



## Combined Authority Board

**22 January 2025**

Title:	Draft 2025/26 Corporate Strategy and budget and Medium-Term Financial Plan 2025-2029
Report of:	Janice Gotts, Executive Director, Resources Kate McFarlane, Director of Policy and Engagement
Lead Member:	Mayor, Dr Nik Johnson
Public Report:	Yes
Key Decision:	Yes
Voting Arrangements:	A & I – no decision required B to F & J - majority of voting Members, subject to that majority including the vote of the Mayor, or the Deputy Mayor acting in place of the Mayor. G & H – A vote in favour, by at least two-thirds of all Members (or their Substitute Members) appointed by the Constituent Councils present and voting to include the Members appointed by Cambridgeshire County Council and Peterborough City Council, or their Substitute Members.

### Recommendations:

A	Note the consultation feedback received during the consultation period including the feedback from the Overview and Scrutiny Committee as set out in paragraph 2.26.
B	Approve the draft Corporate Strategy following its refresh subject to the inclusion of the final financial information once the budget is approved.
C	Approve the use of the Programme Response Fund in 2024-25 and 2025-26 to support the requirements of the English Devolution White Paper with any underspend on the Fund in 2024-25 being set aside in an earmarked Response Reserve.
D	Subject to Recommendation C, delegate authority to the Chief Executive to approve the draw down of the Programme Response Fund in 2024-25 and 2025-26, and the earmarked Response Reserve, in relation to costs arising as a result of addressing the English Devolution White Paper.
E	Approve the inclusion of the “Connect to Work” Get Britain Working initial funding of £100k split across 2024-25 and 2025-26. See paragraph 2.23.
F	Approve the Draft Budget for 2025-26 and the Capital Programme & Medium-Term Financial Plan 2025-26 to 2028-29 as contained in Appendices C, D and E and including project reprofiling set out in Appendix F.
G	Approve a 2% increase in the Transport Levy for 2025-26 totalling £14,039,563 - £10,277,774 from Cambridgeshire County Council and £3,761,789 from Peterborough City Council.
H	Approve the usage of the 2025-26 BSIP revenue grant allocation to fund an extension of the local single journey bus fare cap beyond 31 March 2025 as set out in paragraphs 2.54 and 2.55, noting that the additional costs associated with the £2 fare cap retention from January to March 2025 will be the first call on the transport underspend in 2024-25.

I	Note the Mayor's intention to allocate Highways Maintenance grants totalling £37,369,000 to Cambridgeshire County Council and Peterborough City Council in line with the Department for Transport formula for determining each Council's share resulting in the allocations of £29,793,213 and £7,575,787 respectively with more detail set out in paragraph 2.24.
J	Delegate any minor changes required to the budget before 1 April 2025 to the Executive Director of Resources including the inclusion of grant announcements made prior to 1 April 2025.

## Strategic Objective(s):

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

x	Achieving ambitious skills and employment opportunities
x	Achieving good growth
x	Increased connectivity
x	Enabling resilient communities
x	Achieving Best Value and High Performance

## 1. Purpose

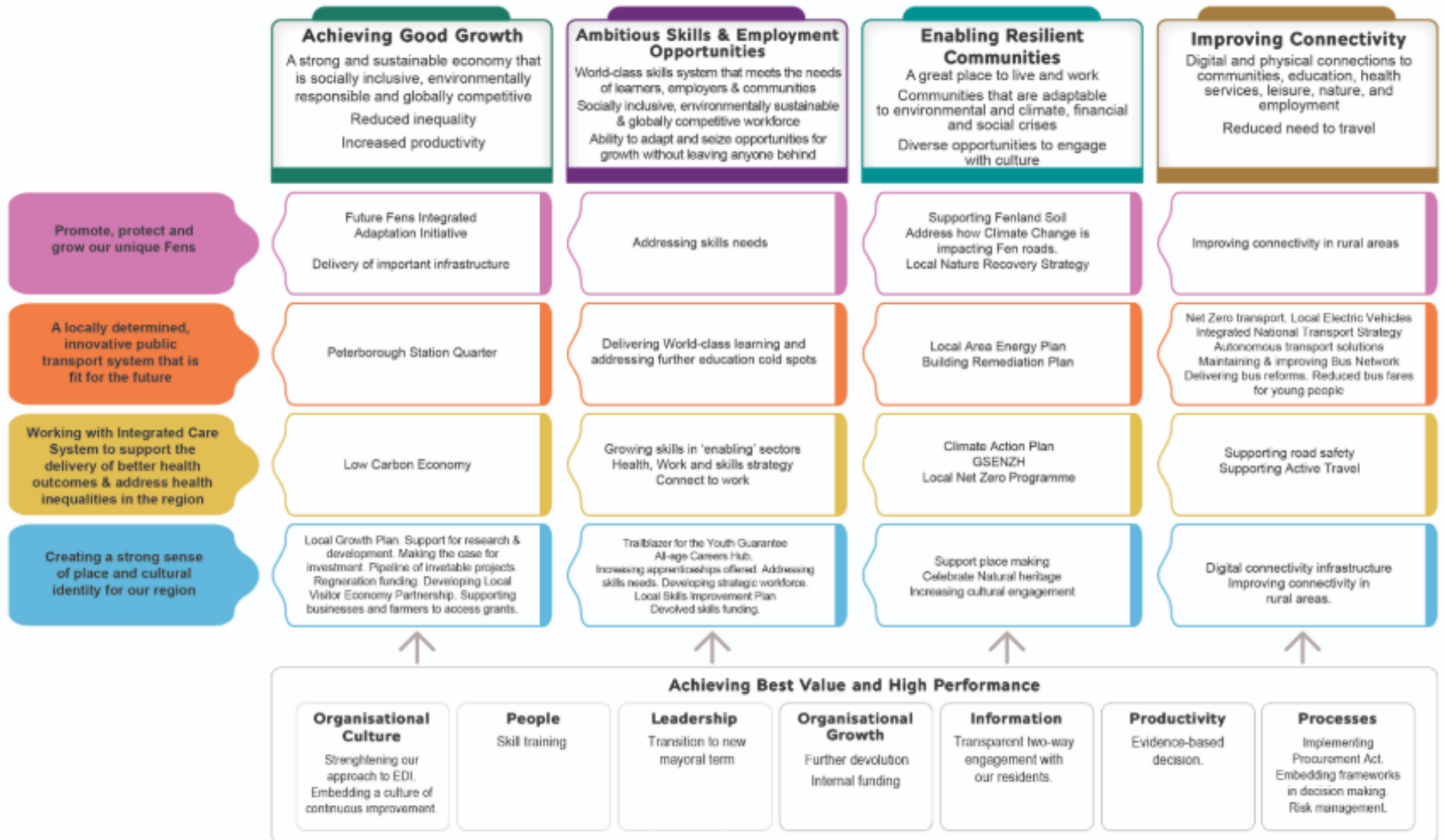
1.1	This paper sets out the draft Corporate Strategy, following refresh and consultation with Overview and Scrutiny Committee, as well as the proposed Combined Authority draft Budget for 2025-26, the Medium-Term Financial Plan (MTFP) and Capital Programme for the period 2025-26 to 2028-29.
1.2	The current Corporate Strategy was adopted by the Combined Authority in January 2024. Whilst there is no statutory requirement to update and refresh the Corporate Strategy on an annual basis, it is considered good practice to do so and for the strategic objectives in the Corporate Strategy to drive investments and resource allocation in the MTFP.
1.3	According to Chapter 4 of 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 Capital Programme and fiscal strategy to reflect any taxation proposals such as local taxation.
1.4	Chapter 7 of the Constitution sets out the Budget Framework Procedure rules including how the Combined Authority will make decisions on the budget. This includes both the Mayoral budget (which is included elsewhere on the Agenda for the Board meeting) and the Combined Authority budget.
1.5	The paper also includes the responses to the consultation on the Medium Term Financial Plan, which commenced on 18 November 2024 and concluded on 6 January 2025.

