



Combined Authority Board	Agenda Item
20 September 2023	9

Title:	Budget Update Report September 2023
Report of:	Nick Bell, Executive Director Resources and Performance
Lead Member:	Mayor Dr Nik Johnson
Public Report:	Yes
Key Decision:	Yes - KD2023/042
Voting Arrangements:	A simple majority of all Members present and voting

Recommendations:	
A	Note the financial position of the Combined Authority
B	Approve the reprofiling of the Market Towns programme budgets as set out in section 6.
C	Approve the proposed use of unbudgeted Treasury Management loan interest to fund the proposals 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.

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 August based on spend to the end of July.
1.2	Provide an update on the Market Town capital programme and recommend a reprofiling of the programme's budgets to reflect current delivery forecasts.
1.3	As reported at the July Board meeting the high level of interest on the Treasury Management loan portfolio is forecast to deliver a substantial (c.£6m) surplus above budget in 23-24 and the Board are asked to consider potential one-off uses of this windfall.

2. Background	
2.1	This report provides the Board with an update on its financial performance for the year including forecasts agreed with Officers in August based on spend to the end of July.
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	Following a review by the Section 73 Officer the revenue materiality thresholds have been harmonised across all revenue expenditure budgets and material variance explanations will now be provided where there is a change to the Forecast Outturn spend on revenue budgets of £200k or more, rather than £100k on corporate budgets and £250k on service revenue budgets as was the case previously. The capital threshold remains unchanged at £500k.
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3. Revenue Expenditure Position

3.1	<p>The table on the following page contains a summary of the year to the end of July (YTD) and forecast position for the end of the year as agreed by officers during August. 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 A.</p>
3.2	<p>Across the revenue budget the Combined Authority is forecasting a £2.6m 'favourable' variance against budget.</p> <p>This is driven by two material changes, with further detail in Appendix B.</p> <ul style="list-style-type: none"> £1.545m forecast underspend on the Concessionary Fares caused by bus patronage from this group of customers not fully recovering since the Covid pandemic; and £1.072m forecast underspend on the Skills Bootcamp Wave 3 programme caused by take up on a newly developed programme being lower than anticipated
3.3	The apparent negative expenditure on Finance and Procurement is due to costs being accrued for the audits of the 21-22 and 22-23 accounts, the former of which is currently nearing completion, and the latter is expected to be carried out in 2024. Due to the delay in these audits the costs have not yet been paid by the combined authority.

3.4	Revenue Expenditure to end of July £'000	Budget YTD	Actual YTD	Variance YTD	Full-year Budget	Forecast Outturn	Forecast Variance	App B ref
	Mayor's Office	1,500	1,486	-14	3,778	3,778	-	
	Precept	1,450	1,450	-	3,624	3,624	-	
	Mayor's Office	50	37	-14	154	154	-	
	Chief Execs Office	760	698	-62	3,321	3,321	-	
	Comms and Engagement	24	20	-4	52	52	-	
	Monitoring and Evaluation	24	23	-1	226	226	-	
	Response Funds	140	187	47	907	907	-	
	Strategy and Vision	-	39	39	420	420	-	
	CEX Office Staffing	572	430	-142	1,716	1,716	-	
	Resources and Performance	2,511	2,470	-41	22,148	22,211	64	
	Digital Services and Support	82	69	-13	410	410	-	
	Energy	1,448	1,414	-33	18,475	18,475	-	
	Finance and Procurement	86	-59	-145	323	423	100	
	Human Resources & Organisational Development	29	25	-3	122	130	8	
	Legal, Governance and Member Services	78	43	-35	309	259	-50	
	Other Employee Costs and Corporate Overheads	7	120	112	172	177	6	
	R&P Staffing	781	858	77	2,337	2,337	-	
	Economy and Growth	8,579	7,234	-1,346	28,385	27,331	-1,055	1
	Place and Connectivity	5,084	2,860	-2,224	17,394	15,782	-1,612	2
Grand Total	18,435	14,748	-3,687	75,026	72,423	-2,603		

