

CAMBRIDGESHIRE HORIZONS

Cambridgeshire Horizons' Reserves & Transition Funding

Agenda Item No: 11

To: Cambridgeshire Horizons Board

Date: 27th June 2011

From: Acting Director for Development

Purpose: For Decision (FD)

To agree the suggested principles as to how to manage the monies that are likely to remain once the company ceases to be a staffed entity at the end of September 2011, which are:

- a) Horizons' residual reserves; and
- b) the CLG transition funding awarded to help safeguard capacity and knowledge.

Recommendation: The Board is invited to:

- Note that around £425,000 of reserves is likely to be left once Horizons ceases to be a staffed entity;
- Note that Horizons has also secured £163,000 of transition funding from CLG; and
- Agree the following suggested principles:
 - a) that these funds should be used for a combination of growth projects and supporting officer capacity for growth-related activity in Cambridgeshire;
 - b) that this activity could be co-ordinated either through the Local Enterprise Partnership (but ring-fenced for Cambridgeshire projects), or through other arrangements working within and between local authorities as appropriate; and
 - c) that the precise details of how the funding would be best used should be worked up by the Growth Partnership Board over the next 2 months, in line with these principles, and final decisions delegated to a special sub-committee of the Board, made up of the local authority Board Members, to convene at the beginning of September.

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1. BACKGROUND

- 1.1 The Founder Members' proposal to wind-down Horizons as an active company by no later than the end of September 2011 was ratified by the Horizons Board at its meeting on 8th December last year.
- 1.2 A work programme has been developed to govern Horizons' activities after March 2011. In parallel with this, Horizons' core running costs budget, calculated with reference to the level of Horizons' reserves, was approved by the Audit and Risk Management Committee and the Horizons Board at meetings in March this year.
- 1.3 Horizons has worked with partners to manage the Housing Growth Fund (HGF) capital and revenue programmes to ensure that projects deliver on time and to budget wherever possible. In addition, Horizons has recently led a successful bid to the CLG transition fund for support for growth-related work. CLG has awarded £163,125 over the next two years to 'help safeguard capacity and knowledge' during a period of structural change.
- 1.4 Not all of these sources of funding are likely to be spent fully by the time Horizons stops operating as a staffed entity at the end of September 2011, and £72,967 of the transition funding will not even be paid until 2012/13. To provide clarity going forward it is desirable that the Horizons Board makes decisions soon as to how remaining funds are used and managed.
- 1.5 Separately, there is a proposal for decision by the Board at this meeting (see agenda item 10) that the rolling funds, equity investments and loans that will return in future years (totalling £20.5 million of initial value) will be held by Horizons as an ongoing 'money-box' company. If agreed, this would ensure that use of this returning growth funding will be determined jointly by the six Cambridgeshire local authorities.

2. LIKELY SPEND AND RESIDUAL MONIES AT SEPTEMBER 2011

- 2.1 **Horizons' reserves** - Company reserves at the beginning of 2011/12 financial year were £1,138,415. When the Board agreed the budget in March, anticipated running costs for the six months of Horizons remaining operations, including all known salary and redundancy costs, amounted to £803,168. Due to a number of staff and other changes that will take place before September, the current forecast running cost total to September is £713,121 or around £90,000 below the original budget agreed by the Board.
- 2.2 This means that on current forecasts just over £425,000 of Horizons' reserves should remain at the end of September.
- 2.3 Proposals for handling any Housing Growth Revenue Funding that might remain is dealt with in the HGF Capital and Revenue Budgets paper at Agenda Item 8.

2.4 **CLG Transitional Growth Funding** – CLG recently announced that the Cambridgeshire Growth Partnership has been awarded just over £163,000 of transitional funding over the two years 2011/12 and 2012/13. This funding was awarded to support on-going growth related work in areas with local delivery vehicles like Horizons and which had an approved Local Enterprise Partnership. This funding was bid for on the basis that it will be used to enable the long-term growth needs of the county working within the wider LEP area. The bid was focused partly around strengthening the evidence base and also for on-going work on delivery of major infrastructure and growth sites. However, for the time being it is not allocated to specific projects. It is proposed that this be considered as an element of the overall residual funding likely to be available at the end of September.

2.5 Taking these sources of funding together, it is likely that between £500,000 and £600,000 of Horizons-related monies might be available once Horizons ceases to be a staffed entity at the end of September this year.