## 2. Proposal

2.1	According to the Constitution, <i>'Before 1 February, having taken into account the draft Budget, the consultation responses, and any other relevant factors, the proposed Budget for the following financial year, including the Mayor's Budget, should be submitted to the Combined Authority Board'</i> .
2.2	Whilst there is no requirement in the Finance Order 2017 for the Combined Authority to consult on its budget, Local Authorities have a duty to consult where its decision will impact residents. The Authority opened the consultation on its budget on 18 November 2024, closing it on 6 January 2025.
2.3	<b>CORPORATE STRATEGY</b>
2.4	The Combined Authority's Corporate Strategy will be extended for one year to March 2026 and given a simple update against the current strategic objectives and Mayoral pledges. The 2025/26 Corporate Strategy takes into account new areas of activity required by the new Government and recognises that the months and years ahead will be ones of change for the Combined Authority following the

	publication of the Devolution White Paper on the 16 December 2024. A fuller review of the Corporate Strategy will be undertaken post the 2025 Mayoral election.
2.5	<p>The refresh of the current Corporate Strategy consists of six stages, which ensures a continued focus on continuous improvement and a strong “golden thread” linking what we are setting out to deliver with individual objectives.</p> <ol style="list-style-type: none"> <li>1. High level review of existing adopted Corporate Strategy, political, economic, social, technological, legal and environmental (PESTLE) analysis, identifying lessons learned and defining the scope of the refresh (completed).</li> <li>2. Review of corporate performance against Key Performance Indicators (KPIs) and current Directorate Business Plans to build understanding about what has been achieved and what areas need improvement (completed).</li> <li>3. Refreshed deliverables and Corporate Strategy map updated (completed).</li> <li>4. Refreshed draft strategy (presented to CA Board as part of this report).</li> <li>5. Refreshed business plans for each directorate covering 2025/26. These plans will align with the overall strategy and include objectives, activities, milestones and performance indicators (commenced and to be completed by end March 2025).</li> <li>6. Individual objective setting (to be completed in May 2025 as part of the Learning, Excellence, Achievement, Performance (LEAP) performance cycle).</li> </ol>
2.6	<p><b>Stage 1: High level review of existing adopted Corporate Strategy</b></p> <p>A high-level review of the existing adopted Corporate Strategy &amp; Business Plan including consideration of PESTLE factors from a national, regional and organisational perspective has been completed with input on these from the Combined Authority’s Corporate Management Team on 25 September 2024 and the Leaders Strategy Meeting on 16 October 2024.</p>
2.7	<p><b>Stage 2: Review of Corporate Performance</b></p> <p>The Q2 Corporate Performance Report to the end of September 2024 was presented to the Board in November 2024. The provided an overview of delivery of 27 KPIs mapped to the Combined Authority’s five strategic objectives. In the Q2 report the majority of KPIs were shown to be progressing in the desired direction, 11 are exceeding their target performance and seven are off target by more than 10%.</p> <p>The Q2 Corporate Performance Report also noted that headline priority activities are progressing in line with original plans, but that these plans are live and can change due to the need to respond and react to new priorities and other external factors. For example, the pre-election period for the general election affected communication campaign plans and the items that could be taken to meetings for decisions. The focus of the new Government presents new opportunities for the Combined Authority but has also resulted in new areas of work, such as the Local Growth Plan, impacting resources available for other planned activities.</p>
2.8	<p><b>Stage 3: Refreshed Deliverables</b></p> <p>The Corporate Strategy deliverables have been reviewed and updated, in collaboration with each directorate. In line with the light-touch corporate strategy refresh, the deliverables have seen minimal changes and the draft new corporate strategy ‘plan on a page’ is provided below.</p>
2.9	<p><b>Stage 4: Refreshed draft strategy</b></p> <p>The refreshed Corporate Strategy is presented at Appendix A.</p>

# Corporate Strategy Map 2025-26



2.10	<b>CONTEXT WHEN SETTING THE BUDGET</b>
2.11	The overarching objective is to set an affordable and balanced budget that supports delivery of the ambitions and priorities of the Mayor and the Combined Authority as set out in the Corporate Strategy. The draft Revenue and Capital budgets contained in this report reflect decisions taken by the Combined Authority Board up to and including its meeting in December 2024, in line with agreed accounting policies. Overall affordability remains the key factor in agreeing a balanced budget and this paper aligns areas of expenditure by the current Directorate structure with funding sources.
2.12	As set out in the November draft budget report, and repeated in the main here, it is important to consider the context under which the budget is prepared and that this is aligned with the Authority's Corporate Strategy. There will be a number of drivers that influence the budget process whether national, regional or organisational. These are set out below, followed by a specific section on the English Devolution White Paper which has recently been published and has significant implications for the Combined Authority over the medium term:
2.13	<p><b>National and International Drivers:</b></p> <p>There are a number of current national and international drivers which influence the position for the region over the course of the MTFP, and include:</p> <ul style="list-style-type: none"> <li>• Challenging economic times continue – inflation is expected to average 2.5% this year and increase to 2.6% in 2025 before dropping back slowly to 2% in 2029. This suggests the rapid increase in costs seen over the last few years should not recur, although an average inflation adjusted GDP growth forecast of 1.6% p.a. over that time mean that households finances will likely recover slowly.</li> <li>• Business confidence driven by the Autumn Budget and subsequent announcements.</li> <li>• The publication of the English Devolution White Paper on 16 December setting out the Government's plans for both widening and deepening devolution across England, revisiting the powers and budgets for Mayors (including integrated settlements) and the reorganisation of Local Government. See also paragraph 2.16.</li> <li>• The creation of the Council of Nations and Regions</li> <li>• The Local Growth Plan agenda which is a key part of Government's plan to grow the UK economy in partnership with Mayoral Combined Authorities.</li> <li>• Multi-year settlement for all Government departments as part of the Spending Review and Budget 2025.</li> <li>• National significance of the region re-enforced by a further £10m announced in the Autumn budget to progress the work of the Cambridge Growth Company</li> <li>• Adapting to future technology opportunities (and challenges)</li> <li>• Significant impact of climate change – focus on adaption and mitigation to deliver net zero targets</li> <li>• Post pandemic challenges – NHS waiting lists still at historic high, with additional funding announced for 2025/26 to attempt to address this. School attendance is improving, but more needs to be done, with particular challenges in meeting SEND needs.</li> <li>• Geopolitical instability – uncertainty in international policy and conflict areas could have unforeseen impacts on the UK, for example supply shortages and inflation.</li> </ul>
2.14	<p><b>Regional Drivers:</b></p> <p>Specifically, within the region the drivers include:</p> <ul style="list-style-type: none"> <li>• Being acknowledged as a global sector leader in knowledge intensive industries – increasingly competing nationally and internationally. Emerging Advanced engineering and manufacturing sector. Nationally important agricultural sector and cluster of agri-tech businesses.</li> <li>• The level of GVA - as a whole, the region produced £60k GVA per filled job in 2021, slightly below the average for England (£61k). There are differences within the region, ranging from GVA per filled job in Fenland at £46.5k to Cambridge at £65.5k.</li> <li>• Job growth has slowed significantly in recent years, with the region's growth rate at just 2% compared to 2.3% for England and 3.8% for the East of England. This slowdown is largely driven</li> </ul>

	<p>by weak employment growth in smaller businesses, which can make it harder to boost local job creation.</p> <ul style="list-style-type: none"> <li>• The region is seeing population growth and demographic shifts, but these changes are also accompanied by rising inequalities. Rural areas, in particular, face issues like isolation, lack of access to services and uneven economic opportunities.</li> <li>• Infrastructure constraints – the region has two of the fastest growing cities but challenges remain meeting demands of housing, water and energy supply.</li> <li>• Impact of climate change – requiring greater collaboration and innovative solutions.</li> <li>• Growing Infrastructure needs - sustainable transport network with urban and rural solutions remain a key focus to help relieve congestion and improve connectivity as does the growth of digital capacity and capability</li> <li>• Adoption of the <a href="#">shared ambition</a> – which through our shared values of Igniting Innovation, Embracing Diversity and Championing Collaboration will shape how we act together to deliver what we want to achieve for our region by 2050. These outcomes focus on advancing an Equitable, Pioneering, Connected and Resilient region.</li> </ul>
2.15	<p><b>Organisational Drivers</b></p> <p>Within the Combined Authority drivers include:</p> <ul style="list-style-type: none"> <li>• Post best value notice, continuing to build on the improvements that the Authority has made, ensuring that these are embedded within business-as-usual activity. Striving to further strengthen the organisation over the longer term and supporting effective decision making through robust governance, clear evidence and collaborative working.</li> <li>• Continuing to live our values and behaviours, building on and delivering the shared ambition work through enhanced partnership working.</li> <li>• Building on the implementation of key processes to ensure continued good practice and robust governance such as the Single Assurance Framework (SAF), Performance Management Framework and Procurement Framework.</li> <li>• Delivering the Corporate Strategy and Mayoral Pledges, with progress tracked through the agreed performance reporting framework.</li> <li>• Better communication about who we are, what we do, our impact on residents and businesses, and the importance of region to UK PLC.</li> <li>• Improving the life chances and health and wellbeing of residents – most notably through areas such as adult skills, supporting job creation and inclusive growth, and working to address climate change.</li> <li>• Working in partnership to develop and deliver the region’s Local Growth Plan in support of the national industrial strategy. Lobbying Government for the best deal for Cambridgeshire and Peterborough leading into the 2025 Spending Review.</li> <li>• Resource constraints – the Combined Authority’s core funding is not inflation linked and a significant proportion of its funding consists of time limited grants. With a greater demand for services, particularly in relation to economic growth and transport, this presents a challenge over the medium term.</li> </ul>
2.16	<p><b>The English Devolution White Paper</b></p> <p>On 16 December 2024, the Minister of State for Local Government and English Devolution. Jim McMahon MP, set out details of the Government’s plan for devolution in a Written Ministerial Statement. Alongside this statement, MHCLG published its English Devolution White Paper highlighting that the paper aims to empower local communities and Mayors to drive growth and improve living standards and is a part of its Plan for Change which seeks to boost economic growth, increase personal incomes, and make politics more responsive to the needs of working people. The White Paper will have a significant impact on Mayoral Combined Authorities with substantial changes expected to the current arrangements, particularly over the short to medium term.</p> <p>In summary, the White Paper <i>“initiates the biggest transfer of power out of Westminster to England’s regions this century”</i> highlighting the fact that England is one of the most centralised countries in the developed world. It states that mayoral devolution has been a success, despite austerity, due to mayors soft/convening powers and local accountability.</p>