4. Capital Expenditure

4.1	A summary of the 2023-24 Capital Programme including expenditure to the end of July and forecasts agreed in August is shown at the top of the next page, a project-level breakdown of the capital programme is included in Appendix A.
4.2	<p>There are 4 budgets forecasting a material variance at this stage in the year. Further detail is provided on these at Appendix B.</p> <ul style="list-style-type: none"> £6,563k reduced spend on the Affordable Homes Grant Programme caused by delays to some projects owing to finalisation of contracts and delays in supply of materials; £1,250k reduced spend on the Care Homes Retrofit Programme owing to lower than anticipated take up of the programme; £620k reduced draw-down on the Histon Road Housing Loan owing to the developer not drawing down the maximum loan facility; and £942k reduced spend on Fletton Quays Footbridge reprofiled to next financial year owing to delays in completing the design of the bridge

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 A.
5.2	<p>There are two material variances to report to the Board in this cycle:</p> <ul style="list-style-type: none"> 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 £6.8m against a budget of £749k. Further details are provided in section 7 below. The Histon Road loan is forecasting £821k higher income than was originally anticipated this year, owing to changes to the profile of the repayment of the loan facility and interest.
5.3	The total income received by the Combined Authority to the end of July is a little under £90m, 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 July 2023 £'000	Budget YTD	Actual YTD	Variance YTD	Full-year Budget	Forecast Outturn	Forecast Variance	App B Ref
Economy and Growth		8,250	1,374	-6,877	26,768	27,045	277	
Business		745	-	-745	3,111	3,111	-	
Growth		4,800	1,051	-3,749	12,326	12,326	-	
Market Town		1,905	322	-1,583	6,082	6,359	277	
SPF		-	-	-	2,850	2,850	-	
FE Cold Spots		800	-	-800	2,400	2,400	-	
Place and Connectivity		52,049	34,148	-17,902	108,645	98,810	-9,835	
Climate Action and Spatial Planning		841	-	-841	4,330	3,080	-1,250	3
Digital Connectivity		470	-	-470	1,719	1,719	-	
Housing		9,508	5,720	-3,789	19,126	11,943	-7,183	4&5
Public Transport		3,264	-	-3,264	6,258	6,258	-	
Strategic Transport		37,966	28,428	-9,538	77,212	75,810	-1,402	6
Resources and Performance		10,378	4,476	-5,902	56,724	56,724	-	
Accommodation		48	-	-48	167	167	-	
Digital Services and Support		10	-	-10	42	42	-	
Energy Hub		10,320	4,476	-5,844	56,516	56,516	-	
Grand Total		70,678	39,997	-30,681	192,137	182,579	-9,558	

	Combined Authority income to end of July 2023 £'000	Actual YTD	Full-year Budget	Forecast Outturn	Forecast Variance
	Mayor's Office	-1,450	-3,624	-3,624	-
	Chief Execs Office	-39	-	-	-
	Economy and Growth	-13,044	-26,847	-26,762	85
	Place and Connectivity	-40,267	-48,952	-49,773	-821
	Resources and Performance	-27,866	-79,641	-85,705	-6,064
	Grand Total	-82,665	-159,064	-165,864	-6,801

6. Budget Changes - Market Towns Programme

6.1	In July 2021, CPCA funding of £13.1m was allocated across the market towns, with district authority leads able to bid for capital funds for each town. Proposals were invited to support the mobilisation of each Masterplan and against activities which addressed the needs and those interventions required to drive targeted growth and sustained regeneration for each town, especially in a post Covid-19 economy.					
6.2	In November 2022, the Combined Authority Board approved updated expenditure profiles for the programme. Unfortunately, post Covid issues around contractors and increased material costs have impacted on project delivery across the Programme. This has been further exacerbated by the recent 'cost of living' crisis affecting the cost of goods and services.					
6.3	Project leads in district councils are having to deal with increased lead-times and costs for materials and labour. Most projects have been able to minimise this impact through extending delivery and completion dates. CPCA officers have been working closely with each district council project lead to discuss and update delivery and expenditure profiles and forecast completion dates.					
6.4	Most significantly is the request received from Huntingdonshire District Council to reprofile £3,100,000 CPCA funding on the St Neots Future High Streets Fund project from 2023-24 to 2024-25.					
6.5	In March 2023 the Combined Authority Board approved the last 10 projects within the market towns programme with an overall expenditure profile into 2025-26 however formal approval to reflect the budget change was not included in the paper. In order to update the budgets to reflect the programme of projects approved in March the Board are asked to correspondingly agree the following update to the programme's budget:					
6.6	£'000	Prior years	2023-24	2024-25	2025-26	Total
	November 2022 profile	£7,195	£5,905	-	-	£13,100
	Revised profile	£4,363	£4,358	£4,254	£125	£13,100
	Difference	-£2,832	-£1,547	£4,254	£125	-
6.7	Appendix B shows a breakdown of spend and revised budget by market town for the Board's reference.					

