



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

Overview and Scrutiny Briefing – 23/24 MTFP

17th October 2022

Agenda

- Update on the budget planning process for the 2023-24 Budget and MTFP
- Review of the current position of the Budget and MTFP
- Significant Emerging Pressures
- Potential Levers: Un-committed projects
- Potential Levers: Funding and efficiency options

Where we are now

The Combined Authority approved the 2022/23 budget and MTFP in January 2022, including a number of new climate-related project proposals.

This was then amended in March with the addition of further transport and skills projects, it was highlighted to the Board at the time that:

“the inclusion of the proposed projects will allocate the vast majority of the Combined Authority’s capital headroom over the next 3 years with balances increasing again in year 4 as projects tail off. Approval therefore will mean that any significant further investment will either need to be funded by new income, supported by borrowing in the short-term, or displace existing commitments”

Where we are now

Senior officers in each area have reviewed their budget lines and provided updates.

Some changes have been incorporated into the revised baseline: profiling updates, unavoidable pressures (contractual) and new project funding and expenditure (e.g. UK SPF).

Larger pressures, which may require policy decisions, have been identified and are highlighted later for consideration.

We recognise that an overarching strategy for the future of the Combined Authority is being developed, through the improvement plan – where emerging impacts are quantifiable these will be included in the developing MTFP.

What happens next

Now: O&S October Briefing

Wider Member and stakeholder engagement during October on draft budget and proposals as steered by Leader's Strategy Session.

11th November – LSM to review updated budget following engagement sessions

Draft Budget and MTFP paper presented to CA Board on 30th November

Statutory consultation from 1st to 31st December

Responses to the consultation are summarised and presented to Mayor & Deputies & LSM ahead of the final budget being approved by CA Board in January.

Post – January: as improvement plan impacts emerge the Budget and MTFP may have to be revisited in-year if exceeds the £750k provision set aside in 2022-23.

Updates to the baseline

To account for the **current inflation** figures, and cost of living impact, we have increased the staffing budget to allow for 5% for 23/24 then 4% each year from 24/25 – this is in-line with feedback received from other Combined Authorities.

Capital contingency – individual approved project budgets are required to include contingency funding, including for inflation, however an allowance has been made corporately to enable some flexibility if there are exceptional pressures beyond what was included when a project was approved.

The revenue allowance for borrowing costs has been removed, this was done as there are currently no projects funded by borrowing in the capital programme and it is anticipated that any future projects which were to rely on borrowing would have to demonstrate their ability to cover their borrowing costs to be considered prudential.

The forecast **income from our Treasury Management** portfolio has been increased to reflect the increasing UK inflation rates and anticipated higher income this will result in.

Predicated on the **assumption that DLUHC funding will be un-paused** reflecting the ongoing work on the improvement plan.

The baseline financial position

	2022/23					2023/24					2024/5					2025/6					2026/27				
Source of Funding	Forecast balance at 1/4/22	In-year income	Approved Expenditure	Subject to Approval Expenditure	Balance at Year End	In-year income	Approved Expenditure	Subject to Approval Expenditure	Balance at Year End	In-year income	Approved Expenditure	Subject to Approval Expenditure	Balance at Year End	In-year income	Approved Expenditure	Subject to Approval Expenditure	Balance at Year End	In-year income	Approved Expenditure	Subject to Approval Expenditure	Balance at Year End	In-year income	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	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Revenue Single Pot	(10,951)	(8,930)	9,285	1,695	(8,901)	(7,740)	6,358	2,119	(8,164)	(7,740)	7,707	1,841	(6,356)	(8,000)	8,559	1,517	(4,280)	(7,740)	8,358	1,390	(2,272)				
Earmarked Reserves	(2,466)	(471)	889	-	(2,047)	(260)	696	-	(1,611)	(416)	466	-	(1,561)	-	780	-	(781)	(260)	-	-	(1,041)				
Transport Levy	(748)	(13,230)	13,230	-	(748)	(13,495)	13,495	-	(748)	(13,764)	13,764	-	(748)	(14,040)	14,040	-	(748)	(14,321)	14,321	-	(748)				
Business Board Revenue Funds	(589)	(1,117)	1,154	-	(552)	(1,033)	806	-	(779)	(1,004)	388	-	(1,395)	(986)	388	-	(1,993)	(986)	388	-	(2,591)				
Other Business	(58)	(2,822)	2,057	810	(12)	(2,301)	779	1,522	(12)	(5,605)	739	4,866	(12)	(621)	621	-	(12)	(621)	621	-	(12)				
EU funds	-	(3,838)	3,496	-	(342)	(635)	977	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Net Zero Hub	(23,197)	-	22,554	-	(643)	-	488	-	(155)	-	-	-	(155)	-	-	-	(155)	-	-	-	(155)				
Adult Education Budget (AEB)	(2,337)	(12,927)	13,304	-	(1,960)	(12,927)	12,927	-	(1,960)	(12,927)	12,927	-	(1,960)	(12,927)	12,927	-	(1,960)	(12,927)	12,927	-	(1,960)				
Other Skills	(4,365)	(6,226)	9,565	-	(1,026)	(1,495)	2,599	-	78	(1,395)	1,472	-	155	-	-	-	155	-	-	-	155				
Other transport	(501)	(1,084)	748	-	(838)	(411)	411	-	(838)	(411)	411	-	(838)	(411)	411	-	(838)	(411)	411	-	(838)				
Total	(45,212)	(50,645)	76,283	2,505	(17,069)	(40,297)	39,535	3,641	(14,189)	(43,262)	37,875	6,707	(12,870)	(36,985)	37,726	1,517	(10,612)	(37,265)	37,026	1,390	(9,462)				