	<p>As part of its proposals the government will create in law the concept of a Strategic Authority. All Strategic Authorities will belong to one of the following levels:</p> <ul style="list-style-type: none"> <li>• Foundation Strategic Authorities: these include non-mayoral combined authorities and combined county authorities automatically, and any local authority designated as a Strategic Authority without a Mayor.</li> <li>• Mayoral Strategic Authorities (MSAs): the Greater London Authority, all Mayoral Combined Authorities and all Mayoral Combined County Authorities will automatically begin as MSAs. Those who meet specified eligibility criteria may be designated as Established Mayoral Strategic Authorities. This unlocks further devolution, most notably an Integrated Settlement.</li> </ul> <p>The government aims for 100% coverage of Strategic Authorities (which includes Combined Authorities in their current forms) in England and will legislate to secure the establishment of Strategic Authorities where local leaders have not progressed this themselves. Within Strategic Authorities the government is looking to replace two-tier areas and small unitary authorities through local government reorganisation (LGR).</p> <p>The government will legislate a clear framework for devolution, detailing powers for each authority type, with the most extensive powers for Mayoral Strategic Authorities (MSAs), to drive growth and ensure accountability.</p> <p>For MSAs, unringfenced integrated settlements will aim to reduce administrative burdens on MSAs and allow greater prioritisation of resources. Additional powers in transport, skills and employment, environment and climate change, culture and tourism, will be afforded to Mayors. All authorities (with or without a SA) must produce a Spatial Development Strategy with the aim of increasing house building, with additional housing and planning powers for Mayors.</p> <p>Mayors will be required to produce Local Growth Plans, and national agencies (such as Homes England, GB Energy and GB Railways) will reconfigure to support local initiatives. Local communities will benefit from a new 'right to buy' for valued community assets (shops, pubs, community spaces).</p> <p>The Government will enhance the accountability system for devolution with an outcomes framework for Integrated Settlements, improved external scrutiny of local spending, and reform of local audits and standards.</p>
2.17	<p>The English Devolution White Paper indicates significant growth in the responsibilities and expectations for Mayoral Combined Authorities and, although further detail is awaited, the Government has indicated a "devolution by default" approach.</p> <p>Delivering on the White Paper will inevitably require further resource to move at the scale and pace expected. Whilst the Paper notes how the Government believes capacity can be built into the system through seconding central government staff if needed, supporting Mayors' regional collaboration, and modernising local authority workforces and operations, it is anticipated that such relationships will take time and are unlikely to yield the immediate targeted resource needed. Therefore, it is proposed that in the first instance the Combined Authority's Programme Response Fund which is already included within the MTFP is set aside to support this work with authority delegated to the Chief Executive to approve its use as set out in paragraph 2.36.</p>
2.18	<p><b>PROPOSED BUDGET FOR 2025-26 AND MTFP FOR THE PERIOD 2025-26 TO 2028-29</b></p>
2.19	<p>The focus to date has been on updating existing budgets for decisions taken in year by the Board, inflation and other known changes in expenditure and funding over the MTFP period, as well as reviewing options to drive further efficiencies within the Authority's operations.</p>
2.20	<p>Previous budget reports for the Authority have noted that efficiency has always had to be at the heart of the Combined Authority's operations in order to work within its budget constraints. As part of its funding package when created in 2017 the Authority was granted £8m of 'gainshare' revenue and £12m of 'gainshare' capital for the subsequent 30 years. Whilst the early years of the Combined Authority saw relatively low levels of inflation, the spending power of that 'gainshare' has been eaten away far more rapidly by the high levels of inflation experienced over the pandemic's aftermath. Compared to Q2 2017, the Retail Price Index of inflation has risen by 42% by Q2 2024. Put another way, the Combined Authority would now need to have 'gainshare' revenue funding of £11.4m to have the same spending power as the £8m it had in 2017. This effective reduction in spending power has forced the Authority to continually review its operations to find efficiencies to both maintain the operations of the Authority and to invest in its priority programmes.</p>

2.21	The Combined Authority is aware that it cannot achieve its scale of ambition with its resources alone and so will seek to work collaboratively with its Constituent Authorities, the Greater Cambridge Partnership, Central Government, local businesses and other local partners to leverage funding sources and ensure that the maximum impact, and value for money can be delivered from the resources devolved to the area.
2.22	<b>CHANGES AND ANNOUNCEMENTS SINCE THE NOVEMBER DRAFT BUDGET REPORT</b>
2.23	<p>Since the Board approved the draft budget for consultation at its meeting in November, there has been a number of changes to the proposed budget, mainly as a result of further funding announcements. Those which are material are listed below:</p> <p><u>Bus Service Improvement Plan (BSIP) 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> <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. Further details are included in the Economy and Growth section of the report.</p> <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"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul> <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>



### Employers National Insurance Increase (£0.1m) – funding support

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.

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.

### Technical adjustments

Updated council taxbase forecasts from constituent authorities have reduced forecast income by £69k over the MTFP period.

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.

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.

The December Board decision to approve a £2 fare cap for the period January 2025 to March 2025 has been reflected in the assumed use of 2024-25 BSIP grant.

### 2.24 Local Highways Maintenance Funding 2025-26 (£37.487m) - Capital

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 30<sup>th</sup> 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.

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.

Following discussions with Cambridgeshire County Council and Peterborough City Council the Mayor is consulting the Board on the split of grants set out below, in-line with the formulae used by the Department for Transport. Following consultation with the Board the Mayor will formalise the allocations via a Mayoral Decision Notice.

	<b>Baseline allocation</b>	<b>2025/26 one-off allocation</b>	<b>CPCA RTPI costs*</b>	<b>Total allocations</b>
<b>Cambridgeshire County Council</b>	£21,764,742	£8,146,471	<b>-£118,000</b>	<b>£29,793,213</b>
<b>Peterborough City Council</b>	£5,690,258	£1,885,529		<b>£7,575,787</b>
<b>Total</b>	<b>£27,455,000</b>	<b>£10,032,000</b>	<b>£-118,000</b>	<b>£37,369,000</b>

\* The Combined Authority manages and delivers the contract for Real-Time Passenger Information within Cambridgeshire, but not Peterborough, and retain the funds within the Highways grants for this service.

### 2.25 **BUDGET SCRUTINY**

2.26 The Combined Authority's Overview and Scrutiny Committee set up a Budget Working group to enhance their role within the 2025/26 budget setting process. As part of this process the Budget

Working group met with senior officers to discuss the draft budget, following it being approved for consultation, to develop a greater understanding of the services and programmes within the budget as well as key risks and opportunities across the medium-term.

Following these sessions the Working Group fed back to an Overview and Scrutiny Committee workshop in December which enabled the Committee to have an informed discussion and provide commentary and feedback on the draft budget as part of the consultation process.

This feedback, summarised below, was fed into Member and Officer discussions when developing the proposed budget. The Combined Authority's responses to the key areas in relation to the budget are set out below, and the Committee's feedback is included in more detail in Appendix G.

Main areas are:

- The Committee highlighted the challenge that slippage against project spend can cause and asked how this could be improved in relation to realistic spend profiles and improved delivery, which also led to the need to consider the pipeline of projects and opportunities.

