



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

CAMBRIDGESHIRE AND PETERBOROUGH COMBINED AUTHORITY BOARD	AGENDA ITEM No: 2.2
30th JANUARY 2019	PUBLIC REPORT

2019/20 BUDGET AND MEDIUM TERM FINANCIAL PLAN 2019 TO 2023

1. PURPOSE

- 1.1. The Combined Authority is required to set its annual budget by 31st January. Good practice would indicate that this should be done in the context of a 3 to 5 year projected financial plan. This paper sets out the budget in terms of revenue and capital. Both reflect the financial impact of decisions taken to date by the Combined Authority, the emerging staffing structure and the wider Combined Authority's ambitions. The result is a balance of the 4-year plan objectives to the funding sources available. The report seeks Board approval of the revenue and capital budgets.

<u>DECISION REQUIRED</u>	
Lead Member:	Councillor Steve Count
Lead Officer:	Noel O'Neill, Interim Director of Finance
Forward Plan Ref: 2019/001	Key Decision: YES
The Combined Authority Board is recommended to: (a) Approve the revenue budget for 2019/20 and Medium Term Financial Plan 2019 to 2023. (b) Approve the capital programme 2019 to 2022.	Voting arrangements At least two-thirds of all Members (or their Substitute Members) appointed by the Constituent Councils to include the Members appointed by Cambridgeshire County Council and Peterborough City Council, or their Substitute Members. This is a recorded vote

(c) Approve the Transport Levy in paragraph 6.3 and the passporting back to Cambridgeshire County and Peterborough City Councils.	
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2. BACKGROUND

- 2.1. In November 2018 the Board received a draft revenue budget, Medium Term Financial Plan and Capital Programme for consideration and to consult with the wider community on the proposals. At that meeting Members asked some detailed questions and sought some further clarifications but agreed to seek the views of the wider community. This report responds to those issues specifically.
- 2.2. It was emphasised in that report the level of annual funds available to the Combined Authority. Its core revenue funding is £8m per annum with £12m per annum of capital funding. This sets an important context for the financial plan. However, it is also important to remember that the Combined Authority is influential in obtaining further funding and devolved monies. Much of this is capital funding such as £170m for Housing and £74m for Transforming Cities. This brings with it some challenges of its own, but the Combined Authority's plans are reflected in the Capital Programme.
- 2.3. In February 2018, the Cambridgeshire and Peterborough Combined Authority (CPCA) set an initial budget for 2018/19 to meet the costs that it was aware of at that time. In May 2018, CPCA Board approved its 4 year Business Plan and the priorities for its work. An initial Medium Term Financial Plan was approved along-side this that allocated funding against these activities. The CPCA has continued to develop these concepts and its resource profile and the forecast outturn is based upon the implementation of those decisions. This was reported in a separate paper in November 2018, but is included within this paper and the tables as a point of reference for future year plans.
- 2.4. The Mayor instigated a review of the Combined Authority's staffing structure and fitness for purpose from the interim Chief Executives. The budget and financial plan before Members reflects that review and the savings identified. Some of the savings identified in this review were anticipated in the draft budget proposed in November. There is a more detailed explanation in the salaries section below.
- 2.5. A Business Plan for 2019/20 is also before Members on this Agenda. This has been produced in response to some of the queries raised in November 2018 by the Board and gives more detail on the areas of priority and how they will be delivered in the year. More detail on the prioritisation of revenue resources and specific feasibility work on transport schemes has been developed since November. Also, a review of how the capital programme also targets spend towards devolution priorities has been undertaken. This is reflected in the budget before Members.

- 2.6. As stated, the ambition for the CPCA area stretches beyond the current funding envelope. Whilst the budget and MTFP set out how existing resources will be used to develop the major infrastructure programmes, there will also be a focus of effort on developing and securing new funding sources to deliver those ambitions.
- 2.7. The Mayor's Office Budget is determined in a separate paper on this agenda. It is shown within this report to reflect the overall financial position of the Combined Authority.
- 2.8. The paper has made some assumptions around the split of capital and revenue expenditure in line with its emerging capital and accounting policy.

3. REVENUE BUDGET

- 3.1. The revenue budget is the plan for operational, day to day expenditure that the CPCA needs to function as a local authority. It includes all of the Business Board (Local Enterprise Partnership) activity. A major change due next year is the devolution of the Adult Education Budget (AEB) for the area. This is revenue grant that will be managed by CPCA and is £12.1m in 2019/20. Another is the specific identification of revenue resources to deliver the initial feasibility work for the major priorities. Work has been undertaken to specify what is required for transport for 2019/20 but an element has been identified for non-specified work in the year. This is sound financial planning in the Combined Authority BUT no spend will be incurred without specific approval from the Board.
- 3.2. The detailed budget and MTFP is shown in Appendix 1. A summary is shown below with an associated narrative on the major elements of the budget:

Table 1 Summary Revenue Budget 2019/20 and MTFP

Forecast Outturn £000's		2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
(11,250.5)	Income	(23,099.2)	(22,065.6)	(22,072.6)	(22,079.8)
349.4	Mayor's Office	353.7	357.8	362.0	366.3
5,432.1	Salaries	4,845.1	4,917.8	4,991.6	5,066.4
70.0	Other Employee Costs	200.0	200.0	200.0	200.0
547.0	Externally Commissioned Support Services	375.0	375.0	375.0	375.0
593.8	Overheads	474.2	475.0	475.0	475.0
67.0	Governance Costs	67.0	67.0	67.0	67.0
260.0	Election Costs	260.0	260.0	260.0	260.0
0.0	Capacity Funding	125.0	125.0	125.0	125.0
(700.0)	Financing	(800.0)	1,615.0	1,743.8	1,925.0
	<u>Workstreams</u>				
0.0	Non-Transport Feasibility Budget	1,000.0	1,000.0	1,000.0	1,000.0
1,526.6	Transport Feasibility non-capital	4,000.0	5,000.0	2,000.0	500.0
750.0	Other Transport Revenue	350.0	250.0	0.0	0.0
1,015.3	Business and Skills	11,766.1	11,656.1	11,656.1	11,656.1
868.1	Economic Strategy	539.9	518.8	517.8	516.8
915.7	Strategy, Planning & Performance	505.9	326.8	233.6	50.0
444.4	Net Position for year	962.7	5,078.9	1,934.3	502.9
(9,948.6)	Revenue balance @ 31st March	(8,986.0)	(3,907.1)	(1,972.8)	(1,469.9)

3.3. Income Sources

In 2019/20 CPCA will receive £23.1m of revenue funding. The largest income line is £12.1m for AEB funding. However, around 96% of this will be paid in grants direct to providers of those services. Therefore, the CPCA has £11m to deliver all of its services, the major element of which is £8m Revenue Gainshare with £1m for Mayoral Capacity Building Fund which ceases this year. The Authority also receives some core funding from Central Government for LEP activities.

