



Combined Authority Board

05 June 2024

| | |
|----------------------|---|
| Title: | 2023/24 Outturn Budget Report |
| Report of: | Rob Emery, Assistant Director Finance |
| Lead Member: | Mayor Dr Nik Johnson |
| Public Report: | Yes |
| Key Decision: | Yes |
| Voting Arrangements: | Simple Majority of Members present and voting |

Recommendations:

| | |
|---|---|
| A | Note the unaudited outturn position of the Combined Authority for the 2023/24 financial year |
| B | Approve the requested slippage of unspent project budgets on the approved capital programme of £59.3m, and on the revenue budget of £14.9m. |

Strategic Objective(s):

The proposals within this report impact on all four of the Combined Authority's strategic objectives as approving budgets to be carried forward into 24-25 allows the continuation of the delivery of the Authority's programmes in an efficient manner, and within its means.

Without the smooth continuation of funding which approval of proposed carry forwards provides many of the Authority's projects would have to be paused while funding and deliverability are reassessed.

1. Purpose

| | |
|-----|--|
| 1.1 | This report provides the Board with an overview of the outturn financial position for the 2023/24 financial year and revised slippage request. |
| 1.2 | Underspends are split between project slippage, where the Board is asked to agree the carry forward of the funding, and underspend/savings, where there is funding that will be returned to the Combined Authority's reserves as it is no longer required. |
| 1.3 | The position presented is based on the Combined Authority's accounts before external audit, as such there is a possibility that the position will be changed following audit findings – as part of the audit of the accounts any such changes will be reported at that time. |

2. Background

| | |
|-----|--|
| 2.1 | This report presents the actual expenditure position for the financial year ended 31st March 2024. As monitoring reports have been provided at each regular Board meeting, and Appendix B includes explanations from budget holders and project managers for every material variance across the 2023-24 revenue budget and capital programme, the report focusses on the strategic headline behaviours across the Combined Authority's portfolio and only refers to specific projects where they are very significant in the outturn position. |
| 2.2 | The budgets reported in the body of the paper only relate to those which have been approved to spend by the Board, or relevant Committee, and are thus being actively delivered against. A summary of those budgets which were subject to approval but have not come forward to draw-down is included in the appendixes. |
| 2.3 | The materiality threshold above which expenditure outturn variances for the year are required to provide a specific explanation within Appendix B are £200k for all revenue budgets and £500k on capital projects. |

3. Revenue Expenditure Position

| | |
|-----|--|
| 3.1 | <p>The table at the end of this section contains a summary of the financial position of the Authority as at 31 March 2024. More detail is provided for the Mayor's Office, the Chief Exec's Office and Resources and Performance as these budgets are not reviewed in more detail by the Thematic Committees.</p> <p>All figures are in thousands of pounds (£'000) and a more detailed breakdown of income and expenditure for the year is shown at Appendix A1.</p> |
| 3.2 | <p>The Combined Authority's revenue outturn position is a £21.6m 'favourable' variance against a total budget of £78.4m.</p> <p>This figure includes operational, service delivery, and project budgets. Removing service delivery and project budgets leaves a core operational budget of £10.5m with a spend of £9.9m – a £0.6m underspend.</p> <p>£320k of the net variance is due to increased recovery of overheads due to the number of staff being funded from specific projects increasing and the balance left on the corporate response fund. The low level of residual variance indicates operational budgets (staffing, management costs and corporate costs) are being effectively managed as a whole.</p> <p>The most significant variances from the budget are set out below, grouped by type of funding. Unless otherwise stated spend was below budget.</p> <p><u>Ringfenced Grants</u></p> <ul style="list-style-type: none">• £5.9m Net Zero Hub non-retrofit budgets - these are a variety of projects funded by ringfenced grants. With the exception of the £230k underspend on the Rural Community Energy Fund these projects will continue in 24/25 so funding and budgets will be carried forward.• £4.6m Net Zero retrofit schemes – those which have ended have returned funds to DESNZ, the live HUG 2 project has recently agreed a change request with DESNZ reducing overall delivery due to delays in initiation which have been experienced across the country.• £3.0m on AEB funded budgets – the AEB is a devolved fund so any underspend is retained by the Combined Authority and can be utilised on the delivery of services in future years. To avoid repeated underspends the AEB team are bringing forward a dynamic purchasing system in 24/25 which will allow in-year adaption to provider capacity i.e. matching additional capacity from some providers against gaps from others.• £2.0m Bus Service Improvement Plan + - following recommendation from the Transport and Infrastructure Committee the Combined Authority Board allocated this funding to services being delivered in 24/25, as such the underspend on the grant will be carried forward and used as agreed.• £1.4m Growth Co Services – The Growth Co programme as a whole exceeded the targeted number of new jobs to be created in the area however there were variances on individual projects |