*The proposed budget includes overprogramming of the capital programme, with expenditure exceeding current funding by £19m – this was a conscious decision, originally taken by the Board when setting the capital programme last year, reflecting that slippage due to unforeseeable conditions will always occur to some extent on a capital programme the size of the Combined Authority's. This overprogramming means that, as and when programme slippage is identified, other spend within the capital programme can be brought forward for delivery.*

- Evidencing value for money in spending decisions – including beyond practical completion and into measuring success and capturing lessons learnt.

*The Authority's SAF process emphasises the need for value for money, identifying the financial implications and benefits of investments, often built up in consultation with Constituent Councils. This is checked and challenged at each stage of the approval process with transparent business cases available for review.*

*The Authority also ensures that procurement regulations are complied with and seeks competitive bids when awarding contracts.*

*It is recognised that performance and monitoring could be strengthened and work is ongoing in this area together with partners, including how lessons learnt are captured.*

- The need for robust performance recording and management was highlighted

*The creation and continuation of the Thematic Funds, underpinned by the Single Assurance Framework processes, enhance the Combined Authority's ability to demonstrate its adherence to its Best Value duty. All project business cases must now pass via a technical Investment Panel before consideration for approval either directly by the Board, or through delegation to Investment Committee or the Chief Executive. This ensures projects must meet high standards, including setting out measurable outputs and outcomes across the whole project lifecycle, to enable the actual value of delivered projects to be demonstrated.*

*While the Combined Authority already has a monitoring and evaluation process in place we know it's always possible to do better. Following recruitment to key roles in the Insight and Performance team we are developing a new Monitoring and Evaluation Framework which is on the agenda for adoption in March 2025. This framework will cover the whole lifetime of projects from design, through implementation and beyond practical completion in the case of capital projects.*

- Consideration should be given to how strategic hurdles could be tackled.

*The Combined Authority works in partnership with its constituent Councils and other stakeholders to help overcome challenges. It is recognised that strong positive relationships and effective joint working is crucial for success. The Shared Ambition statement and alignment of longer term priorities and objectives demonstrates closer working. Improved performance and monitoring processes and communication will also support delivery enabling timely action to be taken when issues are identified. This is also linked to risk management.*

	<ul style="list-style-type: none"> <li>• Requiring a proactive approach to risk and how this was shared between public and private investment.</li> </ul> <p><i>The Combined Authority has been developing its approach to risk throughout 2024-25, resulting in the Board adopting a new Corporate Risk Appetite Statement in November 2024. This recognised that the Authority’s approach to risk would differ depending on the type of risk. For financial risk the Authority is willing to accept a higher level of risk (classifying itself as open to risk) where there is an opportunity to generate significant returns, benefit or outcomes in line with its Strategies. In practice this means that the Combined Authority is aware of its responsibility as a steward of public money to not put public funds at undue risk; however, taking appropriate risk enables public sector investment to play a key role in unlocking substantial private sector funds and enabling delivery of projects delivering substantial public benefit which could not occur without public sector de-risking the overall programme.</i></p> <p><i>That said, risk sharing should always be done in a considered manner, and any such arrangements would be part of individual project’s business cases via the Single Assurance Framework process including a technical officer panel and the Investment Committee which includes experienced private sector leaders in the form of Business Board representation.</i></p>
2.27	<b>REVISED MTFP SUMMARY</b>
2.28	<p>Funding summaries for planned and projected Revenue and Capital expenditure over the lifetime of the MTFP, incorporating the above changes, are shown in Tables 1 and 2 below. These tables show the expected fund balances available in each year of the MTFP and are made up of balances on reserves brought forward and expected in year funding. The fact that both the overall balances for Revenue and Capital (after planned overprogramming is excluded) at the end of the MTFP period, are favourable indicates that the budget is balanced and affordable before taking account of the options to improve the bus network as outlined later in the report. An allowance is included for prudential borrowing for bus franchising which is fully funded over the lifetime of the business case, the first four years of which have been reflected in here.</p>

<b>Table 1 Revenue Funding Summary</b>	<b>2025/26</b>				<b>2026/27</b>			<b>2027/28</b>			<b>2028/29</b>		
	<b>Balance at 1/4/25</b>	<b>Income</b>	<b>Expend iture</b>	<b>Balance at Year End</b>	<b>Income</b>	<b>Expen diture</b>	<b>Balance at Year End</b>	<b>Income</b>	<b>Expend iture</b>	<b>Balance at Year End</b>	<b>Income</b>	<b>Expen diture</b>	<b>Balance at Year End</b>
	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Revenue Single Pot	(18,042)	(14,047)	18,257	(13,832)	(10,429)	13,268	(10,992)	(9,479)	12,765	(7,707)	(9,462)	12,902	(4,267)
Business Board Revenue Funds	(2,275)	(1,038)	1,577	(1,736)	(1,033)	849	(1,920)	(1,028)	194	(2,754)	(1,023)	194	(3,582)
Inflation Reserve	(2,400)	-	-	(2,400)	-	-	(2,400)	-	-	(2,400)	-	-	(2,400)
<i>Subtotal discretionary funds</i>	<b>(22,717)</b>	<b>(15,084)</b>	19,834	<b>(17,968)</b>	<b>(11,462)</b>	14,117	<b>(15,312)</b>	<b>(10,507)</b>	12,959	<b>(12,861)</b>	<b>(10,485)</b>	13,096	<b>(10,249)</b>
Earmarked Reserves	(5,507)	-	3,378	(2,130)	(398)	-	(2,527)	(398)	-	(2,925)	(398)	-	(3,322)
<i>Subtotal ringfenced funding</i>	<b>(19,169)</b>	<b>(22,210)</b>	34,170	<b>(7,208)</b>	<b>(13,863)</b>	13,786	<b>(7,285)</b>	<b>(13,004)</b>	12,938	<b>(7,351)</b>	<b>(12,927)</b>	12,938	<b>(7,340)</b>
<b>Subtotal non-passenger transport</b>	<b>(47,393)</b>	<b>(37,294)</b>	57,382	<b>(27,305)</b>	<b>(25,722)</b>	27,903	<b>(25,124)</b>	<b>(23,908)</b>	25,897	<b>(23,136)</b>	<b>(23,809)</b>	26,034	<b>(20,911)</b>

Transport Levy	(2,957)	(14,040)	16,996	-	(14,907)	14,907	-	(15,185)	15,185	-	(15,489)	15,489	-
Passenger Transport Grants	(306)	(3,992)	3,992	(306)	(411)	717	-	(5,810)	5,810	-	(5,480)	5,480	-
Mayoral Precept Funded Transport	-	(11,209)	11,209	-	(11,379)	11,379	-	(11,555)	11,555	-	(11,727)	11,727	-
Net Passenger Transport Costs	-	-	-	-	-	3,300	3,300	(32,012)	34,057	5,345	(33,862)	34,017	5,500
Bus Services Operational Reserve	(5,647)	-	-	(5,647)	-	-	(5,647)	-	-	(5,647)	-	-	(5,647)
<b>Subtotal passenger transport funding</b>	<b>(8,910)</b>	<b>(29,241)</b>	32,198	<b>(5,953)</b>	<b>(26,697)</b>	30,303	<b>(2,347)</b>	<b>(64,562)</b>	66,607	<b>(302)</b>	<b>(66,558)</b>	66,713	<b>(147)</b>