3.4. Mayor's Office

The budget for the Mayor's Office is determined separately on this Agenda.

3.5. Salaries

3.5.1. The costs of paying staff is another key element of the revenue budget. An organisational structure was approved by the CPCA Board in June 2018. The interim Chief executives have reviewed this structure in the light of the ambition of CPCA and the resource challenges. The proposed budget reflects the principles of this structure. Employment Committee on 4th February 2019 will be considering this proposal.

3.5.2. The gross salary cost for 2019/20 including national insurance and pensions costs is £4.8m. It includes an assumption of a 1.5% pay award. The costs reflect the additional services that the Combined Authority now carry out.

3.5.3. Since its inception the Combined Authority has taken on many new services together with that funding. They include the former GCGP Local Enterprise Partnership, Adult Education and Energy Hub for the wider South east. 37%, £1.75m of this salary budget is for staff to carry out those functions. These posts are fully funded from direct Government funding and have NO call on the £8m annual gainshare funding.

3.5.4. In the structure report of June 2018, only the in-year impact was reported. The full year cost of that structure was £5.9m and that excluded 6 Energy Hub posts and 2 AEB positions in the current structure. Including these positions, that structure would have cost £6.3m. The proposed 2019/20 salary budget of £4.8m, including provision for pay inflation, represents a 24% reduction from the completed review.

3.6. **Externally Commissioned Support Services**

The CPCA continues to operate a lean structure. To promote that efficiency some support services are provided by constituent authorities such as democratic services by Cambridgeshire County Council, transactional financial services by Peterborough City Council and procurement by Cambridge City Council. In addition, some specific expertise may be required.

3.7. **Corporate Overheads**

This section identifies the costs of running an office as well as specific costs of being in business such as audit.

3.8. **Governance**

This line covers the costs of holding meetings and the remuneration of the Business Board and independent panels.

3.9. **Capacity Funding**

The CPCA will be required to develop emerging concepts that are not currently known. Allocating funding ensures the organisation has some flexibility to react to emerging ideas and central Government policy. As the planned expenditure is utilising most balances, it is sensible to identify some funding to enable the organisation to develop new ideas. Utilisation of this funding will require the approval of the Chief Executive.

3.10. **Financing Costs**

3.10.1. The Council is currently carrying balances of devolved funds and this line reflects interest received on those balances. As part of the budget process, the cash flows of the Combined Authority have been reviewed. Interest rate assumptions within Treasury Management have also been reviewed as they have risen over recent months. The impact of this sees an increase in the expected income in 2019/20.

3.10.2. Initially the draft revenue budget assumed that the CPCA will be looking to draw down its borrowing capacity in 2019/20 should that be

required to fund any Investment Strategy. However, there are no specific plans to utilise that funding this year. If opportunities did arise in year, then the Council should be able to address this via Treasury Management.

3.10.3. The Combined Authority will still be looking to utilise its borrowing powers in future years to fund investment opportunities and to deliver its planned schemes. Therefore, the medium term plan includes the interest element of that debt from 2020/21.

3.11. The major delivery elements of the revenue budget are against key workstreams. A brief summary of each is outlined below.

3.12. Non-Transport Feasibility Funding

The budget and financial plan has allocated revenue funds for non-transport feasibility work. This is unallocated at this stage because the demands are unknown. This allows the Combined Authority some scope to react to emerging issues within a defined budget. However, it is important to note that any draw down on this funding will require CPCA Board approval.

3.13. Transport

3.13.1. Transport is a major priority of the Combined Authority. Some of the major schemes need to be further developed into compelling business cases for delivery and funding. This element has a significant impact upon the revenue budget over the early years of the Combined Authority. Lots of the early feasibility work around the major infrastructure priority projects such as Cambridge Automated Metro (CAM) and Huntingdon Third Crossing require initial work to test out the appropriate solution. This early work is deemed revenue expenditure. The proposed programme, and hence funding, on CAM is based upon a collaborative approach to delivery in 2019/20 and leveraging other funding to assist that phase.

3.13.2. A prioritisation exercise has been carried out against the priorities and what can be delivered to take the major schemes forward. This reflects the Transport Director's view of what is needed to make significant headway. The prioritisation exercise is reflected in the allocations of feasibility funding to schemes in 2019/20 budget. The associated Business Plan explains further how this funding will be deployed and the outcomes delivered.

3.13.3. A key element of the revenue allocation in 2019/20 is delivery of the Bus Review. This will include paying for some crucial subsidies as well as the development of a new bus arrangement in Cambridgeshire and Peterborough. It is the subject of a separate report to the Board but £1m has been assigned in prioritisation to 2019/20 and 2020/21 for the full cost of delivery of a new system and any intermediate measures.

3.13.4. The medium term plan has allocated funding for further revenue demand and feasibility in transport in future years. Planning in this way

allows the Board to develop concepts further in the knowledge that funding is identified at the outset. Members will note that this funding is not allocated to specific schemes at this time. If the MTFP is accepted, then the call on this funding will be developed throughout the year and form part of the revised MTFP and mid-year review in October 2019.

