



OVERVIEW AND SCRUTINY COMMITTEE - THURSDAY, 16TH JANUARY, 2025

We are now able to enclose, for consideration at next Thursday, 16th January, 2025 meeting of the Overview and Scrutiny Committee, the following documents that were unavailable when the agenda was printed.

Agenda Item 7 Final Draft Budget and MTFP Update

Following the publication of the Combined Authority Board Papers (published [here](#)), the content for agenda item 7 has been finalised and is therefore now available.

This page is intentionally left blank



Overview and Scrutiny Committee

16 January 2025

Title:	Final Draft Budget and MTFP Update
Report of:	Janice Gotts – Executive Director, Resources

Overview and Scrutiny Committee Key Principle:

To examine all decision-making through the lens of integrated decision-making, to drive out silo approaches and ensure CPCA strategy is not operating in isolation, considers wider impact across corporate plan priority areas, and considers future devolution opportunities and benefits.

Strategic Objective(s):

The topics within this report fit under the following strategic objective(s):

<input checked="" type="checkbox"/>	Achieving ambitious skills and employment opportunities
<input checked="" type="checkbox"/>	Achieving good growth
<input checked="" type="checkbox"/>	Increased connectivity
<input checked="" type="checkbox"/>	Enabling resilient communities
<input checked="" type="checkbox"/>	Achieving Best Value and High Performance

Delete as appropriate and include short explanation. Link to relevant sections in business plans.

Topic Scoring

	Numerical Score
Public Interest	3
Strategic Value	3
Risk to Combined Authority	3
Alignment to Corporate Priorities	3
Financial Value	3
Issue of concern for partners?	3
Will the CA be able to achieve an effective outcome?	3
Will there be potential benefits for a significant part of the Combined Authority area/partners/stakeholders?	3
Scrutiny Value Score [right click on the value and “update field” to total the score]	24

Rating Scores
1 = Low
2 = Medium
3 = High

1. Background

1.1.	Following the publication of the draft budget and Medium-Term Financial Plan (MTFP) for consultation in November there have been several changes to the budget, primarily due to new funding announcements from Government.
1.2.	This report provides a summary of the main changes since the draft budget and MTFP was issued for consultation in November 2024.
1.3.	There is a particular focus in the report on the allocation of the recently announced Bus Service Improvement Plan (BSIP) grant for 2025-26 and the proposal within the budget to utilise this funding to extend the local fare cap on single bus journeys in the Combined Authority area from April 2025 to December 2025.

2. Update

2.1.	There have been several key changes since the draft budget and MTFP was published which now form part of the final budget proposals. Predominantly these relate to new funding announcements from Government alongside a small number of technical changes and these are set out in the paragraphs below.
2.2.	<p><u>Technical adjustments</u></p> <p>Updated council taxbase forecasts from constituent authorities have reduced forecast income by £69k over the MTFP period.</p> <p>Updating the forecast borrowing rate on capital loans to fund Passenger Transport investments within the Franchising Outline Business Case resulted in an increase in borrowing costs of £493k over the MTFP period.</p> <p>Updated cashflow and interest rate forecasts, reflecting the funding announcements set out here and changes to interest forecasts following the Autumn budget, have increase anticipated treasury management income by £2.878m across the MTFP period, recognising that this may change over the period of the MTFP.</p> <p>The December Board decision to approve a £2 fare cap for the period January 2025 to March 2025 has been reflected in the use of 2024-25 BSIP assumptions.</p>
2.3.	<p><u>UK Shared Prosperity Fund (UKSPF) 2025-26</u></p> <p>The draft budget report to the Board indicated a national funding allocation of £900m UKSPF in 2025-26. On 13 December the detailed allocations were made available which included revenue funding of £3.004m and capital of £1.389m for Cambridgeshire and Peterborough. There has been a consolidation of fund allocations to MCA's which is to allow for the transition to more MCA wide determined approach across the programme. It should be noted that after aggregating at local authority level, Mayoral Combined Authorities (MCAs) received a further sum from a £68m reserved budget in proportion to their new allocation. This resulted in a 22% top-up for MCAs to be paid entirely in capital, and totals £0.793m for the Authority which is included within the capital figure of £1.389m stated above. A 4% Programme management fee is also included within this allocation. The Authority is currently awaiting further information from Government on the Rural England Prosperity Funding for 2025-26.</p>
2.4.	<p><u>New Youth Guarantee Trailblazer Funding (£5m)</u></p> <p>A Youth Guarantee to unleash opportunity and set young people on the path to success. The Authority is one of eight Trailblazer areas to be asked to lead a Youth Guarantee Trailblazer. The anticipated funding will be in the region of £5m for 2025-26 with further funding hopefully being secured in the spending review for a further three years.</p> <p>The Trailblazer will seek to test ways to tackle persistent challenges around coordination, engagement and accountability, by:</p> <ul style="list-style-type: none">• Providing tailored support for 18 to 21-year-olds who may need additional help with preparation for employment and help to access education and training opportunities locally.

