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| <b>OVERVIEW AND SCRUTINY COMMITTEE</b> | <b>AGENDA ITEM No: 5</b> |
| <b>27 JANUARY 2020</b>                 | <b>PUBLIC REPORT</b>     |

## **2020/21 DRAFT BUDGET AND MEDIUM-TERM FINANCIAL PLAN 2020 TO 2024**

### **1. PURPOSE**

- 1.1. This paper provides an update to the preparation and approval of the Combined Authority and Mayoral draft budgets for 2020/21 and of the Medium-Term Financial Plan (MTFP) for the period 2020/21 to 2023/24.

### **2. BACKGROUND**

- 2.1. According to the Constitution, functions reserved to the Combined Authority Board include the adoption of the non-mayoral Combined Authority budgets, the Medium-Term Financial Plan and the Capital Programme.
- 2.2. The process of the approval of the Mayoral budget is set out in the 'The Combined Authorities (Finance) Order 2017'

#### **Budget Development Timetable**

- 2.3. According to the Constitution, "The draft Budget shall be submitted to the Combined Authority Board for consideration and approval for consultation purposes only, before the end of December each year. The Combined Authority Board will also agree the timetable for consultation and those to be consulted. The consultation period shall not be less than four weeks, and the consultees shall include Constituent Authorities, the Local Enterprise Partnership and the Overview and Scrutiny Committee."

The approved budget setting timetable for the draft budget and MTFP is as follows:

| <b>Proposed Budget Setting Timetable Draft 2020/21 Budget and MTFP</b>                 | <b>Day</b> | <b>Date</b> |
|----------------------------------------------------------------------------------------|------------|-------------|
| Leaders Strategy Meeting – 2020/21 Budget and MTFP Draft Paper                         | Wed        | 13/11/19    |
| Overview and Scrutiny Committee Meeting (to receive the draft Budget and MTFP)         | Mon        | 25/11/19    |
| CPCA Board Meeting (to receive and approve the draft Budget and MTFP for consultation) | Wed        | 27/11/19    |
| Budget Consultation Period Starts                                                      | Thu        | 28/11/19    |
| Overview and Scrutiny Committee Meeting (Consultation)                                 | Fri        | 16/12/19    |
| Budget Consultation Ends                                                               | Tue        | 31/12/19    |
| Overview and Scrutiny Committee Meeting                                                | Mon        | 27/01/20    |
| CPCA Board Meeting to Approve 2020/21 Budget and MTFP                                  | Wed        | 29/01/20    |

#### **Key Dates and Statutory Deadlines**

| Date                                                                                            | Activity                                                                                                                                    |
|-------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Tuesday 31 <sup>st</sup> December 2019                                                          | Deadline for Draft CA budget to the CA for consideration and approval for consultation (Budget Framework).                                  |
| Not less than 4 weeks Duration                                                                  | Consultation period (Budget Framework)                                                                                                      |
| Friday 31 <sup>st</sup> January 2020                                                            | Deadline for the Mayor to notify the CA of the Mayor's draft budget for 2020/21 (Finance Order)                                             |
| Friday 31 <sup>st</sup> January 2020                                                            | Deadline for proposed CA budget to be submitted to the CA Board, including consultation responses and the Mayor's budget (Budget Framework) |
| Within five working days of above                                                               | CA Board shall meet to consider the budget and may agree a report (Budget Framework)                                                        |
| At least five working days of report published if amendments to the Mayor's Budget are proposed | CA Board shall meet to re-consider the budget (Budget Framework)                                                                            |
| Thursday 6 <sup>th</sup> February 2020                                                          | Deadline for CA to report on the Mayor's draft budget (Finance Order)                                                                       |
| At least five days from receipt of report                                                       | Deadline for the Mayor to respond to the CA report (Finance Order)                                                                          |
| 5 Days after end of deadline period above                                                       | Deadline CA to veto or approve Mayor's draft budget (Finance Order)                                                                         |
| Friday 28 <sup>th</sup> February 2020                                                           | Deadline for the issue of any precept to a billing authority in accordance with s40 of the Local Government Finance Act 1992                |

## Consultation

- 2.4. Following the approval of the draft budget and MTFP for consultation purposes by the Board on 27th November 2019, the Combined Authority contacted the agreed list of consultees seeking views on the consultation document. The Communications team posted the consultation document on the Combined Authority's website (link below) and invited feedback and comments from members of the public through social media.