3.14. Business, Skills & Economic Strategy

- 3.14.1. Part of this workstream is how the Skills agenda is addressed to help boost our economic activity in Cambridgeshire and Peterborough. In this area the demands are often for revenue funding. An annual allocation of £150k has been made to deliver on the outcomes from the Skills Strategy. Specifically, in 2019/20, funding has been allocated to deliver a Work Readiness Pilot in Peterborough to inform future programmes to increase employability.
- 3.14.2. A need has been identified to continue Skills Brokerage across the wider area in 2019/20 whilst the future strategy is developed into a plan. An underspending in funding previously allocated by the Combined Authority to supplement apprenticeship delivery has been identified. This funding will help support the skills brokerage and aid delivery of apprentices.
- 3.14.3. A key deliverable of the Devolution Deal is developing Market Towns. Some of this will be capital but, inevitably, some revenue funding will be required. An annual allocation of £200k has been created to help deliver the wider strategies.
- 3.14.4. It is important that the Local Industrial Strategy (LIS) is developed into coherent proposals to generate the growth in Gross Value Added (GVA) that is sought across the area. Growth Funds from central government will help on the capital front but some revenue funding will be needed to develop initiatives. The medium term plan has allocated funding for this. International trade is a key aspect of the whole economy and a full programme will be delivered from this budget.
- 3.14.5. Delivery of the devolved Adult Education Budget is a key priority in 2019/20 for the Combined Authority. Resources have been allocated and approved by the Board in November 2018 to deliver. The number here reflects what is currently available to deliver the service through the major providers.

3.15. Strategy, Planning & Performance

- 3.15.1. A key element of this budget is the funding of the Monitoring and Evaluation Framework. This covers the costs of the support from Cambridge Insight and the costs of the Government reviewers.
- 3.15.2. In 2019/20 this workstream will deliver the Non-Statutory Spatial Framework (NSSF) to support the Combined Authority's wider

ambitions for Housing Growth and Transport. It will also see the completion of the work on potential health reform.

3.16. Balances

3.16.1. All local authorities have a responsibility to set a balanced budget against the resources available to it. The paper before Members sets out the current priorities and the revenue implications of delivering them. This budget is balanced against the resources currently available to the Combined Authority. The operational costs of the Combined Authority have been reviewed and the budget reflects the plan for a tightly focussed organisation commissioning work to deliver its priorities.

3.16.2. Utilising brought forward reserves to accelerate feasibility work is a sensible approach. However, committing all revenue balances by 31st March 2023 is not financially prudent. Good practice would indicate that a sensible policy is to budget to hold between 4% and 5% of gross expenditure as a revenue balance. Therefore, the minimum reserve level is set at £1m at any time.

3.17. Conclusions

3.17.1. The budget for 2019/20 onwards has doubled. This is because of the devolution of Adult Education Budget (AEB) from 2019 onwards. Whilst this is a significant increase, resources have been deployed to ensure that the appropriate grants will be paid to the suppliers of the service.

3.17.2. The potential larger strategic capital projects that the Combined Authority is reviewing require revenue funding to develop supporting business cases. These projects will naturally take longer to bring to delivery at which point they will also require additional capacity funding. The current stage of the Authority's work in this area is focused on the prioritisation and scheduling of this next set of works to bring forward. As part of its 2019/20 budget and Medium-Term Financial Plan (MTFP) the Authority has identified its capacity for revenue funding to develop such schemes over the medium term.

3.17.3. The revenue budget before Members balances current resources against priorities and allows work to continue to deliver the ambitious plans of the Combined Authority. Work will continue to seek out additional funding and new financing models to help accelerate delivery of these priorities.

3.17.4. The Medium Term Financial Plan before Members extrapolates the Budget for 2019/20 to 2022/23. This has been based on some inflation assumptions on pay, known changes such as the Mayoral Capacity Building Fund ceasing in 2020/21 and the completion of projects within the current programme. The plan allocates funding to deliver in future years, BUT any use of the funding will need appropriate approval by Board.

4. CAPITAL PROGRAMME

Development of the Capital Programme

- 4.1. The Combined Authority's capital programme sets out how capital funding will be used to deliver projects that meet its ambitions. It has developed over the course of the previous two years and has been shaped by the needs of the area's geography primarily through the devolution deal with Government and prioritisation of schemes brought forward by the constituent authorities. Thus, there is a significant emphasis on housing, transport and infrastructure schemes.
- 4.2. As the Combined Authority continues to mature as an organisation, the first group of a series of planned capital investments are now being made in areas such as the Ely Southern Bypass, Kings Dyke Rail Crossing, Fenland Rail improvement and support for the first phase of the CAM Metro. As part of this 2019/20 budget and MTFP, the Authority has identified further capital projects that, subject to the necessary approvals, funding and business cases, it anticipates bringing forward in the plan period to March 2023. These include new rail facilities at Soham and Cambridge South and the St Neots river crossing cycle bridge as well as investments towards a new University at Peterborough and improving Digital Connectivity which are in line with the priorities of the organisation.
- 4.3. The Combined Authority has several sources of funding available to deliver capital schemes. Each funding source has nuances on what it can be used for. The overall capital programme has been broken down into four categories of project based upon funding sources.
- 4.3.1. Directly Controlled Expenditure
The projects in this category are funded by Gainshare Capital and Transforming Cities Fund Grants (TCF). TCFs are awarded as part of Single Pot for the Combined Authority and thus the Board has a large degree of discretion over which projects to finance in this category. The projects included in this section are based on previous Board allocations and identified priority schemes.
- 4.3.2. Passported Expenditure
This category includes capital highways maintenance funding, the National Priorities Infrastructure Funding and the two Housing Infrastructure Funds. These funding sources are ringfenced for particular uses and thus the Board has less control over the projects in this category.
- 4.3.3. Growth Funds Expenditure
Growth Fund is allocated to The Business Board by Government. Prioritisation and financing of projects using these funds is decided by the Business Board and reviewed by the CPCA Board.

4.3.4. Potential Future Schemes

The CPCA and Mayor have an ambitious strategic plan for Cambridgeshire and Peterborough. To achieve this vision will require capital investment far in excess of the funds currently available to the Authority. In order to finance these strategic schemes, the Authority is looking at innovative funding mechanisms including Tax Increment Financing and Land Value Capture, as well as leveraging both private and Government investment.

