

Combined Authority Board	Agenda Item
26 July 2023	8

Title:	Budget Update Report 2023-24
Report of:	Nick Bell, Executive Director Resources and Performance
Lead Member:	Mayor Dr Nik Johnson
Public Report:	Yes
Key Decision:	No
Voting Arrangements:	A simple majority of all Members present and voting

Recommendations:

A	Note the fully year budget for the financial year 2023-24
B	Note the correction of the funding source for Skills provision in for the financial year 2023-24
C	Note the projected overachievement of Treasury loan interest for 23-24, and approve the allocation of £485k to address emerging pressures and strategic priorities as set out in section 6.

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 mean.

1. Purpose

1.1	This report provides the Board with an overview of the full year budget for 2023-24. This is made up by the budget agreed at MTFP plus any slippage from the 2022-23 financial year approved by the Board at their meeting in May 2023.
1.2	The position presented is based on the Combined Authority's accounts before external audit, as such there is a possibility that the position will be changed following audit findings – as part of the reporting on the audit of the accounts any such changes will be reported at that time.

2. Background

2.1	This report presents the full year budget for the 2023-24 financial year alongside the actual expenditure in 2022-23 for comparison.
2.2	The figures presented here include both approved and subject to approval budgets for the current financial year – this is so that the Board can see a comparison between everything forecast to be spent this year.
2.3	The body of the report will focus on the full year budget by directorate, highlighting major trends, and Appendices 1 and 2 contain details of the full year budget by programme.

3. Revenue Budget Position

3.1 The report contains a summary of the full year budget for the financial year 2023-24. More detail is provided for the Mayor's Office, the Chief Executive's Office and Resources and Performance (excluding Net Zero Hub) as these budgets are not reviewed in more detail by the Thematic Committees.

A more detailed breakdown of income and expenditure for the year is shown at Appendix 1.

	MTFP Budget 2023-24 £'000	Carry forward 2022-23 £'000	Full year budget 2023-24 £'000	Actual 2022-23 £'000
2022-23 Revenue				
Grant Income	-52,827	-	-52,827	-42,301
Mayor's Office	3,778	-	3,778	210
Chief Exec's Office Net Staffing	1,692	-	1,692	*
Comms and Engagement	45	7	52	32
Monitoring and Evaluation Costs	70	21	91	45
Response Funds	1,435	512	1,947	319
Total Chief Exec's Office Expenditure	3,242	540	3,782	396
Resources and Performance Net Staffing	2,297	-	2,297	*
Other Employee Costs and Corporate Overheads	609	28	637	575
Legal, Governance and Member Services	309	-	309	155
Finance and Procurement	253	70	323	312
Financing Income	-736	-	-736	-3,563
HR and Organisational Development	122	-	122	133
Digital Services and Support	335	75	410	301
Workstream Budget	72	-	72	-25
Overhead Recharges	-377	-	-377	-3,241
Total Resources and Performance Expenditure	2,884	173	3,057	-5,353
Economy and Growth	22,837	5,531	28,368	21,921
Net Zero Hub	6,680 ¹	5,472	12,152	9,573
Place and Connectivity	18,384	622	19,006	17,354
Workstream Expenditure	47,901	11,625	59,526	48,848
Total Expenditure	57,804	12,338	70,142	44,101

* Staffing structures were changed at the start of 23-24 to align with new Directorate structure so there are no 22-23 comparator actuals.

¹This budget has been updated for the 23-24 HUG 2 allocation, which was not announced when the 23-24 MTFP was approved.

3.2	<p>Income is expected to increase by £4.3m to £46.6m during the financial year 2023-24 compared to the previous year.</p> <p>The two largest contributors to the change are:</p> <ul style="list-style-type: none"> • Mayoral Precept £3.6m • £1.1m increase from the Economy and Growth Directorate. <p>Details by programme can be found in Appendix 1.</p>
3.3	<p>Income includes a reduction of £125k of budget for the LEP for 2023-24 confirmed after the MTFP was approved. It excludes carry forward income from ESF and ERDF as the amounts are uncertain at present. ERDF and ESF income will be included going forward once the values are confirmed.</p>
3.4	<p>The Mayor's Office budget has increased by £3.6m due to the new Mayoral precept funded contribution to passenger transport offset by a slight reduction in the staffing budget as staffing support for the Mayor is now part of the Chief Executive's Office structure so no longer forms part of the Mayor's Office budget.</p>
3.5	<p>The Response Funds line includes the Improvement Plan, Corporate Response Fund and the Programme Response Fund.</p> <p>The Programme Response Fund is the majority of this budget (£1.29m in 2023-24) and this funding is allocated by the Combined Authority Board to initiatives and emerging pressures during the financial year.</p> <p>Rather than spend being recorded against this Fund, the budget is moved from the Programme Response Fund and put into the relevant expenditure budget – as such the actual expenditure on the Response Funds line is expected to be significantly below the budget until the Programme Response Fund is fully allocated.</p>
3.6	<p>At the time the MTFP was developed financing income was forecast to be significantly lower than the previous year due to reducing cash balances and falling interest rates that were predicted at that time. With cash balances at the end of last year and through part of this year being higher than planned, and interest rates staying high, the actual income from treasury management in 2023-24 is already contracted to be £5.0m, compared to the assumption in the MTFP of just over £700k. Section 6 of the report proposes the use of part of this one off funding whilst maintaining the majority of it to cover other initiatives and pressures that may develop during the year.</p> <p>The workstream budget within Resources & Performance is a contribution to the A14 upgrade costs, the original payment profile had the Combined Authority start contributing in 2021-22 so costs were accrued in that year resulting in a 'negative spend' in 2022-23. The DfT subsequently agreed that repayments should only start from 2023-24 and so the anticipated spend to offset the 'negative spend' in 2022-23 did not occur.</p> <p>Overhead recharges appear significantly lower as the figure from the prior year includes recharged direct staffing costs as well as the overheads. As staffing costs are now split out across directorates only the overhead recharge which contributes to corporate costs is shown here.</p> <p>Further details can be found in Appendix 1.</p>

4. Capital Programme

4.1 A summary of the 2023-24 Capital Programme Income compared with the previous year's actual is presented below. Details of the capital programme are contained in Appendix 2.