	<ul style="list-style-type: none"> • Developing clear leadership and accountability through mayoral authorities, working in partnership with their constituent councils, training and other providers, Jobcentre Plus, National Careers Service and local employers. • Connecting the local system together through a coherent offer, along with improved digital services and outreach to connect young people to support, so that no one misses out.
2.5.	<p><u>New 'Connect to Work' Get Britain Working Funding (five-year programme from 2025-26) (£0.1m)</u></p> <p>The Authority has been notified of an initial grant allocation of £100,000 to begin developing and implementing the work for Connect to Work. This is a key Government pledge within the Get Britain Working White Paper. Over five years the Authority will lead this programme that will look to engage with and support over 1,800 adults who are economically inactive due to a disability or health condition. The total level of grant funding is still to be determined. Officers are working on a delivery profile that will shape the volume and timing of funding. At its peak, the DWP expect there to be 1,800 adults engaged in the programme. Indicative funding values are £4,100 per participant. It is intended that a small proportion of the development grant will be committed in 2024-25 and therefore it is recommended that £10k is allocated in the current year's budget with the remaining £90k included in 2025-26.</p>
2.6.	<p><u>Employers National Insurance Increase (£0.1m) – funding support</u></p> <p>The Local Government Finance Settlement published on 18 December 2024 confirmed a national allocation of £515m in support of local authorities to mitigate against the costs of the Employers National Insurance increase with the expectation that a proportionate share of this will be reserved for Combined Authorities in 2025-26 and allocated as part of a separate process outside the Finance Settlement.</p> <p>The Combined Authority is forecasting a net impact of £118k in 2025-26 (£501k over the medium-term) for the effect of the increase in employers National Insurance and it is now assumed within the budget proposals that this will be met from further government funding.</p>
2.7.	<p><u>Local Highways Maintenance Funding 2025-26 (£37.487m) - Capital</u></p> <p>On 20 December the Department for Transport wrote to the Chief Executives of all Local Highway Authorities and Combined Authorities in England setting out the Local Highways capital funding allocations for 2025-26. Nationally, the 2025-26 highways maintenance block baseline is set at £1.067billion, the same as 2024-25. In addition to this there is a further £500m uplift payable to highways authorities in 2025-26 which was announced by the Chancellor on 30th October 2024. At present this additional funding is only specified for a single year with subsequent years a matter for the Spending Review which is due to conclude in late Spring 2025.</p> <p>The allocation to the Combined Authority is £37.487m consisting of £27.455m baseline funding and £10.032m additional funding for 2025-26. It should also be noted that the Department for Transport has confirmed that 25% of the funding uplift for 2025-26 will be “contingent on local highway authorities demonstrating compliance with certain criteria aimed at driving best practice and continual improvement in highways maintenance practice”. Further details of this will be shared by the Department in due course. The distribution of the funding to each of the highway authorities within the region (Cambridgeshire County Council and Peterborough City Council) will be in line with previous arrangements.</p> <p>The power to allocate the funding to the constituent highway authorities is a Mayoral power, which can only be exercised following consultation with the Board.</p>
2.8.	<p><u>Bus Service Improvement Plan (BSIP) Grant 2025-26</u></p> <p>In November 2024 the Government announced national funding for local transport authorities which included £670m to enable Authorities to deliver their bus service improvement plans. The allocation to the Combined Authority for 2025-26 totals £10.179m of which £3.581m is revenue, including £125k for capacity funding, and £6.598m for capital investment. The allocation of the capital budget will be subject to business case approval.</p>

