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EAST MIDLANDS COMBINED COUNTY AUTHORITY BOARD

Date	20 March 2024				
Report Title	EMCCA Interim Budget 2024/25				
Accountable EMCCA Board Member	<i>No Member identified due to nature of this being first EMCCA Board meeting</i>				
Accountable Chief Officer	Mark Rogers Interim Chief Officer				
Accountable Employee	Mark Rogers Interim Chief Officer				
Report has been considered by	Informal Leaders Meeting Executive Leadership Group EMCCA Interim Management Team Governance Group				
Key decision	Yes	Public Report	Yes	Voting Arrangements	By majority which must include all lead members designated by the constituent councils or, where any substitute members are acting in place of lead members, all lead members and all such substitute members

Recommendation(s) for action or decision:

The East Midlands Combined County Authority Board is recommended to:

- 1 Approve the interim operating EMCCA budget for 2024/25 at Appendix 1.**
- 2 Accept grant funding will be received and will be subject to conditions as set out in the grant offer agreements.**
- 3 Agree that the Combined County Authority will opt into the national Public Sector Audit Appointments scheme to appoint its External Auditors.**
- 4 Agree that a full finance system and service is required to be provided to the Combined County Authority by Derbyshire County Council as an interim arrangement.**

5 Agree for the Combined County Authority to adopt the Treasury Management Strategy and Financial Regulations of Derbyshire County Council and the Standing Orders of Nottinghamshire County Council as an interim arrangement in alignment with the proposed constitution at Appendix 2.

1. Purpose

- 1.1 For the Board to agree the Interim 2024/25 Budget and provision of the finance system and service. In addition, to review and agree the arrangements for treasury management and the appointment of EMCCA's External Auditors.

2. Background

- 2.1 The East Midlands devolution deal signed in August 2022 enabled the creation of England's first Combined County Authority. In doing so it secured significant funds of up to £4 billion and new powers for the region and empowered local people to make the decisions that influence jobs and skills, the quality of the region's transport infrastructure, housing investment, and the region's diverse natural environment. The four constituent councils' subsequent approval of the creation of EMCCA in December 2023 will see the region benefit in the first instance from a £1.14 billion investment fund over 30 years, alongside £1.5 billion in transport funding, £53m for adult education, and £18m for housing, brownfield land and other investments. Alongside this, as a result of the creation of EMCCA, the region is working with national government to establish an 'Investment Zone', which will attract £160 million of support over ten years, with tax incentives for businesses, which will help boost economic growth across the region
- 2.2 These initial powers and funds are the starting point for an ambitious programme that integrates social, environmental and economic initiatives in innovative ways to improve opportunity and wellbeing in the East Midlands. The period since August 2022 has been one of designing how EMCCA will operate. In March 2024, the need is to confirm the governance, oversight, plan and staffing of the organisation in order for it to start to deliver.
- 2.2 The Mayor will :
- have the power to issue a precept on local council tax bills to help pay for the Mayor's work. This precept can only be raised for mayoral functions. The Mayor will have the power to introduce a supplement on business rates for expenditure on a project or projects that will promote economic development in the area, subject to a ballot of affected businesses.
 - have the flexibility to secure private and public sector leverage. As per local government guidance, EMCCA will also be able to use capital receipts from asset sales as revenue funding for public service transformational initiatives.
 - be given powers to borrow for its new functions, which will allow it to invest in economically productive infrastructure, subject to an agreed cap with HM Treasury.
- 2.3 Representatives from the constituent councils have met regularly with Government officials to consider creation of the legal and legislative basis for the Combined County Authority (CCA). All the relevant work was completed with Government and the necessary debates held in Parliament. Ministerial sign-off was completed that enabled the legal establishment of the CA on the 29 February 2024.
- 2.4 The election for the mayor of the EMCCA is due to take place on 2 May 2024 and once elected, the CCA will then become a Mayoral Combined County Authority. The Local Enterprise Partnership Board will transition into the CCA with the LEP's staff transferring into the CCA. There will be additional pension costs based on an assumption that EMCCA will need to contribute 20.8% into the Local Government Pension Scheme (LGPS), subject to actuarial valuation compared to the LEP's current 8% contribution rate.