<https://cambridgeshirepeterborough-ca.gov.uk/news/consultation-cpca-draft-budget-202021>

- 2.5. The draft budget and MTFP were also discussed at the Overview and Scrutiny Committee meeting held on 16th December 2019 as part of the consultation process.
- 2.6. The Overview & Scrutiny Committee put forward the following 'issues' as its response to the consultation to the budget proposals:
- i) Concerns about the jump in the Mayor's allowance budget line
  - ii) Concerns about the jump in the line of Chief Executives' costs
- 2.7. Responses to the Overview and Scrutiny Committee on the issues included the following:
- i) The draft budget and MTFP for 2021/22 reflects the recommendation of the Independent Remuneration Panel plus indexation and oncosts. The increase over previous years is due to the Mayor choosing not to take the recommended increase during the current Mayoral term.
  - ii) The increase in the draft staffing costs of the Chief Executive (and support) budget between 20/21 and 21/22 is due to the current arrangement of having joint chief executives until May 2021 coming to an end. The assumption in the draft MTFP is that from May 2021, there will be a single permanent Chief Executive in post. There is currently a saving achieved from the joint Chief Executives arrangement.

As at 10 January 2020, no other formal responses to the consultation had been received.

As a result of an internal review of the draft budget, the following updates are to be proposed to the Board.

1. The November Combined Authority Board approved a loan from the £40m recycling housing loan fund which brought the total loan amount awarded to 41.135m. The budget already assumed the allocation of the full £40m so the only additional expenditure recognised was the £1.135m above this. As the loan had not yet been contracted the repayments have not been accounted for following prudential practice.
2. LGF project pipeline expenditure has been increased by £1m in 2020-21 to account for a projected £1m balance on the fund after March 2021.
3. £1.965m contracted LGF loan repayments increase to reflect loans contracted between paper deadline and Board date.
4. Movement of £795k budget for A605 Oundle Road Widening from 'subject to approval' to 'approved' reflecting the decision made at the November 2019 Combined Authority Board meeting.
5. £60m Affordable Housing fund moved from 'subject to approval' to 'approved' as these funds can be awarded by Housing and Communities Committee rather than needing a further decision by the Board.
6. £1m M11 Junction 8 Local Growth Fund allocation reclassified as 'approved' reflecting a November 2018 Combined Authority Board decision.
7. Application of the Rural Communities Energy Funding to match the £2.03m expenditure on the project. This had previously been shown as funded by revenue gainshare.
8. The redesign of a specific Business and Skills (B&S) 'Marketing and Promotion' budget line from existing B&S revenue budgets saving £80k over 4 years.
9. Allocation of £10k of the Combined Authority's corporate Conferences, Seminars & Training budget to a Mayoral Conference budget.
10. The reclassification of the £250k A10 dualling budget from 'capital' to 'revenue' to reflect the nature of the work.
11. An update to the Transport levies to Cambridgeshire County Council and Peterborough City Council to reflect the balances as reviewed and recommended by the Transport Committee on 9 January 2020.

The impact of these changes to the Revenue and Capital Funding Summary Tables are as follows:

### Summaries from consultation papers:

|                              | 2020/21           |                      |                                 |                     | 2021/22           |                      |                                 |                     | 2022/23           |                      |                                 |                     | 2023/24           |                      |                                 |                     |
|------------------------------|-------------------|----------------------|---------------------------------|---------------------|-------------------|----------------------|---------------------------------|---------------------|-------------------|----------------------|---------------------------------|---------------------|-------------------|----------------------|---------------------------------|---------------------|
| Source of Funding            | Available Funds   | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End | Available Funds   | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End | Available Funds   | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End | Available Funds   | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End |
|                              | £,000             | £,000                | £,000                           | £,000               | £,000             | £,000                | £,000                           | £,000               | £,000             | £,000                | £,000                           | £,000               | £,000             | £,000                | £,000                           | £,000               |
| Revenue Single Pot           | (18,220.7)        | 10,323.4             | 3,392.9                         | (4,504.4)           | (12,504.4)        | 8,336.7              | 200.0                           | (3,967.7)           | (11,707.7)        | 7,807.2              | 136.0                           | (3,964.5)           | (11,704.5)        | 8,475.4              | 70.0                            | (3,159.1)           |
| Earmarked Reserves           | (3,342.1)         | 500.0                | -                               | (2,842.1)           | (2,842.1)         | 1,280.0              | -                               | (1,562.1)           | (1,822.1)         | 500.0                | -                               | (1,322.1)           | (1,582.1)         | 62.0                 | -                               | (1,520.1)           |
| Enterprise Zone Receipts     | (957.6)           | 408.2                | -                               | (549.4)             | (1,548.6)         | 408.2                | -                               | (1,140.4)           | (2,997.6)         | 530.6                | -                               | (2,067.0)           | (3,524.2)         | 530.6                | -                               | (2,993.6)           |
| Adult Education Budget (AEB) | (11,513.1)        | 11,513.1             | -                               | -                   | (11,513.1)        | 11,513.1             | -                               | -                   | (11,513.1)        | 11,513.1             | -                               | -                   | (11,513.1)        | 11,513.1             | -                               | -                   |
| Transport Levy               | (12,616.4)        | 12,616.4             | -                               | -                   | (12,868.7)        | 12,868.7             | -                               | -                   | (13,126.2)        | 13,126.2             | -                               | -                   | (13,388.8)        | 13,388.8             | -                               | -                   |
| Other Funding                | (6,056.3)         | 2,777.6              | -                               | (3,278.7)           | (4,229.7)         | 2,046.0              | -                               | (2,183.7)           | (2,929.7)         | 748.0                | -                               | (2,183.7)           | (2,929.7)         | 748.0                | -                               | (2,183.7)           |
| <b>Total</b>                 | <b>(52,706.2)</b> | <b>38,138.7</b>      | <b>3,392.9</b>                  | <b>(11,174.6)</b>   | <b>(45,506.6)</b> | <b>36,452.7</b>      | <b>200.0</b>                    | <b>(8,853.9)</b>    | <b>(43,696.4)</b> | <b>34,023.1</b>      | <b>136.0</b>                    | <b>(9,537.3)</b>    | <b>(44,642.4)</b> | <b>34,715.9</b>      | <b>70.0</b>                     | <b>(9,856.5)</b>    |

|                             | 2020/21                 |                      |                                 |                     | 2021/22                 |                      |                                 |                     | 2022/23                 |                      |                                 |                     | 2023/24                 |                      |                                 |                     |
|-----------------------------|-------------------------|----------------------|---------------------------------|---------------------|-------------------------|----------------------|---------------------------------|---------------------|-------------------------|----------------------|---------------------------------|---------------------|-------------------------|----------------------|---------------------------------|---------------------|
| Source of Funding           | Available Funds In Year | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End | Available Funds In Year | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End | Available Funds In Year | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End | Available Funds In Year | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End |
|                             | £,000                   | £,000                | £,000                           | £,000               | £,000                   | £,000                | £,000                           | £,000               | £,000                   | £,000                | £,000                           | £,000               | £,000                   | £,000                | £,000                           | £,000               |
| Capital Gainshare           | (53,029.9)              | 18,172.9             | 11,886.6                        | (22,970.4)          | (34,970.4)              | 9,837.0              | 25,618.5                        | 485.1               | (11,514.9)              | -                    | 4,753.5                         | (6,761.4)           | (18,761.4)              | -                    | 5,720.9                         | (13,040.5)          |
| Transforming Cities Fund    | (24,476.6)              | 7,612.0              | 16,864.6                        | -                   | (30,000.0)              | 13,103.5             | 16,896.5                        | -                   | (21,000.0)              | 896.8                | 20,103.2                        | -                   | -                       | -                    | -                               | -                   |
| Cambridge City £70m         | (35,254.1)              | 27,954.0             | -                               | (7,300.1)           | (7,300.1)               | 7,300.1              | -                               | 0.0                 | -                       | -                    | -                               | -                   | -                       | -                    | -                               | -                   |
| Housing Infrastructure £60m | (50,362.8)              | 3,941.1              | 8,711.8                         | (37,709.9)          | (37,709.9)              | 3,429.2              | 15,806.8                        | (18,473.9)          | (18,473.9)              | -                    | 6,759.6                         | (11,714.3)          | (11,714.3)              | -                    | 11,714.3                        | -                   |
| Housing Loans £40m          | (34,395.0)              | 5,605.0              | -                               | (28,790.0)          | (34,560.0)              | -                    | -                               | (34,560.0)          | (34,560.0)              | -                    | -                               | (34,560.0)          | (34,560.0)              | -                    | -                               | (34,560.0)          |
| Local Growth Fund           | (71,383.3)              | 60,892.6             | 1,000.0                         | (9,490.7)           | (9,803.3)               | -                    | -                               | (9,803.3)           | (10,704.9)              | -                    | -                               | (10,704.9)          | (10,971.8)              | -                    | -                               | (10,971.8)          |
| Highways Maintenance Grant  | (23,080.0)              | 23,080.0             | -                               | -                   | (23,080.0)              | 23,080.0             | -                               | -                   | (23,080.0)              | 23,080.0             | -                               | -                   | (23,080.0)              | 23,080.0             | -                               | -                   |
| Total                       | (291,981.7)             | 147,257.6            | 38,463.0                        | (106,261.1)         | (177,423.7)             | 56,749.8             | 58,321.8                        | (62,352.1)          | (119,333.7)             | 23,976.8             | 31,616.3                        | (63,740.6)          | (99,087.5)              | 23,080.0             | 17,435.2                        | (58,572.3)          |