<b>Total Revenue</b>	<b>(56,302)</b>	<b>(66,535)</b>	89,579	<b>(33,258)</b>	<b>(52,419)</b>	58,206	<b>(27,471)</b>	<b>(88,471)</b>	92,504	<b>(23,438)</b>	<b>(90,367)</b>	92,747	<b>(21,058)</b>
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Table 2 Capital Funding Summary	2025/26			2026/27			2027/28			2028/29			
	Balance at 1/4/25	Income	Expendi- ture	Balance at Year End	Income	Expendi- ture	Balance at Year End	Income	Expendi- ture	Balance at Year End	Income	Expendi- ture	Balance at Year End
	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000	£,000
Capital Gainshare	(28,084)	(12,000)	45,694	5,610	(12,000)	38,062	31,671	(12,000)	18,209	37,880	(12,000)	542	26,422
Recycled Growth Funds	(11,128)	(184)	2,774	(8,538)	(184)	-	(8,722)	(184)	-	(8,906)	(184)	-	(9,090)
Subtotal discretionary funds	(39,213)	(12,184)	48,468	(2,929)	(12,184)	38,062	22,949	(12,184)	18,209	28,974	(12,184)	542	17,332
Transforming Cities Fund	4,642	-	-	4,642	-	-	4,642	-	-	4,642	-	-	4,642
Capital Contingency Reserve	(1,500)	-	-	(1,500)	-	-	(1,500)	-	-	(1,500)	-	-	(1,500)
Transport Ringfenced Cap grants	(6,998)	(20,597)	27,090	(505)	(24,346)	24,346	(505)	-	-	(505)	-	-	(505)
Passenger Transport Cap grants	-	(6,598)	6,598	-	-	-	-	-	-	-	-	-	-
Highways Capital Grants	(331)	(37,487)	37,487	(331)	(27,455)	27,455	(331)	(27,455)	27,455	(331)	(27,455)	27,455	(331)
SPF Capital	(40)	(1,389)	889	(540)	-	-	(540)	-	-	(540)	-	-	(540)
Housing	(3,176)	-	3,173	(3)	-	-	(3)	-	-	(3)	-	-	(3)
Subtotal ringfenced funding	(10,545)	(66,071)	75,237	(1,379)	(51,801)	51,801	(1,379)	(27,455)	27,455	(1,379)	(27,455)	27,455	(1,379)
<b>Grand Funded Total</b>	<b>(46,615)</b>	<b>(78,255)</b>	<b>123,705</b>	<b>(1,166)</b>	<b>(63,985)</b>	<b>89,863</b>	<b>24,712</b>	<b>(39,639)</b>	<b>45,664</b>	<b>30,737</b>	<b>(39,639)</b>	<b>27,997</b>	<b>19,095</b>
Slippage allowance	(6,621)	-	(6,516)	(13,137)	-	(4,819)	(17,956)	-	(2,524)	(20,480)	-	(1,526)	(22,006)
<b>Revised Capital Forecast</b>	<b>(53,236)</b>	<b>-</b>	<b>-</b>	<b>(14,303)</b>	<b>-</b>	<b>-</b>	<b>6,756</b>	<b>-</b>	<b>-</b>	<b>10,257</b>	<b>-</b>	<b>-</b>	<b>(2,911)</b>
<b>Prudential Borrowing*</b>	<b>-</b>	<b>-</b>	<b>18,707</b>	<b>18,707</b>	<b>(455)</b>	<b>19,558</b>	<b>37,810</b>	<b>(927)</b>	<b>2,779</b>	<b>39,661</b>	<b>(1,058)</b>	<b>-</b>	<b>38,604</b>

\* the figures in the 'income' column for Prudential borrowing are capital repayments financed by the Minimum Revenue Provision reducing the anticipated loan balance

2.29	There remains an expected inflationary pressure on the staffing budget. The pay budget within the MTFP has been increased by 4% in 2025-26 and 3% for each year thereafter, which is in line with many other Local Authorities and Combined Authorities. The actual pay award each year will be determined by national negotiations.
2.30	In response to the fact that much of the Combined Authority's revenue expenditure (excluding that which is ringfenced to specific projects) is relatively stable and not demand led, and that a prudent allocation for both pay and non-pay inflation has been made within these budgets, it is considered that a minimum level of general reserves equating to 2% of non-AEB revenue should be maintained based on expenditure forecast in year 1 of the MTFP, and this has been built into the figures provided. This is in line with assumptions in previous years. Outside this earmarked reserves are maintained for usage in future years in accordance with anticipated need or risk.
2.31	The Combined Authority delivers relatively few services directly and commissions the majority of its project work through delivery partners, including Constituent Councils. As the Authority's staff are therefore further removed from the construction of physical projects the majority of staff costs are not capitalised. This, along with the fixed costs which come with any Authority regardless of size, result in a relatively higher proportion of staff costs within the revenue budget than is common in Local Authorities.
2.32	There are no projects proposed to be funded by borrowing in the draft capital programme outside the specific capital investments in the Bus Reform programme.
2.33	The forecast income from the Combined Authority's Treasury Management portfolio has been increased from that forecast in the November draft. This reflects inflation now being expected to be higher for longer following the Autumn Budget announcement and higher cash balances anticipated following the reprofiling included in the draft budget.
2.34	Despite these changes, both interest rates and cash balances are expected to fall over the medium term and so too does the forecast income from treasury management loans.
2.35	The Combined Authority maintains two separate Response Funds. The Corporate Response Fund enables the organisation to rapidly react to emerging needs. Use of this funding requires the approval of the Chief Executive. The Programme Response Fund allows flexibility to respond to relatively larger emerging issues and opportunities. The Programme Response Fund currently requires Board approval prior to allocation.
2.36	Due to the significant requirements arising from the English Devolution White Paper, as set out earlier in the report, the Authority will require additional capacity to deliver change at pace. It is, therefore, proposed that the Programme Response Fund is utilised to underwrite such costs commencing from 2024-25 and through 2025-26, with any underspend from 2024-25 being set aside in an earmarked Response Reserve which can be drawn down to support devolution related activities. The Board is further requested to delegate authority to the Chief Executive to approve use of the earmarked Programme Response Fund in both 2024-25 and 2025-26 and the Response Reserve in order that prompt action can be taken to respond effectively to the White Paper.
2.37	<p>Other principles and assumptions adopted in the development of the proposed draft budget and MTFP are detailed in Appendix B and include:</p> <ul style="list-style-type: none"> <li>• Budget preparation has taken account of the level of reserves brought forward from previous financial years, and of expected annual funding streams from 2025-26 onwards to ensure that spending plans continue to be affordable.</li> <li>• The 2025-26 Budget and MTFP provides a clear presentation of capital and revenue budgets based on the current Directorate structure.</li> <li>• The staffing structure and budgets have been delegated from the Chief Executive to members of the Corporate Management Team for them to control.</li> <li>• The Budget and MTFP identifies staffing costs and other contributions to overheads associated with grant funded programmes and these are recharged to the relevant directorate budget line.</li> <li>• The Budget, generally, takes a prudent approach to funding – new funding sources are not recognised until funding agreements have been received from Government. This can result in some budgets not being recognised as funding is expected but not yet fully confirmed. The report</li> </ul>

	<p>includes a delegation to the Executive Director of Resources to include in the budget any funding announcements made after the publication of the report and before 1 April 2025.</p> <ul style="list-style-type: none"> <li>• Minor changes to the draft budget have been made since the consultation draft was approved in November, reflecting confirmation of some grant funding, updating of known costs in some areas and rephrasing of the capital programme to reflect the latest anticipated timescales for expenditure. These changes do not materially impact the overall budget position.</li> </ul>
2.38	The attached appendices provide the summary positions and detailed supporting schedules for the Capital Programme (Appendix C), Revenue Expenditure (Appendix D) and Income budgets (Appendix E)
2.39	<b>DIRECTORATE BUDGETS</b>
2.40	<b>ECONOMY AND GROWTH</b>
2.41	The Combined Authority Employment and Skills Strategy and Economic Growth Strategy focus on key challenges and opportunities to deliver on Achieving Good Growth corporate priority and the overarching vision defined in the devolution deal. This includes enhancing the global competitiveness, workforce capability, social inclusivity and environmental responsibility of the region in full collaboration with partners. A new <b>10 year Local Growth Plan</b> is in development that will build on these strategies with the existing and new growth priorities. The Combined Authority has also provided Government with the emerging key Growth Priorities for the development of a National Industrial Strategy, these five key priorities are around sector strengths that contribute to innovation and the globally significant science and technology innovation cluster. Unlocking binding constraints and barriers to deliver intensification, expansion and diffusion of business clusters and sectors.
2.42	The Employment and Skills Strategy recognises that to address the systemic skills challenges is a long-term project and therefore a number of longer-term system change outcomes have been identified. We will continue to work with partners to drive forward this ambition.
2.43	<p>In terms of employment and skills this means:</p> <ul style="list-style-type: none"> <li>• <b>Inspiring more young people into careers that can transform their life chances</b>, raising social mobility across the Combined Authority, and especially in Peterborough and Fenland.</li> <li>• <b>Tackling the inequalities in access to further (FE) and higher education (HE)</b> that hold back life chances and progress to improve related health and social outcomes. Building FE and HE capacity to provide more adults, of all ages, with an education able to improve their access to better jobs and prosperity and raising the proportion of the population in the north of the region gaining a NVQ4 or above qualification. Chief amongst our aspirations to raise life chances through education, is the further development of the University of Peterborough.</li> </ul>
2.44	However, filling the higher-level skills gap in Peterborough and the Fens will have limited impact on real lives without effective measures and interventions to significantly grow the business demand for those skills. This includes concurrent development of the innovation and business support eco-system to grow indigenous high-potential firms and attract new ones more evenly across our region.
2.45	<p>Green and inclusive business growth support is key to local good growth, already being developed through an integrated and powerful array of support that accelerates our growth by strengthening our businesses and workforce capacity for growth. The following services and tailored solutions are being delivered inhouse at the Combined Authority working in conjunction with our partners:</p> <ul style="list-style-type: none"> <li>• <b>Growth Hub Service</b> to engage and support our highest potential firms to speed their growth, build their capacity for growth, and sustain their period of growth, as well as supporting them to bring forward innovation. This includes targeting key industry sectors with new advisers offering specialist sector or themed advice, plus export support backed up by grant provision</li> <li>• <b>An Inward Investment Service</b> to better connect into global markets, to engage and persuade firms to locate into our economy or invest in our strategic projects, this is supported by a team of Economic Growth Champions and backed by grant support.</li> <li>• <b>A Skills Brokerage Service</b> to link learners and those retraining for new jobs, to employers and skills providers to improve the supply of skills to our growth sectors.</li> </ul>