Summary of the Capital Programme

4.4. The table below sets out a high-level summary of the CPCA's capital programme and how the expenditure will be funded, a detailed project breakdown is included as Appendix 2.

Capital Category	Opening Balance	Expenditure (£m)			Future Years
		19-20	20-21	21-22	
<i>Directly Controlled Expenditure</i>					
Committed Schemes		13.74	13.56	21.57	
<i>Funded By</i>					
Capital Gain Share		(12.00)	(12.00)	(12.00)	
Transforming Cities		(17.00)	(22.00)	(30.00)	
Available in-year funding		(15.26)	(20.44)	(20.43)	
Costed but not yet committed schemes		10.40	29.34	26.00	
Movement on Capital Balance if schemes approved	(25.19)	(4.87)	8.90	5.57	(15.59)
Potential Future Schemes			44.00	250.03	5,778.15
Passported Expenditure		95.48	88.18	37.75	23.08
<i>Funded By</i>					
DfT Capital Funding		(23.08)	(23.08)	(23.08)	(23.08)
Housing - Cambridge City	(22.36)	(17.00)	(15.00)		
Housing Infrastructure Fund	(23.99)	(9.00)	(18.00)		
Housing Loan Repayment		(1.18)	(5.33)		
National Priorities Investment Fund	(2.00)				
Housing Investment Fund	(22.00)	(6.00)	(12.00)		
Growth Funds Expenditure		33.52	42.95	0.50	
<i>Funded By</i>					
Growth Fund Income	(25.32)	(15.88)	(35.74)		

Directly Controlled Expenditure

4.5. Projects within the direct control category fall into four main areas; Transport, Strategic Transport, Other Mayoral Priorities and March 2018 Transport scheme

- 4.6. There are ten strategic transport priorities identified by the Combined Authority. Capital funding has been allocated to some of those programmes where the spending meets the definition of capital such as Kings Dyke and Soham. The capital programme also allocates future year funding as the programmes develop.
- 4.7. Accounting regulations restricts which elements of early feasibility work and options appraisal, such as that undertaken on these projects, can be capitalised and thus the total expenditure is split across both the revenue and capital programmes. As work progresses, and specific preferred options are developed, these projects will have these future costs capitalised. These strategic projects are a vital part of the Combined Authority and Mayor's long-term vision for the area underpinning the themes of access to a good job within easy reach of home, having a high quality sustainable environment and becoming the UK's capital of innovation and productivity.
- 4.8. The other mayoral priorities included under direct control are the development of Peterborough University and the Digital Connectivity Infrastructure Programme. The University of Peterborough is a key feature of the devolution deal agreed with government and is critical for delivering on the Combined Authority's skills agenda. The funding in the medium-term capital plan will deliver an interim solution providing co-location of accommodation for 2,000 students and the teaching facilities providing the best possible start for the university as later phases of the project are developed.
- 4.9. The transport schemes included as Costed but not Yet Committed are based on the prioritised list of key transport interventions considered by the Board in March 2018. At that time funding was only approved for 2018/19. This programme brings the future phases for consideration. They are a mix of rail, road and active transport schemes across the CA area which, together with schemes being carried out by the constituent authorities, ensure the continued freedom of movement and improvement in the day to day travel experience of residents in the CA area.
- 4.10. The Board is asked to approve the funding of the schemes identified as Costed but not Yet Committed noting the caveat in paragraph 4.11. If that is agreed, the Combined Authority will spend £114.6m on priority schemes within the Direct Control Programme over the period to 31st March 2022. This programme will drawdown £11.6m of gainshare reserves leaving a balance at 31st March 2022 of £15.59m. This balance leaves the organisation with some scope to meet any unforeseen costs and deliver new capital schemes as they are developed. Therefore, there is no need to allocate any further contingency at this stage.
- 4.11. It is important to note that approval of the budget at this stage is an allocation of funding. Any draw down of spend will need to have a full proposal and business case submitted to the Combined Authority, and approved by Board, a plan to deliver and a funding agreement between the delivering organisation and the Combined Authority before any funding will be paid.

Passported Expenditure

- 4.12. The main elements of this category are the devolved Housing programmes and the Local Highways Capital grants.
- 4.13. The Combined Authority became the area's local transport authority from April 2017, as such capital grants from the Department for Transport (DfT) for use on maintaining the public highways are awarded to it. This is done in recognition that the Authority's strategic view across the area will, in the long term, allow for more efficient use of these funds. Cambridgeshire County Council and Peterborough City Council are the region's Highways authorities and hold responsibility for the maintenance of the roads in the area (excluding the strategic road network which is managed by Highways England). In order to ensure continuation of service, and so as not to disrupt pre-existing capital programmes, the devolution deal stated that these grants would continue to be awarded to the Highways authorities in the shares set out in DfT's published allocations to 2020-21.
- 4.14. Housing is a fundamental element of the devolution deal, as evidenced by the £170m of funding awarded to the Combined Authority to accelerate, and increase, the delivery of homes across the area by 2021. These funds are split between £70m ringfenced for use in the Cambridge City area and £100m for the rest of the area and are key in achieving the themes of; access to a good job within easy reach of home and having healthy, thriving and prosperous communities. Whilst the programme is influenced by the Combined Authority, the deliverables required are set out within the funding arrangements and thus has little choice on what to fund.
- 4.15. The Housing Strategy, adopted by Board in September 2018, identified the key deliverable of 2,500 affordable homes . This will be a mix of shared ownership, affordable rent and social rent either completed or started on site by March 2022.
- 4.16. This strategy sets out our desire to deliver through a range of mechanisms including direct grant funding, joint ventures, the creation of a new housing development company, infrastructure investment to unlock housing, and supporting Community Land Trusts.