| | |
|-----|---|
| | <p>including underspends on the workstreams funded by ERDF and ESF grants. As these funds were not required to deliver the programmes outcomes they will not be drawn down.</p> <ul style="list-style-type: none"> • £1.0m Health and Care Sector Work Academy unbudgeted spend – the sponsoring department agreed extensions to this programme, with final enrolments by the 31st March 2023. As such, delivery of those courses, and associated costs, continued into 2023/24 and were funded by the unspent grant from the prior period. The balance of unspent grant at the end of the project were returned to the department. <p><u>Passenger transport levy</u></p> <ul style="list-style-type: none"> • £1.4m on Concessionary Fares – rates of payment to bus operators for concessionary pass use in 2023/24 have remained at pre-COVID levels per advice from the Department of Transport leading to a significant underspend due to the reduced number of pass-users who have returned to regular bus patronage. For 2024/25 the Department have published a new model and expenditure is forecast to increase due to the new calculation methodology. • £0.6m Supported Bus Services – £0.3m is due to the funding from Treasury Management income, allocated for expansion of the DRT pilot network (approved by the Combined Authority Board in September 23), being added to the 23/24 budget when it was intended for 24/25. The balance is due to routes retendered after the budget was approved costing less than envisioned, likely due to planned procurement exercises delivering better value than an emergency response. <p><u>Revenue general funds</u></p> <ul style="list-style-type: none"> • £0.6m Development of Bus Franchising – the underspend on this budget is due to the delay in audit process of the Outline Business Case (OBC). The 23/24 budget included funding for the public consultation which cannot occur until the audit of the OBC is completed and so the costs will now fall into 24/25. <p>Further details on these changes and all others over £200k can be found in Appendix B.</p> |
| 3.3 | <p>In addition to the approved budgets shown in the tables below which are regularly monitored, there are £2.4m of Subject to Approval budgets allocated to 23/24 which have not been drawn down as shown in Appendix C1.</p> <p>The Combined Authority is currently undertaking a project prioritisation and review process following which the profiling of these budgets will be reviewed.</p> |
| 3.4 | <p>The Board are recommended to agree the updated carry-forwards on the approved, and subject to approval, revenue budgets of £14.9m and £2.4m respectively.</p> |