3. **OPTIONS FOR USING REMAINING RESERVES AND TRANSITION FUNDING**

3.1 The money that will remain once Horizons ceases to operate in September was intended for growth-related purposes in Cambridgeshire, whether it was for staff and other running costs or to fund specific projects across the partnership. Given the loss of practically all other government grants and subsidies for growth, it is important to establish agreement that this money should continue to be used for these, and not other, purposes. Assuming this is the case, there appear to be two broad options for how the funding could be used:

A. **Divide the remaining reserves money amongst the local authorities** to use for growth-related activity within their own areas. This option could not apply in relation to the transition fund money mentioned above. There is a risk in this approach, however, that the funding ends up being absorbed into authorities' overall budgets and therefore either not used for its intended purpose; or alternatively that it will not be used in the most efficient manner by individual authorities as compared to being used on a partnership basis. If the money, partially or totally, is to be divided up a method would need to be agreed. The most equitable approach would seem to be that the total is divided in the equivalent proportions to each authority's total contribution to Horizons over its existence. An illustration of what this would mean in relation to the projected residual reserves is set out in Appendix A.

- B. Retain the remaining money as a collective resource for growth-related activity, which could include a combination of growth projects and providing officer capacity to support growth-related activity for Cambridgeshire.** Under this option some of the remaining money could be used to support growth-related projects in Cambridgeshire, in a similar way to the HGF revenue fund. However, as a result of the capacity and staffing issues faced through loss of Horizons and the limited funding available to the Local Enterprise Partnership (LEP), it would also seem prudent to use some of the remaining money for staff capacity. This would be on a short-term basis, focused on growth-related activity in Cambridgeshire with staff hosted by local authorities and/or the LEP. This could, for example, provide additional capacity to support teams working on major sites such as Northstowe or the Cambridge fringe sites (which may be best taken forward within local authority-based teams); or to deal with strategically important issues such as the Ely station crossing and link road (which may be better coordinated through the LEP).
- 3.2 These options were considered by both Growth Partnership Board and the Audit and Risk Management Committee at meetings in early June (although a third option of retaining all the remaining funding for growth projects alone was also considered). The majority view of both GPB and ARM was that they did not favour option A, as neither considered it an effective use of growth-related money. There was some support from different quarters for the other two options, with the majority of GPB members accepting the principle that the remaining monies should be used for both staff resources and growth-related projects. There was, however, a lack of consensus as to whether some of the funding should go to the LEP until there was greater clarity about its functions, for example through an agreed business plan, which is currently in early draft form.
- 3.3 Cambridge City Council took the view that funding the LEP's activities across its whole area would not be acceptable because Horizons' reserves constitute funding that was secured for the benefit of Cambridgeshire, primarily to support housing growth and related infrastructure. The City Council considered that the reserves should be treated separately from the transitional funding; and that the loss of capacity that will arise from the ending of Horizons should be addressed by the local authorities using some of the transitional funding and that the reserves should be used by the local authorities for growth-related projects.
- 3.4 The Audit & Risk Management Committee felt that supporting the LEP was an important priority, as was continued support for growth in Cambridgeshire and that there was no contradiction in supporting both; one was inherent in the other. ARM members also considered that under option B developing proposals for Tax Increment Financing or other innovative funding approaches could be a valuable use of some of the monies.

- 3.5 Whilst there was no clear preference for any single option that GPB or ARM wished to recommend to main Board, there was a majority view from both meetings in support of the principle that the remaining monies could be used for both staff resources and growth-related projects, as now reflected in option B above. The suggested principles in this option also now include a clear requirement that remaining money would be used towards growth-related activity in Cambridgeshire. The proposed approach is to ask GPB to finesse these principles in relation to different circumstances and to come back with recommendations to the proposed sub-committee of the Horizons Board.

4. RECOMMENDATIONS

- 4.1 As on the cover page.

Appendix A

Local Authority	Contributions paid by Local Authorities							Total Contribution	% of total contributions	Pro-rata division of Horizons Reserves
	Initial Set-Up 2004	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11			
Cambridgeshire County Council	£421,000	£200,000	£200,000	£100,000	£50,000	£50,000	£50,000	£1,071,000	64.8	£275,363
South Cambridgeshire District Council	£0	£30,000	£30,000	£30,000	£30,000	£30,000	£30,000	£180,000	10.9	£46,279
Cambridge City Council	£0	£22,500	£22,500	£22,500	£22,500	£22,500	£22,500	£135,000	8.2	£34,710
Huntingdonshire District Council	£0	£17,500	£17,500	£17,500	£17,500	£17,500	£17,500	£105,000	6.4	£26,996
East Cambridgeshire District Council	£0	£16,000	£16,000	£16,000	£16,000	£16,000	£16,000	£96,000	5.8	£24,682
Fenland District Council	£0	£11,000	£11,000	£11,000	£11,000	£11,000	£11,000	£66,000	4.0	£16,969
							Totals	£1,653,000		£425,000