Capital Programme Summary	MTFP Budget 2023-24 £'000	Carry forward 2022-23 £'000	Full year budget 2023-24 £'000	Actual 2022-23 £'000
Economy and Growth	-2,042	-	-2,042	-
Place and Connectivity	-27,695	-	-27,695	-28,061
Resources and Performance	-48,378 ¹	-	-48,378	-12,000
Totals	-78,115	-	-78,115	-40,061

¹ This budget has been updated for the 23-24 HUG 2 allocation, which was not announced when the 23-24 MTFP was approved.

4.2 Main contributors to the income variance are the Shared Prosperity Funds (including Rural) of £1.5m, in the Economy and Growth, and the Home Upgrade Grant phase 2 of £42.6m in Resources and Performance.

4.3 Below is a summary of the 2023-24 Capital Programme Expenditure compared with the previous year actual. Detail of the capital programme can be seen in Appendix 2

Capital Programme Summary	MTFP Budget 2023-24 £'000	Carry forward 2022-23 £'000	Full year budget 2023-24 £'000	Actual 2022-23 £'000
Economy and Growth	12,609	11,156	23,765	10,278
Place and Connectivity	92,489	26,186	118,676	59,797
Resources and Performance	36,420 ¹	10,413	46,833	45,015
Totals	141,518	47,756	189,274	115,089

¹ This budget has been updated for the 23-24 HUG 2 allocation, which was not announced when the 23-24 MTFP was approved.

4.4 Overall capital expenditure is expected to be £74m (62%) higher than previous year. A quarter of the budget is made up by approved carried forward funding, predominantly in Place and Connectivity.

4.5 Economy and Growth shows a significant increase in spend forecast this year, compared to prior year's actual expenditure, of £13.5 m. The major contributors are the carry forward from Growth Co capital expenditure £5.1m and Market Towns £4.1m.

4.6 Place and Connectivity has almost doubled its budget from previous year (from £59.8m to £118.7m). The major contributor is Transport £39.4m and Climate £6.2m

4.7 Resources and Performance now includes the Net Zero Hub, which makes up all but £42k of the capital budget for 2023-24.

5. Budget Changes

5.1	At its meeting in March the CA Board allocated £112k of “Corporate Rapid Response Funding” as match funding to ensure continued careers hub support between the Growth Company’s contract for delivery ending in December 2023 and the funding to deliver this via Multiply starting in April 2024.
5.2	The name of the funding source in this paper was in error and it should have referred to the “Programme Response Fund” – the funding set aside within the Medium-Term Financial Plan which the Board can allocate to address emerging needs throughout the year. The Board are asked to note this correction and that the allocation will be reflected following this meeting.

6. Use of treasury management income

6.1	The continued high rate of inflation in the UK has led to higher than forecast interest rates which continue to deliver significantly higher rates on the Combined Authority’s treasury management investments. This, along with higher than forecast balances due to slippage on the capital programme, has resulted in the interest receivable on already agreed investments standing at £5.0m against an original forecast for the year of £736k.										
6.2	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.										
6.3	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 have strategic importance which can be funded from this income which will deliver value to the Authority without creating an unaffordable increase in its medium term plans. Some of these important pieces of work have been identified and therefore approval is being sought to award £485k of the forecast income to specific projects to enable delivery to commence as soon as possible. Appendix 3 provides more detail on each line including a spending profile by financial year.										
6.4	<table border="1"><thead><tr><th>Investment</th><th>Total Amount</th></tr></thead><tbody><tr><td>Local Evaluation Framework initiation</td><td>£135k</td></tr><tr><td>Devolution trailblazer support</td><td>£250k</td></tr><tr><td>Development of a cultural strategy</td><td>£100k</td></tr><tr><td>Total allocated</td><td>£485k</td></tr></tbody></table>	Investment	Total Amount	Local Evaluation Framework initiation	£135k	Devolution trailblazer support	£250k	Development of a cultural strategy	£100k	Total allocated	£485k
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6.5	There may be further strategic objectives brought back for consideration for funding by the Board during the course of this financial year.										

7. Appendices

7.1	Appendix 1. Detailed breakdown of revenue income and expenditure budgets for the financial year 2023-24.
7.2	Appendix 2. Detailed breakdown of capital income and expenditure budgets for 2023-24.
7.3	Appendix 3. Details of investment proposals.

8. Implications

Financial Implications

8.1	The financial implications of the decisions are set out in the body of the report.
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Legal Implications	
8.2	<p>The Combined Authority is required to prepare a balanced budget in accordance with statutory requirements.</p> <p>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.</p>
Public Health Implications	
8.3	The projects in delivery or planned to be delivered do not have direct Public Health implications.
Environmental & Climate Change Implications	
8.4	The projects in delivery or planned to be delivered do not have direct Public Health implications.
Other Significant Implications	
8.5	There are no other significant implications.
9. Background Papers	
9.1	March Combined Authority Board item 7 (item 7.2 refers to section 5 of this paper)