| Revenue Expenditure to end of Mar £'000 | Full-year Budget | Outturn Expenditure | Variance | Requested Slippage | Appendix B reference |
|---|------------------|---------------------|----------------|--------------------|----------------------|
| Mayor's Office | 3,778 | 3,733 | -45 | - | |
| Precept | 3,624 | 3,624 | | - | |
| Mayor's Office | 154 | 109 | -45 | - | |
| Chief Execs Office | 3,360 | 2,712 | -648 | 518 | |
| Comms and Engagement | 52 | 183 | 131 | - | |
| Monitoring and Evaluation | 226 | 137 | -89 | 89 | |
| Response Funds | 907 | 786 | -121 | 48 | |
| Strategy and Vision | 459 | 154 | -305 | 305 | |
| CEX Office Staffing | 1,716 | 1,453 | -263 | 75 | 1 |
| Resources and Performance | 22,713 | 11,916 | -10,797 | 8,797 | |
| Digital Services and Support | 860 | 709 | -150 | 147 | |
| Energy | 18,591 | 8,027 | -10,564 | 8,550 | 18 |
| Finance and Procurement | 323 | 340 | 17 | 77 | |
| Human Resources & Organisational Development | 122 | 89 | -33 | - | |
| Legal, Governance and Member Services | 309 | 212 | -97 | - | |
| Other Employee Costs and Corporate Overheads* | 172 | -90 | -262 | 24 | 19 |
| R&P Staffing | 2,337 | 2,630 | 292 | - | 20 |
| Economy and Growth | 27,927 | 22,533 | -5,394 | 2,054 | 2 to 11 |
| Place and Connectivity | 20,612 | 15,884 | -4,728 | 3,524 | 12 to 17 |
| Grand Total | 78,390 | 56,778 | -21,612 | 14,893 | |

* This budget group includes recharges to grants of costs across Finance and Procurement, Human Resources & Organisational Development and Legal, Governance and Member services as well as itself so total income from recharges can be larger than the gross costs.

4. Capital Expenditure

| | |
|-----|--|
| 4.1 | A summary of the 2023/24 Capital Programme for the year ended 31 st March 2024 is shown at the end of this section. A project-level breakdown of the capital programme is included in Appendix A2. |
| 4.2 | <p>The capital programme shows a spend of a £109.5m against a total budget of £159.9m, or 69%. Removing the Highways Capital Grants, the ZEBRA project (as both these funds as paid out in one go), and the Net Zero retrofit programme this gives £49.7m spent against £88.2m, or 56%.</p> <p>This is a marked improvement on performance in 22/23, when the equivalent figure was 34%, and reflects the improvement journey the Combined Authority has been on over the preceding 12 months resulting in a greater focus on delivery.</p> <p>Further work on our capital processes, through the implementation of the Single Assurance Framework processes, and reinforcement of the Programme Management Office, should ensure this direction of travel continues through a combination of more realistic profiles and clearer 'routes to market' (i.e. derivability) in business cases.</p> <p>Alongside this we will be reviewing the process of, and the approach to, budget monitoring across both the revenue and capital budgets to ensure the best possible support to Officers in owning and managing their budgets.</p> |
| 4.3 | <p>There are various reasons for underspend on the capital programme, predominantly slippage, but the impact of underspend varies depending on the funding source with some being time limited, meaning unspent/undrawn down funds must be returned to Government, while others are able to be carried forward, or reallocated to other priorities.</p> <p>While slippage on projects is to be avoided where possible, the corresponding delay in spend and high interest rates seen throughout 23/24 have resulted in treasury management income for the year slightly exceeding £10m – which has enabled the Combined Authority to make significant enhancements to its revenue programme throughout 23/24 and into 24/25.</p> |
| 4.4 | <p>Below is a summary of the 10 most significant underspends on the capital programme, covering 73% of the total, grouped by category of funding. More detailed explanations of these, and all variances of £500k or more, are included in Appendix B.</p> <p>As can be seen below, beyond the change control agreed for the HUG2 programme, there is no immediate funding risk due to the project slippage on time-limited funds. That said, the risk if those projects are further delayed through 2024/25 is substantial and, as such, is reflected on the corporate risk register and regularly reviewed and monitored by the responsible teams.</p> <p><u>Time-limited funding – Transforming Cities Fund</u></p> <p>5 of the 10 most underspent schemes are funded by the Transforming Cities Fund which the Department for Transport (DfT) expect to be defrayed before March 2025. The strategic transport team are working with delivery partners to ensure the TCF funded element of the project can be delivered in this timeframe. The 5 schemes are:</p> <ul style="list-style-type: none">• £5.7m A141 & St Ives• £4.3m Fengate Access Study Phase 1• £3m Nene Parkways Junction 32/3• £1.8m A10 Upgrade• £1.7m March Junction Improvements <p><u>Time-Limited funding - Other</u></p> <p>£20.9m Net Zero Retrofit grants (HUG2) – Delivery on this scheme nationally has been significantly delayed. A change request has been agreed with the sponsoring department which will allow roughly half of this underspend to be recovered through accelerated delivery in 24/25 but the balance is not expected to be drawn down.</p> |

