



SKILLS COMMITTEE	AGENDA ITEM No: 3.4
27 APRIL 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 February budget and performance monitoring update. (b) Note the forecast underspends as set out in the report. (c) Note that 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 Combined Authority 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 eleven-month period to 29th February 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 29 Feb 2020	Forecast Outturn (Feb)	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	166.1	306.0	-38.2
3.3.b	University of Peterborough Taught Degree Awarding Powers	0.0	201.9	201.9	182.9	190.8	-11.1
3.3.c	University of Peterborough	235.0		235.0	290.1	265.0	30.0
	Skills Strategy Programme Delivery	150.0		150.0	148.0	148.0	-2.0
	AEB Devolution programme - Grant	5576.3		5576.3	5118.9	5595.0	18.7
3.3.d	AEB Devolution programme - ITP	1282.3		1282.3	379.6	589.0	-693.3
3.3.e	AEB Programme Costs	115.4		115.4	111.0	87.0	-28.4
3.3.f	Health and Social Care Work Academy	1500.0		1500.0	267.1	500.0	-1000.0
	EU Exit Funding	90.9		90.9	63.9	90.9	0.0
	Growth Company Development	63.0		63.0	32.6	63.0	0.0
	Total Business and Skills	9467.1	201.9	9669.0	6869.8	7944.3	-1724.7
	Economic Strategy						
	Growth Hub	92.2		92.2	50.1	92.2	0.0
3.3.g	Market Town Strategy Implementation	200.0		200.0	75.5	75.0	-125.0
3.3.h	Energy Hub	615.4		615.4	14.5	420.0	-195.4
3.3.h	Rural Communities Energy Fund	1052.5		1052.5	0.0	400.0	-652.5
3.3.i	St Neots Masterplan Revenue	171.9		171.9	45.6	150.0	-21.9
3.3.j	Trade and Investment Programme	100.0		100.0	50.0	77.0	-23.0
3.3.g	CPCA LIS Implementation	200.0		200.0	167.2	189.0	-11.0
3.3.k	LEP Capacity Funding	400.0	-80.0	320.0	43.4	145.0	-175.0
	Skills Advisory Panel (SAP)	75.0		75.0	15.2	75.0	0.0
	Total Economic Strategy	2907.0	-80.0	2827.0	461.5	1623.2	-1203.8
	Total Revenue Expenditure	12374.1	121.9	12496.0	7331.3	9567.5	-2928.5

- 3.2 The Forecast Outturn as set out in the table above shows a reduction in expected costs for the year of £2,928.5k compared to the budget. This is an increase of £1,093.2k compared to last months report, £1,000k of this is caused

by the Health & Social Care Work Academy as detailed in 3.3.f. '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 £38.2k, 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) University of Peterborough will overspend in this financial year as the cost for the procurement of the legal support was not budgeted within the original programme budget. The estimate for this is £178k for the project, however, this cost will be spread across both this financial year 2019/20, and next year 2020/21. A proportion of this cost will be offset by some underspends within the Business & Skills individual budget lines, such as UoP Taught Degree Awarding Powers, Skills Strategy Programme Delivery and LIS Implementation. The balance of the overspend will be funded from the corporate budget. A new budget line will be created to fully identify these costs for next year.
- (d) The AEB – ITP expenditure was forecast to be £878k below the original forecast as at the end of February, however, some providers have performed to the levels they were first expected to in the original budget , and as a consequence, their drawdown has increased. This has had the effect of reducing the potential underspend to £693.3k. 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.
- (e) AEB programme costs are projected to come in under budget by £28.4k, 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 Board.
- (f) The Health & Social Care Work Academy was anticipated to have fully spent it's budget this year with a drawdown being made during March. However, further to protracted negotiations with DWP this project will

now be remaining with the CPCA and it is unlikely that this funding will be drawn in March.

- (g) The £125k forecast underspend for the Market Town Strategy Implementation is due to timing delays with local district councils carrying out the feasibility studies. This figure has increased by @£25k since last month. There will potentially 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.
- (h) 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.
- (i) The St. Neots Masterplan project has had its core element of the footbridge removed and this has now caused further delays and also some doubt regarding the elements of this project. This therefore means that there will an underspend this year, and this will be recommended to be allocated into next year's budget.
- (j) The underspend of £23k for Trade & Investment has come about due to lower costs incurred than expected. This project has another year within the budget and this underspend will be applied to be carried into next year where it may be repurposed for COVID-19 funding.
- (k) Local Enterprise Partnership (LEP) Capacity Funding is currently showing a potential underspend of £175k, due to allocations not having taken place yet this financial year.
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 29th February 2020, is set out in the table below.

	<u>Capital</u>	<u>MTFP Refresh Budget</u>	<u>Budget Adjustments</u>	<u>Revised 19-20 Budget</u>	<u>Actuals to 29 Feb 2020</u>	<u>Forecast Outturn (Feb)</u>	<u>Forecast Outturn Variance</u>
		£m	£m	£m	£m	£m	£m
3.5	Peterborough University - Business case	1.52		1.52	0.23	0.30	-1.2
	Total Committed Direct Control Expenditure	1.52	0.00	1.52	0.23	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	0.23	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 Appendix 1 shows the Skills Performance Dashboard, with an update on delivery against the following growth outcomes at the heart of the Devolution Deal (of which outcomes are embodied in the business cases which the Board and Committee consider):
- Prosperity (measured by Gross Value Added (GVA))
 - Housing
 - Jobs
- 4.3 These metrics are updated to align with the Board Performance reports.

4.4 Appendix 1 also shows the current RAG status for Skills' projects, as at the end of March 2020.

4.4 Three projects have been downgraded to Red this month due to the COVID-19 outbreak having an impact on their performance.

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	674.6	11,623.5
AEB Programme Costs	564.1	28.4	592.5
Marketing and Promotion of Services	95.0	-	95.0
Careers and Enterprise Company	80.5	-	80.5
Energy Hub	697.8	195.4	893.2
EU Exit Funding	181.8	-	181.8
Growth Hub	246.0	-	246.0
Health and Care Sector Work Academy	1,100.0	1,000	2,100.0
LEP Capacity Funding	-	175	175
LIS Implementation	195.0	-	195.0
Local Growth Fund Costs	480.0	-	480.0
Market Town Implementation of Strategies	175.0	125	300.0
Rural Community Energy Fund	1,713.2	652.5	2,365.7
Skills Advisory Panel (DfE)	75.0	-	75.0
Skills Brokerage	75.0	38.2	113.2
Skills Strategy Implementation	125.0	-	125.0
St Neots Masterplan	167.0	21.9	188.9
Trade and Investment Programme	100.0	23.0	123.0
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