allocated in July 22, and a further £250k in July 23).</p>

7. 2024/25 Financial Strategies

7.1	<p>According to its Terms of Reference, the Audit and Governance Committee shall "ensure there is effective scrutiny of the treasury management strategy and policies in accordance with CIPFA's Code of Practice".</p>
7.2	<p>The Audit and Governance Committee have reviewed the revised strategies for 2024/25 at their January meeting (26 January Audit and Governance Committee item 9). Since then the strategies have been updated to bring the figures in line with the final approved version of the MTFP, and minor presentational enhancements to more clearly demonstrate adherence to the Code of Practice at the suggestion of Arlingclose, our treasury management advisors.</p>
7.3	<p>The following strategies have been updated for 2024/25 and are attached as Appendix 4 with changes since the 2023/24 equivalents marked as Appendix 5.</p>
7.4	<p>Capital Strategy: To provide a high-level overview for elected members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured.</p>

7.5	Non Treasury Investment Strategy: To meet the requirements of statutory guidance in which the Authority would support local public services by lending to or buying shares in other organisations, or to earn investment income
7.6	Treasury Management Strategy: Being the management of the Authority's cash flows, borrowing and investments and the associated risks.
7.7	Minimum Revenue Provision (MRP) Statement: A DLUHC requirement to approve an MRP Statement each year to ensure that capital expenditure is financed over a reasonable period
7.8	The Board is asked to review and approve the suite of strategies for adoption from the 1st April 2024.

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. (a) Revenue Subject to Approval Budgets (b) Capital Subject to Approval Budgets
8.4	Appendix 4. Cambridge and Peterborough Combined Authority Draft Strategies 2024-25 (a) Capital Strategy Report (b) Non-Treasury Investment Strategy Report (c) Treasury Management Strategy Statement 2024/25 (d) Minimum Revenue Provision Statement 2024/25
8.5	Appendix 5. Cambridge and Peterborough Combined Authority Draft Strategies 2024-25 (with track changes) (a) Capital Strategy Report (with track changes) (b) Non- Treasury Investment Strategy Report (with track changes) (c) Treasury Management Strategy Statement 2024/25 (with track changes) (d) Minimum Revenue Provision Statement 2024/25 (with track changes)

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. The CA is required to agree a balanced budget annually and to monitor that budget throughout the year. In addition, there is a fiduciary duty not to waste public resources, to secure value for money and ensure that good financial governance arrangements are in place.

This report monitors how the Combined Authority and the Mayoral Fund performed against the financial targets set in January 2024 through the Budget setting process in accordance with the Cambridgeshire and Peterborough Combined Authority Order 2017 and the Combined Authorities Financial Order 2017.

Public Health Implications

9.3 A number of the projects in delivery or planned to be delivered have direct Public Health benefits.

Environmental & Climate Change Implications	
9.4	A number of the projects in delivery or planned to be delivered have direct Environmental and Climate Change benefits.
Other Significant Implications	
9.5	There are no other significant implications.
10. Background Papers	
10.1	None