2022/23					2023/24					2024/5					2025/6					2026/27				
Source of Funding	In-year income	Approved Expenditure	Subject to Approval Expenditure	Balance at Year End	In-year income	Approved Expenditure	Subject to Approval Expenditure	Balance at Year End	In-year income	Approved Expenditure	Subject to Approval Expenditure	Balance at Year End	In-year income	Approved Expenditure	Subject to Approval Expenditure	Balance at Year End	In-year income	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	£,000	£,000	£,000	£,000				
Capital Single Pot	(31,500)	38,473	43,556	(19,141)	(12,000)	13,510	15,538	(2,093)	(12,000)	5,661	7,624	(808)	(12,000)	42	4,390	(8,376)	(12,000)	-	-	(20,376)				
Capital contingency reserve	(1,500)	-	-	(1,500)	-	-	-	(1,500)	-	-	-	(1,500)	-	-	-	(1,500)	-	-	-	(1,500)				
Net Zero Retrofit Grants	95,969	57,300	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
Housing	(37,588)	28,389	-	(9,934)	(6,000)	15,674	-	(260)	(3,705)	3,965	-	-	-	-	-	-	-	-	-	-				
Recycled Growth Funds / Getting Building Fund	(5,438)	11,403	-	(9,623)	(522)	2,630	-	(7,515)	(522)	1,136	-	(6,901)	(184)	99	-	(6,986)	(184)	-	-	(7,170)				
SPF Capital	(270)	-	270	-	(1,520)	-	1,520	-	(3,705)	-	3,705	-	-	-	-	-	-	-	-	-				
DfT Capital Grants	-	6,295	-	-				-				-				-				-				
Highways Capital Grants	(27,695)	27,695	-	-	(27,695)	27,695	-	-	(27,695)	27,695	-	-	(27,695)	27,695	-	-	(27,695)	27,695	-	-				
Total	(6,522)	169,555	43,826	(38,698)	(47,737)	59,509	17,058	(9,868)	(47,626)	38,456	11,329	(7,709)	(39,879)	27,836	4,390	(15,362)	(39,879)	27,695	-	(27,546)				

Key messages

Decreasing revenue balances – from £13.4m in Apr 2022 to £3.3m in Apr 2027

Not a surprise – the devo deal awarded £8m revenue p.a. for 30yrs with no inflation.
If we had the same inflation since 1992, £8m today would be worth £3.5m in 30 years.

Any new revenue projects should be self-funded – i.e. have an associated income source which covers the cost of delivery and support

Lack of sustainable funding is a key issue for MCAs.

Capital balance drops to £2.3m in Apr 2025 then increases after this.

New capital projects would need to be self-funded, or replacements, over the next 3 years

From year 4 onwards there is greater scope as the existing capital programme reduces while capital gainshare funding continues.

Pipeline initiatives and potential pressures

Pipeline initiatives

During the baseline update senior officers have identified a number of smaller initiatives that could be taken forward within the MTFP period.

Given they are relatively small amount and thus within the envelope of the Programme Response Fund these can be considered by the Mayor and Board as they are progressed.

Un-quantified potential pressures

AEB – contracts for 22-23 academic year let, but providers highlighting that costs for delivering courses are rising

Revenue contract pressures – unanticipated increases in revenue service contracts.

Further staffing cost inflation – allowance has been made for higher levels than historically but could still be insufficient

Capital contract pressures – a £1.5m allowance has been created to provide some flexibility to existing capital contracts if there are exceptional circumstances which go beyond the project's contingency.

Emerging pressures

Supported Bus Services and Franchising

Retendering exercise ongoing, estimated budget £1.7m till end of 2022-23. For 23-24 this is likely to be in excess of £4m

Continuation of Ting - £550k in 2023-24

Pressure on Real-Time Passenger Information energy costs - £220k in 2023-24

Unfunded development work on Franchising - £300k in 2023-24

Anticipated funding gap >£5m

Funding

LEP Core funding (£375k p.a.) and Growth Hub (£246k p.a.) grants – M10 finance leads believe these will decrease but no clear steer from Government at this time.