**Refreshed versions – if proposed updates are accepted**

### CPCA Revenue Funding Summary

|                          | 2020/21         |                      |                                 |                     | 2021/22         |                      |                                 |                     | 2022/23         |                      |                                 |                     | 2023/24         |                      |                                 |                     |
|--------------------------|-----------------|----------------------|---------------------------------|---------------------|-----------------|----------------------|---------------------------------|---------------------|-----------------|----------------------|---------------------------------|---------------------|-----------------|----------------------|---------------------------------|---------------------|
| Source of Funding        | Available Funds | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End | Available Funds | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End | Available Funds | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End | Available Funds | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End |
|                          | £,000           | £,000                | £,000                           | £,000               | £,000           | £,000                | £,000                           | £,000               | £,000           | £,000                | £,000                           | £,000               | £,000           | £,000                | £,000                           | £,000               |
| Revenue Single Pot       | (18,220.7)      | 8,985.3              | 3,267.9                         | (5,967.5)           | (13,967.5)      | 8,022.2              | 200.0                           | (5,745.3)           | (13,485.3)      | 7,607.2              | 136.0                           | (5,742.1)           | (13,482.1)      | 8,475.4              | 70.0                            | (4,936.7)           |
| Earmarked Reserves       | (3,342.1)       | 500.0                | -                               | (2,842.1)           | (2,842.1)       | 1,280.0              | -                               | (1,562.1)           | (1,822.1)       | 500.0                | -                               | (1,322.1)           | (1,582.1)       | 62.0                 | -                               | (1,520.1)           |
| Enterprise Zone Receipts | (957.6)         | 638.2                | -                               | (319.4)             | (1,318.6)       | 687.2                | -                               | (631.4)             | (2,088.6)       | 948.6                | -                               | (1,140.0)           | (2,597.2)       | 530.6                | -                               | (2,066.6)           |
| Adult Education Budget   | (11,513.1)      | 11,513.1             | -                               | -                   | (11,513.1)      | 11,513.1             | -                               | -                   | (11,513.1)      | 11,513.1             | -                               | -                   | (11,513.1)      | 11,513.1             | -                               | -                   |
| Transport Levy           | (12,347.6)      | 12,347.6             | -                               | -                   | (12,594.6)      | 12,594.6             | -                               | -                   | (12,846.5)      | 12,846.5             | -                               | -                   | (13,103.4)      | 13,103.4             | -                               | -                   |
| Other Funding            | (6,056.3)       | 4,490.8              | -                               | (1,565.5)           | (2,516.5)       | 2,360.4              | -                               | (156.1)             | (902.1)         | 746.0                | -                               | (156.1)             | (902.1)         | 746.0                | -                               | (156.1)             |
| Total                    | (52,437.4)      | 38,475.0             | 3,267.9                         | (10,694.5)          | (44,752.4)      | 36,457.5             | 200.0                           | (8,094.9)           | (42,657.7)      | 34,161.4             | 136.0                           | (8,360.3)           | (43,180.0)      | 34,430.5             | 70.0                            | (8,679.5)           |