Growth Funds

- 4.17. The area's Local Enterprise Partnership secured capital grants from Government totalling over £150m including both Growth Deal funding and Growing Places Fund. Of these funds around £100m has already been allocated or spent on projects promoting jobs and housing growth in the area leaving £50m to be awarded.
- 4.18. The Business Board (TBB) has recently issued a Growth Prospectus calling on businesses in the area to come forward with proposals for the remaining funding. The prospectus outlined five programmes offering funding for loans, equity or grant funding up to £3m ensuring we capture the best value projects across all businesses from small and medium sized enterprises (SMEs) to

multinationals. The profiled expenditure of these funds is indicative and will evolve as projects are brought forward for TBB to consider and approve. However, the majority of the funding available must be spent by the end of March 2021 thus the profiles assume no expenditure after that date.

Potential Future Schemes

- 4.19. As mentioned in paragraph 4.6, the CA and Mayor have identified ten strategic transport priorities, as well as Peterborough University, which will require substantial capital investment over both the medium and long term in order to achieve the vision for Cambridgeshire and Peterborough.
- 4.20. Where estimates can be made, the large capital costs of these schemes make up the vast majority of the potential future schemes. To deliver all these projects will require resources far beyond the scope of those currently available to the Combined Authority. This provides the driving force for the exploration of ways to unlock investment from other sources. Ideas range from using models proven in other developed countries such as Tax Increment Financing, Land Value Capture, joint ventures, to direct investment from Government or the private sector.
- 4.21. By identifying and recognising the scope of the challenge these schemes present the Combined Authority ensures it maintains a truly long term view of the area's prosperity and enables it to present an undeniable narrative, supported by the recently published Cambridgeshire and Peterborough Independent Economic Review.

5. CONSULTATION RESPONSES

- 5.1. Eight formal responses were received in the Consultation Process. A summary of the responses, together with officer comments are contained in Appendix 3. Having considered the responses to the consultation, Officer advice is that they have no material impact on the advice given in this report.

6. TRANSPORT LEVY

- 6.1. Discussions have taken place throughout the year on the impact of the Transport Levy with Cambridgeshire County Council and Peterborough City Council. Whilst it is understood and accepted that the Transport Levy needs to be set this year, the most effective way to operate in 2019/20 will be to base this on existing budgets and minimise the impact of the change whilst the options for the future are considered.
- 6.2. This funding will remain with the respective highways authorities to continue to operate the services in 2019/20 and the Department for Transport (DfT) devolved funding for Transport will continue to be passported to both of the highways authorities. The respective authorities have the staff and expertise to continue to operate the services effectively whilst the new modes of operation are fully considered over the next 12 months. This will allow continuity of

service and minimal impact on the public whilst the options are properly considered by the Combined Authority and stakeholders.

- 6.3. The Transport Levy is based upon 2019/20 budgets as provided by the respective Councils. The Levy, which has been formally agreed with both Councils is, for Cambridgeshire County Council £8.738m and Peterborough City Council £3.631m.

7. SECTION 25 STATEMENT

- 7.1. Section 25 of the Local Government Act 2003 places requirements on a Section 73 Officer in determining the Council's budget for the forthcoming financial year 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. This section sets out my view of the budget and medium term financial plan.
- 7.2. The level of reserves needs to be set in the context of the way this organisation operates. The level of revenue reserves have been determined based upon sensible assumptions (paragraph 3.16) and the proposed MTFP does not breach the recommended minimum level of £1m. The projected level of capital balances is described in the capital programme and paragraph 4.10. Again this represents a reasonable level based upon the commitments made.
- 7.3. The whole of this report is about the budget and financing of the Authority over the next 4 years. The paper identifies a sustainable budget and MTFP for the period within the resources available to the Combined Authority. The revenue budget identifies clear budgets to progress the major priorities of the Combined Authority as well identifying funding to further develop in future years. The wider Medium Term Financial Plan provides a clear financial plan that allows the Board to manage and monitor its financial performance as well as deliver its objectives. Resources are clearly identified against priorities. The assumptions and numbers are a fair reflection of the commitments of the Combined Authority.
- 7.4. The Capital Programme identifies funding to deliver specific schemes over the period. It will utilise Gainshare Capital to deliver on devolution aspirations such as Digital Connectivity, Peterborough University, regeneration of Market Towns and some transport priorities. It also looks to maximise the benefit of the Transforming Cities Fund towards major Transport priorities. The programme also includes the plan to deliver housing from the devolved capital funding to accelerate delivery across the Combined Authority area. The estimates for the programmes are based upon reasonable estimates across the organisation. Importantly the committed expenditure can be controlled across the years.
- 7.5. The overall budget and Medium Term Financial Plan allow development of the Devolution and Mayoral ambition within existing resources. Capacity has been built into the plan to potentially utilise borrowing to progress some of the

investment programme. Equally resources have been identified to progress other innovative funding mechanisms such as Land Value Capture, Tax Incremental Financing (TIF) and other potential new funding. Funding this capacity is essential to creating the financing packages to deliver the major strategic changes within the ambition.

7.6. A separate report on this Agenda describes the Business Plan for 2019/20 in more detail. The proposed budget has been developed alongside that plan.

8. LEGAL IMPLICATIONS

8.1. The Authority is under a legal requirement to achieve a balanced budget. A draft budget was agreed by Board in November 2018 and an appropriate consultation was carried out. Sufficient information was provided to enable an intelligent consideration and response to the consultation. All consultation responses were diligently considered by officers and their response is set out in this report.

8.2. The Transport Levying Bodies (Amendment) regulations 2018 came into force on 1st October 2018 and sets out regulations for the calculation and apportionment of levies issued by the Combined Authority.

9. SIGNIFICANT IMPLICATIONS

9.1. The budget, MTFP and capital programme of Combined Authority set out in financial terms how it will deliver for its programmes over the next 4 years. Therefore, it will have significant implications for the community of the area and beyond.