7. 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 later than forecast spend on the capital programme, has resulted in the interest receivable on already contracted investments standing at £6.8m against an original forecast for the year of £736k, an unbudgeted surplus of £6.064m.					
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	<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>Officers have identified further potential investment proposals which will better enable the Combined Authority to deliver of its strategic objectives. A summary of each proposal is included as Appendix C.</p>																						
6.4		<table border="1"> <thead> <tr> <th data-bbox="467 365 983 405">Investment Proposal</th> <th data-bbox="997 365 1219 405">Total Amount</th> </tr> </thead> <tbody> <tr> <td data-bbox="467 414 983 454">Demand Responsive Transport pilot</td> <td data-bbox="997 414 1219 454">£300k</td> </tr> <tr> <td data-bbox="467 463 983 504">Civil Parking Enforcement</td> <td data-bbox="997 463 1219 504">£150k</td> </tr> <tr> <td data-bbox="467 512 983 553">Bus Reform consultation</td> <td data-bbox="997 512 1219 553">£150k</td> </tr> <tr> <td data-bbox="467 562 983 602">Developing climate evidence and data</td> <td data-bbox="997 562 1219 602">£150k</td> </tr> <tr> <td data-bbox="467 611 983 651">Delivering the Climate Action Plan</td> <td data-bbox="997 611 1219 651">£110k</td> </tr> <tr> <td data-bbox="467 660 983 701">Local Area Energy Plan</td> <td data-bbox="997 660 1219 701">£60k</td> </tr> <tr> <td data-bbox="467 710 983 750">Future Fens</td> <td data-bbox="997 710 1219 750">£70k</td> </tr> <tr> <td data-bbox="467 759 983 884">Delivering Health & Wellbeing Strategy Skills</td> <td data-bbox="997 759 1219 884">£500k</td> </tr> <tr> <td data-bbox="467 893 983 934" style="text-align: center;">Total allocated</td> <td data-bbox="997 893 1219 934" style="text-align: center;">£1.49m</td> </tr> </tbody> </table>	Investment Proposal	Total Amount	Demand Responsive Transport pilot	£300k	Civil Parking Enforcement	£150k	Bus Reform consultation	£150k	Developing climate evidence and data	£150k	Delivering the Climate Action Plan	£110k	Local Area Energy Plan	£60k	Future Fens	£70k	Delivering Health & Wellbeing Strategy Skills	£500k	Total allocated	£1.49m	
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6.5	<p>The total of the items above, along with the £485k approved at the previous meeting accounts for £1.975m of the £6.064m unbudgeted surplus, leaving £4.089m. It is proposed that this be temporarily allocated to the Programme Response Fund and that further proposals are requested from Officers regarding options to use a portion of this Fund 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.</p>																						

8. Appendices

7.1	Appendix A. Detailed breakdown of revenue income and expenditure budgets for the financial year 2023-24.
7.2	Appendix B. Material Variance Explanations
7.3	Appendix C. Details of investment proposals
7.4	Appendix D. Market Town breakdown of proposed programme spend and budget

9. Implications

Financial Implications

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

Legal Implications

8.2 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.

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.
Background Papers	
9.1	March CA Board paper: Market Towns Programme – Approval of Final Project Proposal (Funding Call 10 – March 2023)