| | |
|-----|---|
| | <p>£3.5m Active Travel 4 – This funding was committed by the end of March 2024 and schemes are due for completion by March 2025, in-line with the grant agreement with DfT.</p> <p><u>Ringfenced funding</u></p> <p>£3.0m University of Peterborough Phase 2 – this contribution to the fit out and delivery of the Phase 2 building is funded through a specific grant from DLUHC following the withdrawal of the private sector partner in the project. The funding is not time-limited and will be paid to the company once the legal issue of shares has taken place in June 24.</p> <p><u>Discretionary Capital funds</u></p> <p>£1.2m The Growth Service Company – this project was funded by recycled capital growth funds, money which had been invested by the area’s Local Enterprise Partnership as loans and subsequently repaid. As recycled funds these are not subject to time constraints and can be applied in-line with the Combined Authority’s priorities. As such the underspend on the project can be reallocated.</p> <p>£1.1m Market Towns - March – this project is funded by capital gainshare, the devolved settlement the Combined Authority received as part of the devolution deal. The funding is not time limited, so the delay in the delivery of the Market Towns programme does not put funding at risk.</p> |
| 4.5 | <p>There are three budget lines with significant positive variances, none of these represent an unfunded overspend and are due to either changes to project funding or a clerical error:</p> <p>£4.2m Net Zero Retrofit – LAD3 – this is due to changes in classification of spend between revenue and capital budget lines in-line with discussions held with the sponsoring department. All spend on the programme is funded by a single grant so moving funding between the two budgets has no impact on the overall cost or funding of the project.</p> <p>£4.0m Highways Maintenance Capital Grant – DfT allocated an additional £4.1m pothole funding in 23/24 so this spend is balanced by additional grant income.</p> <p>£1.7m Kings Dyke – this was a clerical error, the expenditure should have been recognised in 22/23 along with the budget.</p> |
| 4.6 | <p>As capital programmes, by their nature, cross multiple financial years requests to carry forward unspent budgets into future financial years are agreed by default and recognised as savings by exception. In order to enable continued delivery of in-flight projects, the Board is requested to approve the carry forwards totalling £59.3m as slippage detailed in Appendix A2.</p> <p>The slippage figure appears higher than the actual variance in the table on the following page as the variance is a net figure include the £10m of positive variances set out in 4.5. Removing these gives a net underspend of £60.4m so slippage is the majority, with a small underspend on the Growth Company capital project.</p> |
| 4.7 | <p>In addition to the approved budgets which are monitored in the tables below, there are also £10.2m of Subject to Approval budgets agreed for the year, which have not come forward for draw-down - these are listed in Appendix C2. The Combined Authority is currently undertaking a project prioritisation and review process following which the profiling of these budgets will be reviewed.</p> |