10. APPENDICES

10.1. Appendix 1 – Detailed Revenue Budget for the Cambridgeshire and Peterborough Combined Authority

10.2. Appendix 2 – Detailed Breakdown of the Capital Programme

10.3. Appendix 3 – Consultation Responses

<u>Source Documents</u>	<u>Location</u>
CA Board meeting 28 November 2018: Agenda and minutes	https://cmis.cambridgeshire.gov.uk/cc_live/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/932/Committee/42/SelectedTab/Documents/Default.aspx

APPENDIX 1

Detailed Revenue Budget and Medium Term Financial Plan for Cambridgeshire and Peterborough Combined Authority

Forecast Outturn £000's		2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
	Revenue Funding Sources				
(8,000.0)	Revenue Gainshare	(8,000.0)	(8,000.0)	(8,000.0)	(8,000.0)
(1,000.0)	Mayoral Capacity Building Fund	(1,000.0)			
(246.0)	Growth Hub BEIS	(246.0)	(246.0)	(246.0)	(246.0)
(500.0)	LEP Core Funding from BEIS	(500.0)	(500.0)	(500.0)	(500.0)
(291.7)	Energy Hub Contribution (Staff Costs)	(463.6)	(470.6)	(477.6)	(484.8)
(250.0)	EZ contribution to LEP activity	(250.0)	(250.0)	(250.0)	(250.0)
(162.8)	AEB Funding	(12,139.6)	(12,099.0)	(12,099.0)	(12,099.0)
(300.0)	CEC Skills Funding (quarterly claims)				
(500.0)	Growth Fund Contribution	(500.0)	(500.0)	(500.0)	(500.0)
(11,250.5)	Total Revenue Funding	(23,099.2)	(22,065.6)	(22,072.6)	(22,079.8)
	Mayor's Office				
85.0	Mayor's Allowance	85.0	85.0	85.0	85.0
33.5	Mayor's Office Expenses	25.0	25.0	25.0	25.0
43.9	Mayor's Office Accommodation	52.4	52.4	52.4	52.4
187.0	Mayor's Office Staff	191.3	195.4	199.6	203.9
349.4	Total Mayor Costs	353.7	357.8	362.0	366.3
	Combined Authority Staffing Costs (inc NI 'er and Pen 'er)				
429.7	Chief Executive	246.2	249.8	253.6	257.4
258.8	Housing	393.5	399.4	405.4	411.5
189.6	Energy	463.6	470.6	477.6	484.8
768.6	Transport	574.2	582.8	591.5	600.4
	Business and Skills Directorate:				
816.7	Business and Skills	767.8	779.3	791.0	802.9
204.6	Growth Hub	164.8	167.3	169.8	172.3
223.2	AEB	350.1	355.3	360.7	366.1
	Strategy, Planning & Performance:				
421.7	Strategy, Planning & Performance	453.7	460.5	467.4	474.4
146.6	Business Support	76.6	77.8	79.0	80.1
182.4	Communications	149.9	152.1	154.4	156.7
	Corporate Services				
818.3	Legal and Governance	565.6	574.1	582.7	591.4
711.7	Finance	567.1	575.6	584.2	593.0
123.6	HR	72.1	73.1	74.2	75.4
136.7	LEP Transition Costs				
5,432.1	Total Combined Authority Staffing Costs	4,845.1	4,917.8	4,991.6	5,066.4

<u>Other Employee Costs</u>					
40.0	Travel	100.0	100.0	100.0	100.0
30.0	Conferences, Seminars & Training	100.0	100.0	100.0	100.0
70.0	Total Other Employee Costs	200.0	200.0	200.0	200.0
<u>Externally Commissioned Support Services</u>					
250.0	External Legal Counsel (via PCC)	100.0	100.0	100.0	100.0
65.0	Finance Service (PCC)	75.0	75.0	75.0	75.0
137.0	Payments to OLA's for services				
0.0	Democratic Services	90.0	90.0	90.0	90.0
0.0	Payroll	10.0	10.0	10.0	10.0
0.0	HR	25.0	25.0	25.0	25.0
15.0	Procurement	25.0	25.0	25.0	25.0
30.0	Finance System (PCC/Serco)	0.0	0.0	0.0	0.0
50.0	ICT external support (3C)	50.0	50.0	50.0	50.0
547.0	Total Externally Commissioned Support Services	375.0	375.0	375.0	375.0
<u>Corporate Overheads</u>					
258.8	Accommodation Costs	339.2	340.0	340.0	340.0
20.0	Software Licences, Mobile Phones cost etc.	20.0	20.0	20.0	20.0
200.0	Recruitment Costs	0.0	0.0	0.0	0.0
25.0	Insurance	25.0	25.0	25.0	25.0
70.0	Audit Costs	70.0	70.0	70.0	70.0
20.0	Office running costs	20.0	20.0	20.0	20.0
593.8	Total Corporate Overheads	474.2	475.0	475.0	475.0
<u>Governance Costs</u>					
47.0	Committee/Business Board Allowances	47.0	47.0	47.0	47.0
10.0	Meeting Costs	10.0	10.0	10.0	10.0
10.0	Miscellaneous	10.0	10.0	10.0	10.0
67.0	Total Governance Costs	67.0	67.0	67.0	67.0
<u>Election Costs</u>					
260.0	Total Election Costs	260.0	260.0	260.0	260.0
<u>Capacity Funding</u>					
	Total Capacity Funding	125.0	125.0	125.0	125.0
<u>Financing Costs</u>					
(700.0)	Interest Receivable on Investments	(800.0)	(510.0)	(381.2)	(200.0)
	Interest on Borrowing		2,125.0	2,125.0	2,125.0
(700.0)	Total Corporate Income	(800.0)	1,615.0	1,743.8	1,925.0
6,269.8	Total Operational Budget	5,546.3	8,034.8	8,237.4	8,493.4
<u>Non-Transport Feasibility Funding</u>					
	Feasibility (unallocated)	1,000.0	1,000.0	1,000.0	1,000.0