3. EMCCA Budget 2024/25

- 3.1 The EMCCA's interim operating budget is set out in **Appendix 1**. This is based on all known income streams for 2024-25. It is also based on several assumptions about the operating arrangements for the new CCA as approved by the Shadow EMCCA Board. Estimated costs of the inaugural Mayoral elections in May 2024 are included. Future years budgets will include a contribution to a reserve to build up funds for the subsequent elections. A prudent assumption has also been included on the anticipated interest from the cash balances that will be held by the Combined Authority. Expenditure plans with a contingency are being prepared including final details of any income and expenditure linked to integration of the D2N2 Local Enterprise Partnership (which is included if known). A further update on the EMCCA budget position will be provided to the next EMCCA Board.
- 3.2 As the EMCCA does not yet have a Corporate Plan, which would usually determine and direct how resources are prioritised, the interim operating budget set out in this report covers the period 2024-25 only and will be subject to further review and development. Once the Authority has a Corporate Plan, and has appointed to the relevant Statutory Officer posts, work will begin to develop a Medium-Term Financial Strategy that will allow for more detailed budget planning over a 4-year period and over a longer horizon.
- 3.3 In February 2024, investment funding of £19m for 23/24 (£9.5 capital investment funding and 9.5m revenue funding) was received. Of this, it is estimated the £9.5m investment capital funding plus a residual amount of the investment revenue funding to be carried forward to 2024-25 in addition to the numbers presented in the table below.
- 3.4 To date, the Accountable Body has been Derbyshire County Council (DCC). Negotiations with DCC to provide financial services are continuing with an assumption that these services will be provided until EMCCA has made appropriate arrangements to undertake these activities itself. At present, the EMCCA is not able to reclaim VAT until an amendment is made to the VAT regulations. Pending that appropriate arrangements will need to be agreed with DCC to facilitate operational spending and reclaiming of VAT. The complexities of the arrangement will be determined by the services provided by EMCCA.
- 3.5 There are a number of requirements mandating good financial management and to prevent financial over commitment. These include: (a) the balanced budget requirement; (b) the Chief Finance Officer's duty to report on robustness of estimates and adequacy of reserves; and (c) the requirement for every authority to make arrangements for the proper administration of their financial affairs.

Appointment of External Auditors

- 3.6 Public Sector Audit Appointments Ltd is designated as an appointing person for principal local government and police bodies for audits, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. It is proposed that the Combined Authority opts into this national scheme for appointing an auditor.

Treasury Management Strategy

- 3.7 Although the Combined Authority does not currently have a capital programme, it will hold significant balances in the meantime. Treasury Management services will be provided by DCC and therefore will adopt the DCC Treasury Management Strategy as an interim arrangement. The DCC Treasury Management Strategy is set out in **Appendix 2**.
- 3.8 The strategy will need to be updated as the medium-term financial planning develops, and future spending plans are defined.

Financial Regulations and Standing Orders

3.9 EMCCA's funds will be held by Derbyshire County Council in the interim, this is in accordance with the principles set out in the Local Authority Accounting Code of Practice, where the Council is acting as an intermediary and is therefore following the agent principle as set out in Section 2.6.2.1 of the code. It is proposed to adopt Derbyshire County Council's Financial Regulations on an interim basis until EMCCA has its own bank account and is in position to adopt its own Financial Regulations. As it is expected that Nottinghamshire County Council will provide Procurement Services, it is proposed that EMCCA adopt Nottinghamshire County Council's Standing Orders on an interim basis until it adopts its own.

4. Appendices

Appendix 1 – EMCCA interim operating budget 2024-25

Appendix 2 – Derbyshire County Council Treasury Management Strategy

5. Implications

Financial Implications

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

Legal Implications

5.2 The CCA is required to agree a balanced budget annually and to monitor that budget throughout the year. In addition, there is a fiduciary duty not to waste public resources, to secure value for money and ensure that good financial governance arrangements are in place

Other Significant Implications

5.3 There are no other implications identified.

Background Papers

5.4 The East Midlands Combined County Authority Regulations 2024: [The East Midlands Combined County Authority Regulations 2024 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

Appendix 1 – EMCCA interim operating budget 2024-25

2024/25	Capital £	Revenue £	Total £
Income			
Investment Funding	19,000,000	19,000,000	38,000,000
Government Grants			
Mayoral Capacity Funding		1,000,000	1,000,000
Housing capacity funding		459,000	459,000
Brownfield land	8,400,000		8,400,000
Transport Capacity		500,000	500,000
Skills Bootcamps		4,967,950	4,967,950
AEB Implementation funding		347,631	347,631
Ex LEP functions Funding		240,000	240,000
			-
Other grants		623,549	623,549
Other income		949,027	949,027
Investment Income		500,000	500,000
Total Income	27,400,000	28,587,157	55,987,157
Expenditure			
Staff Costs-Gross, NI and Pension			6,309,920.83
Other Staffing related costs			45,000.00
Total Staff Costs			6,354,920.83
Operational Costs			
Supplies, Services and Subcontractor			32,749,496.00
Overheads and Corporate Costs			2,000,000.00
Mayoral Election Costs			4,000,000.00
Implementation inc. contingency			812,500.00
Total Operational Costs			39,561,996.00
Total Expenditure			45,916,916.83
Net (surplus)/Deficit			(10,070,240.37)