	<ul style="list-style-type: none"> <li>• <b>A Business and Social Investment Fund</b> of £9.5m to help SMEs, Third Sector and Social Enterprise grow through organic expansion, offering an integrated range of capital grants, loans and equity products.</li> <li>• <b>Visitor Economy Partnership</b> support to kickstart the visitor economy with partners across the whole area.</li> </ul>
2.46	<p>Within the proposed Capital Programme there is a further £21m over the MTFP period to support business growth through the development of a Strategic Innovation and Investment Growth Fund. This includes driving Foreign Direct Investment from companies interested in the region that might need incentivising to commit their private match investment into the area. The projects to be supported by this fund will be approved in the future through SAF prioritisation process, with concept paper currently being consulted with Business Board and approved by Investment Panel to move and onto development of the Outline Business Case to be prepared during January and February 2025. The projects to be considered for this fund will have to take account of the National Industrial Strategy and be aligned to the emerging priorities of the new Local Growth Plan. In addition to the £21m Strategic Growth Fund, a further £3m is allocated in the MTFP already to the development of a regional creative industries hub in Cambridge and £1.5m for a cultural quarter enhancement in the central Cambridge and Market Square area.</p>
2.47	<p>Within the proposed Capital Programme there is £10m set aside to support projects within Economy and Growth and Place and Connectivity over the MTFP period. Within the Bus Reform Outline Business Case, £5m of this budget line has been earmarked to fund capital expenditure supporting Bus Reform. The remaining £5m is to currently set aside to help support areas and communities with unlocking local opportunities, particularly in rural areas across the region. It is proposed that this funding is managed through the same processes as the Strategic Innovation and Investment Growth Fund. Alignment with the emerging Local Growth Plan and National Industry Strategy will also be an important consideration. The individual projects to be funded from this sum will be subject to further approval in line with the approved SAF process.</p>
2.48	<p>Contributing to delivery across all the Combined Authority area will be a programme delivered via the UK Shared Prosperity Fund and Rural England Prosperity Fund, broadly within the three pillars of People &amp; Skills, Local Business and Community &amp; Place. The new one-year transitional funding for 2025-26 recently announced provides consolidated funds to the CPCA of £3m revenue and £1.4m Capital, which will continue to be focussed on those three pillars but with a much smaller portfolio of projects that will be led or commissioned by the Combined Authority. This will include a sharper focus on culture and the visitor economy with the intention to develop a “County of Culture” type approach to a regional celebration of our unique and world-class assets, supporting activities across Cambridgeshire and Peterborough as part of a regional Destination Management Plan, and a new Local Visitor Economy Partnership. All projects will be assessed against the Authority’s Strategic Objectives and the Shared Ambition for the region, taking account of the new Government Missions and themes. A business case will be taken forward for approval at Investment Committee for the allocation of the Shared Prosperity Fund before the April spend commencement.</p>
2.49	<p>Any continuation of the Rural England Prosperity Fund is yet to be announced at the time of writing this paper and once announced the proposed plan is to follow the same proposed delivery approach as the UKSPF 2025-26 allocation with a CPCA led or commissioned delivery across the combined four rural districts.</p>
2.50	<p>Place based innovation is key to stimulating new growth. As demonstrated in Cambridge, research is fundamental to achieving this - it produces the new ideas and technologies that enable entrepreneurs to start up, existing businesses to scale-up and for new tech-firms to spin-out of universities. Now that the university of Peterborough has completed its first two teaching buildings, as well as the R&amp;D centre, it is time to deliver on the ambition to increase innovation-based business growth in the north of the region by replicating and extending the infrastructure and networks that have enabled Cambridge to become a global leader in innovative growth. Future phases of the university project will help to realise this plus work on developing Innovation adoption and networking between firms, Universities, Institutes and Research organisations across the region.</p>
2.51	<p><b>PLACE AND CONNECTIVITY</b></p>
2.52	<p>The Combined Authority is the area’s Strategic Transport Authority, as such it has responsibility for creating and owning the statutory Local Transport and Connectivity Plan (LTCP) – this sets out the</p>



	<p>long-term strategy to improve connectivity for both the people and businesses of Cambridgeshire and Peterborough, with our constituent Councils' Local Plans adhering to the LTCP. Reflecting the impact that digital connectivity has on transport needs, the Combined Authority has included Connectivity into the Plan forming the LTCP. The plan was formally adopted in November 2023. In 2024-25 and 2025-26 we are moving ahead with modal and geographical specific strategies and policies with the oversight of Transport and Infrastructure Committee.</p>									
2.53	<p>The Combined Authority has responsibility for overseeing the passenger transport network across the region. This includes paying for concessionary fares as well as funding bus services to ensure locations not served by commercial bus services are better connected, stepping in where services have been cut. The Combined Authority, with partners, submitted a refreshed Bus Service Improvement Plan in June 2024 to government. The BSIP strongly aligns to the Bus Strategy, approved in 2023, that sets out our vision for a bus network for the area that is fast, frequent, reliable, and ready to help drive a modal shift in transport. Government made a BSIP + allocation of £2.3m per year for 23/24 and 2024-25 to the Combined Authority and in November 2024, announced over £10m for 2025/26. The Tiger Cards were introduced in 2024 and reached 30,000 young people in October this year. In July 2024 the Board approved the assessment or business case and to undertake public consultation on bus reform which runs until 20 November with the aim of a mayoral decision in early 2025. The authority held a 14-week consultation on bus reform proposals from August to November 2024 and will be bringing the report of this to Board in February 2025.</p>									
2.54	<p>At its meeting on 13 December 2024, the Combined Authority Board approved the retention of the £2 fare cap for the period January to March 2025, following the Government's announcement to introduce a £3 fare cap from January 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 by the main operator 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 indicated. 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>									
2.55	<p>Moving forward, the Board is asked to approve 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="188 1536 1257 1659"> <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 figures, the BSIP grant for 2025-26 would enable continuation of the £2 fare cap for the period April to June 2025, with a £2.50 cap to be 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. It is recognised that this provides little headroom should there be an underestimation of the actual cost and the position would be kept under review during the year.</p> <p>Members are asked to consider and approve the use of the BSIP grant in 2025-26 in support of a fare cap of £2 for the period April to June 2025 and £2.50 for the period July to December 2025, 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								
2.56	<p>The Strategic Transport team plays a pivotal role in programme managing a robust portfolio of large-scale capital projects designed to deliver significant journey improvements and public health benefits</p>									