Total Feasibility Budget		1,000.0	1,000.0	1,000.0	1,000.0
<u>Transport</u>					
1,350.0	Feasibility Studies non-capital	500.0	4,000.0	2,000.0	500.0
	CAM	1,000.0	0.0	0.0	0.0
	A10 SOBC	500.0	0.0	0.0	0.0
	Huntingdon 3rd River Crossing	200.0	0.0	0.0	0.0
176.6	Bus Review Implementation	1,000.0	1,000.0	0.0	0.0
	Cambridge South - Interim Concept	100.0	0.0	0.0	0.0
	Garden Villages	700.0	0.0	0.0	0.0
400.0	Local Transport Plan	100.0	0.0	0.0	0.0
100.0	Smart Cities Network				
150.0	Sustainable Travel	150.0	150.0	0.0	0.0
100.0	Schemes, Studies and Monitoring	100.0	100.0	0.0	0.0
2,276.6	Total Transport and Infrastructure	4,350.0	5,250.0	2,000.0	500.0
<u>Business & Skills</u>					
54.5	Work Readiness Programme	110.0	0.0	0.0	0.0
231.0	Skills Brokerage	250.0	0.0	0.0	0.0
0.0	Reclaimed Skills Funding	(250.0)	0.0	0.0	0.0
400.0	University of Peterborough				
75.0	Skills Strategy Programme Delivery	150.0	150.0	150.0	150.0
254.8	AEB Devolution Programme	11,506.1	11,506.1	11,506.1	11,506.1
1,015.3	Total Business, Employment & Skills	11,766.1	11,656.1	11,656.1	11,656.1
<u>Economic Strategy</u>					
75.4	Growth Hub	69.9	68.8	67.8	66.8
250.0	Development of a Market Towns Strategy	200.0	200.0	200.0	200.0
50.0	Trade and Investment Programme	50.0	50.0	50.0	50.0
100.0	Industrial Strategy Programme Delivery	200.0	200.0	200.0	200.0
392.7	Independent Economic Commission	20.0			
868.1	Total Economic Strategy	539.9	518.8	517.8	516.8
<u>Strategy, Planning & Performance</u>					
83.7	Monitoring and Evaluation Framework	170.9	161.8	183.6	0.0
416.0	Public Service Reform	100.0	0.0	0.0	0.0
55.0	Communications	50.0	40.0	40.0	40.0
39.0	Website Development	10.0	10.0	10.0	10.0
135.0	NSSF2	150.0	115.0	0.0	0.0
80.0	Land Commission	25.0			
107.0	Other 2018-19 workstreams				
915.7	Total Strategy, Planning & Performance	505.9	326.8	233.6	50.0
11,694.8	Total Revenue Expenditure	24,061.9	27,144.4	24,006.9	22,582.7
444.3	Net Revenue Position for the year	962.7	5,078.8	1,934.3	502.9
(9,948.6)	Revenue Balances	(8,985.9)	(3,907.1)	(1,972.8)	(1,469.9)

APPENDIX 2

Detailed Breakdown of the Capital Programme

Table A – Direct Control

Direct Control	Reserves b/f	19-20	20-21	21-22	Future Years
Cambridge South Station		0.75	0.75		
King's Dyke CPCA contribution		4.60	6.00	5.80	
Peterborough University - Business case		1.45	1.41	9.74	
Soham Station GRIP 3		0.95			
St Neots River Crossing cycle bridge		2.50	0.95		
Wisbech Garden Town		0.75	0.75	0.75	
Wisbech Rail		0.75	1.75		
Wisbech Access Study				4.00	
Digital Connectivity Infrastructure Programme		1.99	1.96	1.28	
Total Committed Expenditure		13.74	13.56	21.57	
Capital Gain Share		(12.00)	(12.00)	(12.00)	
Transforming Cities		(17.00)	(22.00)	(30.00)	
Direct Control in-year Funding Total		(29.00)	(34.00)	(42.00)	0.00
Available in-year funding		(15.26)	(20.44)	(20.43)	
Costed but not yet committed schemes					
Ely Rail Capacity next stage		1.00	2.00	2.00	
Market Town pump priming		1.00	2.00	2.00	
Soham Station Delivery			9.00	11.00	
Coldhams Lane roundabout improvements		0.30	2.20		
Fengate Access Study - Eastern Industries Access - Phase 1		0.30			
Fengate Access Study - Eastern Industries Access - Phase 2		0.10	0.10		
March junction improvements		1.00	3.31	1.55	
Regeneration of Fenland Railway Stations		2.70	3.00	3.00	
A10 Foxton Level Crossing		1.50			
A1260 Nene Parkway Junction 15		0.25	1.96	3.85	
A1260 Nene Parkway Junction 32-3		0.20	3.70		
A141 capacity enhancements		1.00	2.00	2.60	
A16 Norwood Dualling		0.05	0.08		
A505 Corridor		0.50			
A605 Oundle Rd Widening - Alwalton-Lynch Wood		0.50			
Total		10.40	29.34	26.00	
Movement on Capital Balances if approved	(25.19)	(4.87)	8.90	5.57	(15.59)

Potential Future Schemes	Reserves b/f	19-20	20-21	21-22	Future Years
A10 Upgrade			11.00	11.00	450.00
A47 Dualling Study			5.00	5.00	218.00
Cambridge Autonomous Metro			10.00	40.00	1,960.00
Cambridge South Station				10.00	250.00
Huntingdon Third River Crossing					200.00
Peterborough University - Land and Infrastructure for build			10.00	20.00	
Wisbech Garden Town					
Wisbech Rail			8.00	60.00	30.00
A16 Norwood Dualling					9.58
A505 Corridor				100.00	150.00
Alconbury Weald Train Station					
East-West Rail					
Ely Area Capacity Enhancements					
Fengate Access Study - Eastern Industries Access - Phase 1				4.03	4.03
Fengate Access Study - Eastern Industries Access - Phase 2					6.55
M11 Extension					2,500.00
Oxford Cambridge Expressway					
Potential Future Schemes Total		0.00	44.00	250.03	5,778.15

Table B – Passported

Passported	Opening Reserves	Expenditure (£m)			Future years
		19-20	20-21	21-22	
A47 Junction 18 Improvements		2.00			
Cambridge City Housing Programme		21.91	27.78	4.67	
Housing Loan Provision		4.83			
Housing Infrastructure Programme		20.66	20.33	10.00	
LTP Schemes with PCC and CCC		23.08	23.08	23.08	23.08
Housing Investment Fund		23.00	17.00		
Passported Expenditure Total		95.48	88.18	37.75	23.08
Highways Capital Block Funding		(23.08)	(23.08)	(23.08)	(23.08)
Housing - Cambridge City	(22.36)	(17.00)	(15.00)		
Housing Infrastructure Fund	(23.99)	(9.00)	(18.00)		
Housing Loan Repayment*		(1.18)	(5.33)		
National Priorities Investment Fund	(2.00)				
Housing Investment Fund	(22.00)	(6.00)	(12.00)		
Passported Funding Total	(70.35)	(56.25)	(73.40)	(23.08)	(23.08)

* The repayment of this loan appears higher than the expenditure here as the expenditure on this project commenced in 2018-19 and is thus not captured in this table.