### CPCA Capital Funding Summary

|                             | 2020/21                 |                      |                                 |                     | 2021/22                 |                      |                                 |                     | 2022/23                 |                      |                                 |                     | 2023/24                 |                      |                                 |                     |
|-----------------------------|-------------------------|----------------------|---------------------------------|---------------------|-------------------------|----------------------|---------------------------------|---------------------|-------------------------|----------------------|---------------------------------|---------------------|-------------------------|----------------------|---------------------------------|---------------------|
| Source of Funding           | Available Funds In Year | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End | Available Funds In Year | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End | Available Funds In Year | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End | Available Funds In Year | Approved Expenditure | Subject to Approval Expenditure | Balance at Year End |
|                             | £,000                   | £,000                | £,000                           | £,000               | £,000                   | £,000                | £,000                           | £,000               | £,000                   | £,000                | £,000                           | £,000               | £,000                   | £,000                | £,000                           | £,000               |
| Capital Gainshare           | (53,029.9)              | 18,171.9             | 11,091.6                        | (23,220.4)          | (35,220.4)              | 9,837.0              | 25,618.5                        | 235.1               | (11,764.9)              | -                    | 4,753.5                         | (7,011.4)           | (19,011.4)              | -                    | 5,720.9                         | (13,290.5)          |
| Transforming Cities Fund    | (24,476.6)              | 7,612.0              | 16,864.6                        | -                   | (30,000.0)              | 13,103.5             | 16,896.5                        | -                   | (21,000.0)              | 896.8                | 20,103.2                        | -                   | -                       | -                    | -                               | -                   |
| Cambridge City £70m         | (35,254.1)              | 27,954.0             | -                               | (7,300.1)           | (7,300.1)               | 7,300.1              | -                               | 0.0                 | -                       | -                    | -                               | -                   | -                       | -                    | -                               | -                   |
| Housing Infrastructure £60m | (50,362.8)              | 12,652.9             | -                               | (37,709.9)          | (37,709.9)              | 19,236.0             | -                               | (18,473.9)          | (18,473.9)              | 6,759.6              | -                               | (11,714.3)          | (11,714.3)              | 11,714.3             | -                               | (0.0)               |
| Housing Loans £40m          | (34,395.0)              | 6,739.8              | -                               | (27,655.2)          | (33,425.2)              | -                    | -                               | (33,425.2)          | (33,425.2)              | -                    | -                               | (33,425.2)          | (33,425.2)              | -                    | -                               | (33,425.2)          |
| Local Growth Fund           | (71,594.3)              | 62,892.6             | -                               | (8,701.7)           | (9,625.4)               | -                    | -                               | (9,625.4)           | (11,111.8)              | -                    | -                               | (11,111.8)          | (11,937.3)              | -                    | -                               | (11,937.3)          |
| Highways Maintenance        | (23,080.0)              | 23,080.0             | -                               | -                   | (23,080.0)              | 23,080.0             | -                               | -                   | (23,080.0)              | 23,080.0             | -                               | -                   | (23,080.0)              | 23,080.0             | -                               | -                   |
| Total                       | (292,192.7)             | 159,649.2            | 27,956.2                        | (104,587.3)         | (176,361.0)             | 72,556.6             | 42,515.0                        | (61,289.4)          | (118,855.8)             | 30,736.4             | 24,856.7                        | (63,262.7)          | (99,168.2)              | 34,794.3             | 5,720.9                         | (58,653.0)          |

## 3. LEGAL IMPLICATIONS

The budget setting process is as set out in the Constitution.

## 4. SIGNIFICANT IMPLICATIONS

The budget, MTFP and capital programme form the CPCA's financial planning for delivery of projects and programmes over the next 4 years. Therefore, it will have significant implications for the community of the area and beyond.

## 5. **APPENDICES**

None

| <b><u>Source Documents</u></b>  | <b><u>Location</u></b>                                                                                                                                                                        |
|---------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Combined Authority Constitution | <a href="https://cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/Constitution-2019-10-24.pdf">https://cambridgeshirepeterborough-ca.gov.uk/assets/Uploads/Constitution-2019-10-24.pdf</a> |
| Consultation document           | <a href="https://cambridgeshirepeterborough-ca.gov.uk/news/consultation-cpca-draft-budget-202021">https://cambridgeshirepeterborough-ca.gov.uk/news/consultation-cpca-draft-budget-202021</a> |