	<p>throughout the region. These projects are strategically aligned with the Combined Authority's Local Transport and Connectivity Plan and corporate plan objectives, with a particular focus on enhancing connectivity. Through targeted investments in infrastructure and innovation, the team is driving impactful, sustainable transport solutions that contribute to a healthier, more accessible region. These projects are predominantly funded by the Transforming Cities Fund, a £95m fund devolved to the area with the Combined Authority able to direct to where it will create the greatest impact</p>
2.57	<p>In future years, alongside annual allocations of Highways maintenance grants, and £45m from the Levelling Up Fund (Round 2) for the delivery of Peterborough Station Quarter, there is a total of £44m included in the draft Capital Programme for transport schemes across the region to enable continued work on existing priority projects as well introduce and support other programmes and projects that address corporate and mayoral priorities. Projects include improvements and business case development to improve active travel across the region, better rail station and bus stop infrastructure, more funding to support road safety and 'Vision Zero' and priority road junction improvements to improve safety and reduce congestion across the region, including in March.</p>
2.58	<p>The Directorate is also responsible for the environment and sustainable communities agenda including the delivery of the statutory Local Nature Recovery Strategy. It supports implementation of the Climate Action Plan, taking forward the recommendations of the Cambridgeshire and Peterborough Independent Commission on Climate, with implications across the Combined Authority.</p>
2.59	<p>The £9m capital and £2m revenue allocated to the climate thematic funds were increased in-year following the closure of the Care Homes retrofit scheme to new applications resulting in a total allocation of c£10.9m capital and £2.45m revenue.</p> <p>Through 2024-25 several projects have been allocated from these thematic funds and are included in the capital and revenue budgets. There remains £6.6m of capital and £0.94m of revenue still to be allocated from 2025-26 onwards which will be awarded, subject to business case, to projects helping delivery of the Climate Action Plan and Local Nature Recovery Strategy as well as providing scope to ensure climate considerations in the development of the Local Growth Plan.</p> <p>The MTFP also includes an allocation to take forward the findings from the Infrastructure Delivery Framework, which is working with partners to identify the obstacles to sustainable growth across the area and set out costed solutions. This work is also aligned to support the development of the Local Growth Plan</p>
2.60	<p>Housing also lies within the remit of the Directorate. The current programme is due to complete and close in 2025. CPCA will formally enter into a Strategic Partnership with Homes England early in 2025 and this will strengthen joint working to address the housing ambitions and needs of the area</p>
2.61	<p>Additionally, the Greater South East Net Zero Hub resides in the Place and Connectivity Directorate. The Hub provides support, advice and guidance across over 140 Local Authority areas in the South East of England to support the drive to net zero emissions, as well as managing major contracts and programmes on behalf of government across that geography. They undertake work through a MOU with Department of Energy Security and Net Zero overseen by a Hub Board and 3 regional boards. Their role includes advice, development and delivery with much activity outside of the Cambridgeshire and Peterborough area.</p>
2.62	<p><b>CHIEF EXECUTIVE'S OFFICE, RESOURCES AND LEGAL AND GOVERNANCE</b></p>
2.63	<p>These three Directorates cover those services which support the business activity of the Authority, namely Chief Executives Office, Resources and Legal and Governance. These services support the day-to-day operations as well as leading key work areas, such as the region's Shared Ambition, in collaboration with partners. All areas work in partnership with Constituent Councils, Mayoral Combined Authorities and other stakeholders to support the delivery of the regions priorities.</p>
2.64	<p>Within the <b>Resources Directorate</b> the main areas are set out below:</p> <ul style="list-style-type: none"> <li>• Financial support, advice, and reporting including the setting of the annual budget and forecast MTFP, for both the CPCA and the Mayor, as well as the production of the statutory accounts. Finance operates a business partnering arrangement acting as a critical friend and professional support across the Authority. The service supports the work of the statutory S73 Officer who is responsible for the financial affairs of the Authority</li> <li>• The Human Resources and Organisational Development team supports the "employee life cycle" for staff throughout the organization as well as ensuring that the relevant policy and procedures</li> </ul>

	<p>are reviewed and revised as necessary. It undertakes an annual staff survey and works to support staff wellbeing and development and promote effective engagement.</p> <ul style="list-style-type: none"> <li>• The Programme Management Office supports the appraisal and decision making process for investment proposals through the Authority’s Single Assurance Framework and the monitoring of performance working with Programme and Project Managers. It also works closely with Internal Audit to review and produce the risk registers for the Authority together with any associated reporting.</li> <li>• Internal Audit provides an independent and objective assurance and consultancy service for the Authority working with the Project Management Office to provide a systematic approach to evaluate and improve the effectiveness of risk management, control and governance processes. It is also responsible for the delivery of the approved Audit Plan, reporting to the Audit and Governance Committee.</li> </ul>
2.65	<p><b>Legal and Governance</b> covers the following areas:</p> <ul style="list-style-type: none"> <li>• Legal Services; providing advice and assistance to Combined Authority Committees, elected members and officers;</li> <li>• The Procurement Team that provides advice and support to officers on procurement and contract management and;</li> <li>• The Democratic Services Team which organises and supports formal meetings of the Combined Authority, has the Statutory Scrutiny Officer and leads on scrutiny work that supports the Overview and Scrutiny Committee. This team also includes the information governance lead which assists the Combined Authority on issues such as data protection and freedom of information.</li> <li>• The Monitoring Officer is based in this service and the officers of all teams support the work of the Monitoring Officer concerning the legality of decision-making, the administration of the ethical framework for elected members and in the role as SIRO (as mentioned above in the details for the Democratic Services Team).</li> </ul>
2.66	<p><b>The Chief Executive’s Office</b> covers the following areas:</p> <ul style="list-style-type: none"> <li>• The Mayor’s Office which provides day to day support to the Mayor and champions delivery of the Mayoral pledges.</li> <li>• The Policy, Insight, Performance and Evaluation Team provides insight and analysis, such as the annual State of the Region report, develops policy positions, oversees the development of the Corporate Strategy, Directorate Business Plans and through the Performance Management Framework ensures the production of quarterly corporate performance reporting. The team also leads on all evaluation activity including the Combined Authority Gateway Review.</li> <li>• The Communications, Engagement and Public Affairs Team lead on consultation and engagement activity, liaison with national and regional media and press, delivery of campaigns such as Tiger Bus passes and work with Government Departments.</li> <li>• The Executive Support Team: providing executive, PA and admin support to the Corporate and Senior Management Teams along with facilities management and health and safety.</li> </ul>
2.67	<p><b>SECTION 25 STATEMENT</b></p>
2.68	<p>It is important to recognise that the Combined Authority, like other public sector bodies within Local Government, must operate within the statutory requirements for setting a balanced budget, recognising the risks and constrained resources.</p>
2.69	<p>Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Section 73 Officer in the case of Mayoral Combined Authorities) when setting the budget to report on the robustness of the estimates made for the purposes of the calculations and on the adequacy of the proposed financial reserves. This assessment is based upon the Combined Authority continuing to operate on an on-going basis, and with a minimum £20m gainshare (£8m revenue and £12m capital) to be funded from Central Government.</p>
2.70	<p>The budget currently provides for the financial implications of the Authority’s policies to the extent that these are known or can reasonably be assessed. However, there are a number of risks when setting the budget, some of which are beyond the Authority’s direct control including:</p>

	<ul style="list-style-type: none"> <li>• Economic and community cost of living impact</li> <li>• Policy changes from Government – this includes the expectations these may place on the Combined Authority and/or Constituent Councils impacting on services and financial plans.</li> <li>• Inflation and interest rate volatility – which will alter the position from that set out in the budget plans</li> <li>• Resource challenges and the potential impact on delivery of the capital programme</li> <li>• Other unforeseen emergencies</li> </ul> <p>The authority maintains reserves to help safeguard against financial shocks. The general reserve is held to cover the net impact of movements in year, and represents c.2% of year one revenue expenditure (excluding Adult Education Budgets) - recognising that the Authority does not operate significant demand led services at this time. The Authority also carries earmarked reserves to help mitigate against risk and ensure that existing commitments can be delivered.</p> <p>In future it is acknowledged that there may be greater financial risks within the budget following the decision on bus reform, as this will be influenced by demand for bus services and associated revenues and costs. The business case for bus reform has been subject to external audit and the medium term financial plan is built on this basis. There is also a planned earmarked reserve to be set aside for transport as agreed by the Board.</p>
2.71	<p>Paragraphs 2.10 to 2.66 above cover the background and rationale behind the key assumptions in the budget and the quantum of reserves maintained in the MTFP. Further detail regarding the assumptions underpinning the budget is also included as Appendix B to the report. There is also a clear link between the draft Corporate Strategy (included as Appendix A to this report) and the MTFP to ensure that all strategic objectives and deliverables contained in the draft Corporate Strategy have funding allocated to them.</p>
2.72	<p>The Combined Authority is obliged to seek best value in the use of public funds and continually review its performance and financial position taking action to address any concerns. The introduction of the SAF process and other governance improvements alongside ongoing financial monitoring, the annual review of the MTFP, and scrutiny function provides greater assurance when seeking to address these obligations</p>
2.73	<p>From a Section 73 Officer perspective, given the prudent assumptions regarding income, expenditure, inflation and risk which have been used when drawing up the draft budget and MTFP, and the close link between the Corporate Strategy and MTFP, I am content that the estimates are sufficiently robust for the purposes of setting an effective budget and MTFP to deliver the strategic objectives included in the draft Corporate Strategy.</p>
2.74	<p>Additionally from a Section 73 Officer perspective I am content that the proposed level of reserves, taking into account the unallocated contingency funds also contained in the MTFP, are adequate given the existing known and emerging risks facing the Combined Authority. This recognises that risks are continually reviewed and work is undertaken to mitigate such risks.</p>
2.75	<p><b>CONSULTATION RESPONSES</b></p> <p>There were 1,007 responses to the Budget and Medium-Term Financial Plan Consultation. The overwhelming majority of respondents were members of the public, representing 99.8% (1,005 respondents). 767 responses came as a collection of emails and only answered the three questions around mayoral precept. In these cases, the question was asked with slightly different response options, so these have been updated for analysis – so ‘strongly agree’ in the email become ‘strongly support’ so it matches the question response categories. This also explains why for some questions only 240 respondents are eligible to answer the question and at other times, up to 1,007 respondents give their views.</p> <p>Respondents were asked as part of the survey to say which district authority area they lived in. The areas with the highest level of response were Peterborough and South Cambridgeshire with 32% and 18% respectively, while other districts contributed smaller but notable shares.</p> <p>The responses highlighted opposition to the 2025-26 budget proposals and the Medium-Term Financial Plan for 2025-2029. Over half of respondents (52%) strongly disagreed with the budget proposals, and an additional 20% expressed disagreement. Similarly, 49% of respondents strongly opposed the medium-term financial plan, with a further 22% disagreeing. One in ten respondents</p>