Table C – Growth Funds

Growth Funds (4.14)	Reserves	19-20	20-21	21-22
Kings Dyke Growth Deal contribution		1.40		
A428 Cambourne to Cambridge		3.00	5.00	
Ely Rail Project		1.35		
In_Collusion (Digital Sector Skills)		0.02		
Wisbech Access Strategy - Delivery Phase		4.00	5.50	
Soham Station Feasibility		1.00		
Haverhill Innovation Centre		0.65	0.65	
Small Grants Programme		0.10	0.10	
Business Growth Programme		4.00	4.70	
Eastern Agritech Initiative		2.50	3.00	
Skills Capital Fund		1.00	1.00	
Major Projects		14.00	22.50	
Revenue Recharge to Growth Funds		0.50	0.50	0.50
Growth Funds Expenditure Total		33.52	42.95	0.50
Growth Fund Income	(25.32)	(15.88)	(35.74)	
Growth Fund Income Total	(25.32)	(15.88)	(35.74)	

* The vast majority of Growth Funds must be spent by March 2021 thus there is no profiled expenditure beyond this other than the continuing revenue costs of monitoring and evaluation.

APPENDIX 3 - SUMMARY OF CONSULTATION AND RESPONSES

Consultation Response	Combined Authority Officer Response
Support was expressed for the prioritisation process being undertaken and highlighted that the process should be transparent, objective and take into account sequencing and co-ordination of schemes	The Combined Authority will endeavour to ensure the prioritisation process will meet these requirements.
CPCA are requested to communicate with partner organisations as early as possible specifically with respect to future project funding profiles and sources.	The Combined Authority will endeavour to communicate with partner organisations as early as is practicable in the development of their strategic projects.
The support costs for the Adult Education Budget programme should be proportional, such that the bulk of the grant funds are used for delivery of adult education courses.	The budget for supporting the delivery of the AEB programme was approved by the CPCA Board in November. As being reasonable and necessary in the circumstances. It was, however, specifically recognised that any overheads will be subject to continuous review to ensure the maximum funding possible being directly distributed to delivery organisations.
It is important that CPCA issue, and sign, funding agreements in a timely manner following Board decisions.	The Combined Authority will endeavour to send out funding agreements as soon as is practicable following receipt of proper business cases to support any funding allocations and a Board decision to award funding.
The internal governance review and independent audit are welcomed, and it is important the Combined Authority learns lessons from these reviews and improves their processes in response.	<p>The results from both reviews will inform an improvement plan that will be shared.</p> <p>These will include recommendations alongside proposed actions to be taken.</p>

Consultation Response	Combined Authority Officer Response
The Combined Authority's administration costs seem remarkably high in relation to the money being managed in projects.	The Combined Authority's operational costs have been the subject of an internal review by the CEOs. The Budget Paper in January 2019 reflects this work to date.
Concern was expressed over the timing and timescales of the consultation and its relevance following the departure of the CFO.	The Board considered the draft Budget Report prepared upon proper financial assumptions in November and made comments upon it and approved the draft for consultation. The timing and timescales of the consultation met the requirements of the Combined Authority's

	<p>constitution. In terms of relevance, the Authority has a statutory duty to present a balanced budget, it has no discretion in this regard.</p>
<p>The CPCA's attention is drawn to the railway crossing between The Offords and Buckden and the proportion of time in which it is closed, impacting traffic, as a potential scheme.</p>	<p>The comment is noted. We will forward this to Cambridgeshire County Council for their consideration. By way of information the Combined Authority is the strategic transport authority and hence needs to look at strategic issues. At this stage this crossing is not a strategic issue. However, business cases for schemes which have a strong strategic fit with the Combined Authority's objectives are welcomed and would be assessed for suitability in line with the Combined Authority's Single Pot Assurance framework.</p>
<p>Sustrans (a charity representing walking and cycling priorities) stated that the CPCA's budget should include a ring-fenced fund for walking and cycling schemes.</p>	<p>The comment is noted. The Combined Authority is the strategic transport authority for the area. Cycling and walking are key modes of transport for the area and will feature as part of the wider integrated transport solutions that the Combined Authority are looking to deliver.</p> <p>However, this must be set in the context of the size of the CA budget and its role. The CA should not be seen purely as a funding source for individual projects. They must be set in the context of the wider strategic ambition and assessed in line with Combined Authority's Single Pot Assurance framework.</p>
<p>Fenland District Council requested a reprofiling of the planned expenditure on the Fenland Railways Stations Regeneration project.</p>	<p>The Board is considering an allocation for this programme over the next few years. However, a business case still needs to be submitted to CA for approval and to secure funding. Any profile of spend against outcomes will be approved as part of that process.</p>
<p>The Fenland Travel Choices programme was not included in the draft MTFP.</p>	<p>This programme has not been considered by the CPCA Board to date and thus has not had funding allocated to it.</p> <p>To enable consideration, a proposal needs to be submitted but, in order to manage expectation, any proposals need to be considered in the context of the Combined Authority's strategic role. Business cases for schemes which have a strong strategic fit with the Combined Authority's objectives are welcomed and would be assessed for suitability in line with the Combined Authority's Single Pot Assurance framework.</p>