Other pressures and major changes

The TCF review of the capital programme is occurring alongside the development of the MTFP, and is due to be presented to the CA Board in November. The outcome of this is currently unknown, and the MTFP will be updated to reflect the revised programme approved by the Board.

What are the options?

- **Lobby government** – unlikely to provide solutions in the timeframe needed to make decisions for 2023/24
- **Business Rates supplement** – up to £15m p.a. but requirement to build a prospectus, consult with and, depending on how much is funded by this method, ballot rate-payers means this will not be possible for this budget round.
- **Prudential Borrowing** – Capital funding, so not applicable to revenue funding pressures but if a large-scale strategic priority is identified this is an available avenue.
- **Savings/re-prioritisation of existing budgets and projects** – likely only 1-off savings which would delay the problem rather than providing a long-term solution.
- **Generating efficiencies to help address revenue pressures**
- **Increasing income**

Revenue core funded uncommitted budgets

Revenue	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/6 £000's	2026/27 £000's	Total
Programme Response Fund	440	1,290	1,290	1,290	1290	5,600
Rewilding Programme		75	75			150
Non-Statutory Spatial Framework (Phase 2)	50	190	50			290
Climate Change	50	50	100	100	100	400
Sawston Station Contribution	16					16
Segregated Cycling Holme to Sawtry	100					100
Development of Key Route Network	150					150
P'boro electric busses business case	110					110
Community Land Trust	50	50				100
	966	1,655	1,515	1,390	1390	6,916

Yellow highlights indicate funds which the October CA Board are being requested to approve

Capital single pot funded uncommitted budgets

Capital	2022/23 £000's	2023/24 £000's	2024/25 £000's	2025/6 £000's	2026/27 £000's	Total	Funding
Market Town Master Plan Implementation	1,802					1,802	CGS
Market Towns and Villages Ph 2 (cap)	1,250	1,250				2,500	CGS
Active Travel Funding (cap)	830	1,500	1,779	850		4,959	CGS
Snailwell Loop	500					500	CGS
Transport Modelling	1,136	585	215	215		2,151	CGS
Waterbeach Depot Solar PV	2,000	700				2,700	CGS
Coldhams Lane roundabout improvements	2,200					2,200	TCF
Fengate Access Studies Phase 1	5,380					5,380	TCF
March Junction Improvements	1,228					1,228	TCF
Regeneration of Fenland Railway Stations	674					674	TCF
A1260 Nene Parkway Junction 32-3	6,365					6,365	TCF
A16 Norwood Dualling	12,420					12,420	TCF
Wisbech Rail	5,688	5,000				10,688	TCF
	41,473	9,035	1,994	1,065	0	53,567	

The TCF programme (highlight in yellow) is currently under review with an update, and potential alternative projects, on the forward plan for the November CA Board

Gainshare Funded STA budgets - mixed

Combined		2022/23	2023/24	2024/25	2025/6	2026/27	Total
		£000's	£000's	£000's	£000's	£000's	
Meanwhile at Core Site	Revenue	10	55	55			120
	Capital		1,000				1,000
Greater Cambridge Chalk Stream Project	Revenue	40	40	40			120
	Capital	100	100	100			300
Growth Works Additional Equity Fund	Revenue	61	156	156	127		500
	Capital		2,850	3,325	3,325		9,500
FE Cold Spots	Revenue	225					225
	Capital		2,400	2,175			4,575
City of Cambridge Culture	Revenue	43	113	75			231
	Capital	183	153	30			366
	Revenue Total	379	364	326	127	0	1,196
	Capital Total	283	6,503	5,630	3,325	0	15,741

The above projects were included in the MTFP per decisions of the January and March 2022 CA Boards, but have not yet brought forward Board approved business cases.

Total figures from project savings

Total potential revenue released from uncommitted projects = £2.5m

While this could fund a sizeable proportion of the transport pressure for 2023/24, these would be one-off savings and the transport pressure is recurrent: the pressure would still need to be addressed in 2024/25

Generating efficiencies to help address revenue pressures

c. 50% of total gainshare funding (£8m p.a.) would need to be cut to meet the identified pressures on passenger transport.

Total supported bus service for 22/23 prior to current retender was £3.4m, with a £4.5m estimated pressure the anticipated cost of services in 23/24 is £7.9m.

In order to reduce this to the current budget of £3.4m, service cuts in the region of 50% would be required.

Following the retender exercise more accurate figures for the anticipated cost of maintaining the current network will be available.

Increasing Income

The Combined Authority issues a transport levy to the area's two Local Highways Authorities (Cambridgeshire County Council and Peterborough City Council) specifically to fund local transport responsibilities such as supported bus services. This is set annually alongside the budget and discussion of the 2023/24 levy will inform the size of a potential funding gap.

Outside the levy, the Combined Authority has a number of financial freedoms which it could consider utilising, these will be examined along with discussions with partners across the wider local government sector to discuss if other bodies could contribute to support the Combined Authority in continuing to deliver bus services to the area's constituents.