5. Income

| | |
|-----|---|
| 5.1 | The lower table on the following page sets out the Combined Authority’s income for the financial year and a more detailed breakdown is provided in Appendix A3. |
| 5.2 | There are several substantial changes from the position forecast at the March Board: |

| | |
|-----|---|
| | <ul style="list-style-type: none">• £2.3m of BSIP+ 23/24 funding has not yet been received. The Combined Authority has met the conditions for this funding, and received a grant determination so we have followed up with the DfT to ensure payment is made.• £2.1m of Active Travel funding was unexpectedly received early in March 2024 but will be spend in 24/25.• A £1.5m reduction in forecast income for the Net Zero Hub, this is due to funding having been received in advance in 22/23 rather than 23/24 as anticipated. |
| 5.3 | Discussions are ongoing with DESNZ over the release of the Mayoral capacity funds and LEP core funding for both 23/24 and 22/23. Previous communications indicated these funds were paused, however the recently called election reduces the likelihood of an answer in the previously anticipated timeframe. |

| Capital Expenditure to end of Mar 2024 £'000 | Full-year Budget | Outturn Expenditure | Variance | Requested Slippage | Appendix B reference |
|--|------------------|---------------------|----------------|--------------------|----------------------|
| Economy and Growth | 19,228 | 9,122 | -10,106 | 9,008 | |
| Business | 2,378 | 7 | -2,371 | 2,378 | 21,22 |
| Growth | 4,916 | 3,756 | -1,160 | - | 23 |
| Market Town | 6,080 | 3,331 | -2,749 | 2,800 | 24 |
| SPF | 1,555 | 725 | -830 | 830 | 25 |
| FE Cold Spots | - | - | - | - | |
| University | 4,300 | 1,303 | -2,997 | 3,000 | 26 |
| Place and Connectivity | 107,839 | 84,920 | -22,920 | 29,154 | |
| Climate Action and Spatial Planning | 2,140 | 280 | -1,860 | 1,860 | 27,28 |
| Digital Connectivity | 1,726 | 924 | -802 | 802 | 29 |
| Housing | 11,943 | 10,994 | -949 | 949 | 30 |
| Intercompany | - | - | - | - | |
| Public Transport | 9,188 | 9,120 | -68 | 175 | |
| Strategic Transport | 82,843 | 63,602 | -19,241 | 25,368 | 31-42 |
| Resources and Performance | 32,793 | 15,320 | -17,472 | 21,118 | |
| Accommodation | 167 | 131 | -36 | 36 | |
| Digital Services and Support | 42 | 64 | 22 | - | |
| Energy Hub | 32,584 | 15,126 | -17,458 | 21,081 | 43 |
| Grand Total | 159,861 | 109,362 | -50,499 | 59,280 | |

| Combined Authority income to end of Mar 2024 £'000 | Outturn income | Budget | Variance | Change from Forecast |
|--|-----------------|-----------------|--------------|----------------------|
| Mayor's Office | -3,624 | -3,624 | - | - |
| Chief Execs Office | -39 | -39 | - | - |
| Economy and Growth | -22,208 | -25,993 | 3,785 | 846 |
| Place and Connectivity | -60,278 | -58,617 | -1,661 | -719 |
| Resources and Performance | -83,948 | -86,509 | 2,560 | 2,005 |
| Grand Total | -170,098 | -174,782 | 4,685 | 2,131 |

6. Appendices

| | |
|-----|--|
| 8.1 | Appendix A. Detailed breakdown of revenue income and expenditure budgets for the financial year 2023-24. |
| 8.2 | Appendix B. Material Variance Explanations |
| 8.3 | Appendix C. Subject to Approval budgets |

7. Implications

Financial Implications

9.1 The financial implications of the decisions are set out in the body of the report.

Legal Implications

9.2 The Combined Authority is required to prepare a balanced budget in accordance with statutory requirements.
This report monitors how the Combined Authority and the Mayoral Fund performed against the financial targets set in January 2024 through the Budget setting process in accordance with the Cambridgeshire and Peterborough Combined Authority Order 2017 and the Combined Authorities Financial Order 2017.

Public Health Implications

9.3 A number of the projects in delivery or planned to be delivered have direct Public Health benefits.

Environmental & Climate Change Implications

9.4 A number of the projects in delivery or planned to be delivered have direct Environmental and Climate Change benefits.

Other Significant Implications

9.5 There are no other significant implications.

8. Background Papers

10.1 None