	<p>expressed support for either the budget proposals or the financial plan, while about one-fifth remained neutral on these issues.</p> <p>Respondents highlighted key concerns in their comments, with financial pressures and cost-of-living challenges taking precedence. Opposition to the mayoral precept and resistance to tax increases were recurring themes. Respondents expressed dissatisfaction with the consultation process, citing a lack of clarity and accessibility while questioning how feedback would be utilised. Transport and infrastructure issues, including rural connectivity and road maintenance, also featured prominently.</p> <p>When asked specifically about maintaining or increasing the mayoral precept, opinions were divided for each. While 50% of respondents supported keeping the precept at its current level (Band D of £36/year), 31% strongly opposed even this amount. Support for a 4.99% increase in the precept was markedly lower, with 94% of respondents opposing it, of which 88% were strongly against.</p> <p>Awareness of the Combined Authority was relatively high, with eight in ten respondents stating they were familiar with its work, and two-thirds expressing some familiarity with its future vision and activities. However, over one-third of respondents indicated they were not very familiar with the Authority's plans.</p> <p>Overall, while some supportive comments were noted, particularly around transport investment, there were several concerns about value for money, and resource distribution.</p> <p>The results of the consultation are set out in Appendix G.</p> <p>The work of the Overview and Scrutiny Committee also formed part of the formal consultation on the budget and MTFP and details of this are set out elsewhere in this report and Appendix G.</p>
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### 3. Background

3.1	It is a statutory requirement for the Authority to set and approve a budget every year and good practice to develop a longer-term Corporate Strategy which drives a Medium-Term Financial Plan. The proposals in this report strengthen this best practice.
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### 4. Appendices

4.1	Appendix A. Draft Corporate Strategy
4.2	Appendix B. Assumptions underpinning the draft MTFP
4.3	Appendix C. Detailed proposed Capital Programme
4.4	Appendix D. Detailed proposed Revenue Programme
4.5	Appendix E. Detailed Income Budgets
4.6	Appendix F. Project Reprofiting Information
4.7	Appendix G. Responses to the consultation

### 5. Implications

#### Financial Implications

5.1	The financial implications are contained within the body of the report and associated appendices.
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#### Legal Implications

5.2	Under powers granted by the Combined Authorities (Finance) Order 2017, elected Mayors may raise a precept on Constituent Authorities Council Tax bills under section 107G of the Local Democracy Economic Development and Construction Act 2009. A Mayoral Precept may only be issued in relation to the costs of the Mayor or of discharging Mayoral Functions. The Mayoral functions are set out in Article 12 of the Cambridgeshire and Peterborough Combined
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	<p>Further, under Section 25 of the Local Government Act 2003, the Authority's Chief Financial Officer (the Treasurer) is required to report on the robustness of the estimates made for the purposes of the budget and levy calculations and the adequacy of the proposed reserves. This information enables a longer-term view of the overall financial position to be taken.</p> <p>This report is submitted to the Board in accordance with the Budget procedure rules as set out in Chapter 6, para 6.8 Budget Framework Procedure Rules. The CPCA has a statutory duty to have regard to the report of the Chief Finance Officer when making decisions about its budget calculations. The legal and governance processes that need to be completed include consideration by Overview and Scrutiny Committee and the Combined Authority Board.</p> <p>As a public authority which has the power to levy for transport functions and to raise a precept, the Cambridgeshire and Peterborough Combined Authority must set a budget every year which is agreed through its formal decision-making processes.</p> <p>Some savings proposals may only be delivered after specific statutory or other legal procedures have been followed and/or consultation taken place. Where consultation is required, the CPCA cannot rule out the possibility that they may change their minds on the proposal because of the responses to a consultation, and further reports to the CPCA Board may be required.</p> <p>If General Fund Reserves are used to support the budget, they may need to be reimbursed at the earliest opportunity to provide the necessary, margin of safety in future years.</p> <p>Apart from statutory duties relating to specific proposals the CPCA must consider its obligations under the Equality Act and its best value duties.</p> <p>By capping bus fares, the government provides financial support to operators to offset revenue losses, ensuring that the fare limits remain economically viable while serving broader public objectives, such as promoting equitable access to transportation and reducing car dependency. Officers will review the Subsidy Control Act 2022 and will undertake a subsidy assessment with each operator to ensure that the Authority is compliant with the Act.</p>
Public Health Implications	
5.3	<p>The Corporate Strategy seeks to improve health across the region with some outcomes detailed in each priority area. Health is also a key assessment criterion as part of the supporting strategic framework. As a result of the delivery of this strategy, health outcomes are expected to improve. For example, the Corporate Strategy emphasises improving health outcomes by integrating health, transport and environmental goals. Supporting active travel infrastructure, like walking and cycling networks, promotes healthier lifestyles, reduces car reliance and encourages physical activity.</p>
Environmental and Climate Change Implications	
5.4	<p>The Corporate Strategy seeks to address climate impact and enable further resilience across the region. Each priority area is expected to be sustainable and seek positive environmental contributions; specifically the Enabling Resilient Communities priority area will drive key deliverables to address climate related impact. Climate and Nature is also a key assessment criterion as part of the supporting strategic framework. As a result of the delivery of this strategy, impacts on climate outcomes are expected to improve.</p> <p>The budget contains specific funding in respect of environmental and climate change projects and programmes to support this area of work. As part of the SAF arrangements, projects are requested to outline the outcomes and benefits arising from the investment proposals, this may include environmental and climate change improvements.</p> <p>The proposal to extend the local single journey bus far cap below the £3 national scheme is intended to enable a convenient, value for money bus network in-line with the Combined Authority's Bus Strategy aimed at encouraging modal shift. Lower, easier to understand fares may encourage passengers to travel by bus rather than utilising other modes such as the private car, thus reducing overall emissions.</p>
Equality, Diversity and Inclusion Implications	
5.5	<p>There are no negative direct equality impacts in relation to the 2025-26 budget proposals as funding has been maintained and/or service provision is not forecast to decrease. There may be movements in the funding due to time limited arrangements in place. There remains, however, risks and financial</p>

	<p>uncertainties due to the general economic conditions, supply chain issues and the absence of a longer term funding agreement. .</p> <p>A number of mitigating measures have been considered as part of the budget planning which should help mitigate such impacts, but the scale of change from significant new skills programmes, to the impacts of the devolution white paper, to bus reform, may result in the need for further consideration. These will be identified and included as the respective project/programmes are brought forward.</p> <p>In relation to the continuation of a local fare cap below the £3 national cap, the protected characteristics most likely to be affected are those on lower incomes with fewer economic resources who are more reliant on public transport. This could include young people, women, single parents, people from lower socio-economic groups and those with disabilities. The proposed intervention, to maintain a local single fare cap below the national scheme, should reduce the financial barrier to bus usage and therefore the impact on those most affected is expected to be positive.</p> <p>Bus reform proposals included a draft Equality Impact Assessment alongside the wider bus reform assessment. This will be considered as part of the final report to Board in February 2025.</p> <p>Future policy options will need to undergo in-depth equality impact assessments and engagement/consultation with affected groups to ensure positive impacts are maximised and negative impacts reduced as far as possible.</p>
Background Papers	
5.6	<a href="#">Draft MTFP and Corporate Strategy proposals – Combined Authority Board, 13 November 2024</a>