3. Fare Cap and Funding

3.1	<p>Alongside the funding changes, the MTFP sets out the potential use of BSIP grant in support of the fare cap in 2025-26 and following approval for its use in 2024-25.</p> <p>Changes to the national fare cap were announced by the Prime Minister in his pre-budget speech on 28 October 2024 with a new £3 bus fare cap for single journeys to apply from 1 January 2025 to 31 December 2025. This follows on from the £2 fare cap introduced in September 2022 and which was programmed to cease at the end of December 2024.</p> <p>Following this announcement, the Combined Authority Board at its extraordinary meeting on 13 December 2024 approved the retention of a £2 fare cap for the period January to March 2025. This included an estimated cost of c£1m for the scheme, funded from BSIP underspend in 2024-25 and was based on the figures available from the operators when the report was prepared and presented.</p> <p>The Authority has since received revised figures which increases the forecast cost for the 3-month period to c£1.6m. This change in cost is primarily driven by further analysis of costs which indicates that a significant number of journeys cost £3 or more, placing the average fare level at around £2.75 – which is higher than first anticipated. To meet the commitment of the Authority to the £2 fare cap, the additional cost, estimated as £0.6m, will be the first call on any transport underspend in 2024-25.</p>									
3.2	<p>The report to December Board also noted that options for extending the cap beyond the end of March 2025 would be brought forward within the proposed 2025-26 Budget and MTFP.</p> <p>The decision is being taken at this Board meeting due to the lead-in time required to agree arrangements with bus operators, as well as the need to communicate to the public when, and at what level, a cap will be in place. If the decision were deferred until the Board meeting on the 19th March the lack of certainty would likely cause confusion for the bus-using public and potentially result in a gap in the fare cap arrangements.</p>									
3.3	<p>The paragraphs below set out the proposals which are included for the Board’s consideration as part of the 2025-26 Budget. As the December Board paper included the impact of the scheme nationally and locally as well as the strategic context in which a decision on extending a fare cap will be made this was not repeated – a link to the December Board report has been included in the background papers section of this report for reference.</p>									
3.4	<p>The Board is being asked to consider ringfencing the recently announced 2025-26 BSIP revenue grant of £3.456m (excluding £125k allocated for capacity funding) to fund a continuation of the single journey fare cap beyond April 2025.</p> <p>In order to support a decision on the cap, further work has been undertaken with operators to understand the costs of applying either a £2 fare cap or one at £2.50 within the available BSIP resources.</p> <p>Based on journey numbers and cost base data available to the operator, which has been extrapolated to the network as a whole, figures have been forecast as in the table below. It should be noted, however, that the actual costs will be determined based on the actual journeys undertaken.</p> <table border="1" data-bbox="427 1525 1270 1682"> <thead> <tr> <th></th> <th>£2.00 fare cap</th> <th>£2.50 fare cap</th> </tr> </thead> <tbody> <tr> <td>Estimated cost for 4 weeks</td> <td>£0.492m</td> <td>£0.250m</td> </tr> <tr> <td>Estimated cost for 3 months (13 weeks)</td> <td>£1.600m</td> <td>£0.813m</td> </tr> </tbody> </table> <p>Based on the above the BSIP grant for 2025-26 would enable maintenance of the £2 fare cap for the period April to June 2025, with a £2.50 cap then in place from July to the end of December 2025 – at which time the national fare cap is due to end. This would result in a forecast cost of £3.226m, against BSIP grant of £3.456m, but obviously provides little headroom should the high level estimates be an underestimate of the actual cost or for other priorities within the passenger transport strategy. Therefore the position would need to be kept under review.</p> <p>Members of the Board are asked to consider the use of the BSIP grant 2025-26 in line with the proposal above, with any surplus being made available to further improve bus routes.</p> <p>If BSIP funding were not used for the fare cap, it would otherwise be available to deliver further bus service improvements in 2025-26 such as more real-time information screens across the network and enhanced better bus stop information and improvements and investment into bus services.</p>		£2.00 fare cap	£2.50 fare cap	Estimated cost for 4 weeks	£0.492m	£0.250m	Estimated cost for 3 months (13 weeks)	£1.600m	£0.813m
	£2.00 fare cap	£2.50 fare cap								
Estimated cost for 4 weeks	£0.492m	£0.250m								
Estimated cost for 3 months (13 weeks)	£1.600m	£0.813m								

4. Background Documents

4.1	Extraordinary Board Meeting paper – Proposal for Local Bus Fare Cap January-March 2025
4.2	Combined Authority Agenda for the 22nd January 2025 – the Budget and appendixes are item 11

5. Implications

Have the following been taken into account?

Financial Implications

Yes No As this report is to note, there are no direct financial implications. Approval of the Budget and MTFP underpins the operations of the entire Authority and the report to Board sets out the financial implications.

Legal Implications

Yes No As this report is to note, there are no direct legal implications. Approval of the Budget and MTFP underpins the operations of the entire Authority and the report to Board sets out the legal implications.

Public Health Implications

Yes No As this report is to note, there are no direct public health implications. Approval of the Budget and MTFP underpins the operations of the entire Authority and the report to Board sets out the public health implications.

Environmental & Climate Change Implications

Yes No As this report is to note, there are no direct environmental and climate change implications. Approval of the Budget and MTFP underpins the operations of the entire Authority and the report to Board sets out the environmental and climate change implications.

Other Significant Implications

Yes No As this report is to note, there are no direct significant implications. Approval of the Budget and MTFP underpins the operations of the entire Authority and the report to Board sets out the equality and diversity implications.

This page is intentionally left blank