

*making our region more prosperous, sustainable and fairer,
helping our people and businesses to create and seize opportunities*

Combined County Authority Board		Agenda Item 8
Date	16 September 2024	
Report Title	Quarter 1 2024/25 Revenue and Capital Budget Monitoring Report	
Accountable EMCCA Board Member	Mayor Claire Ward	
Accountable Chief Officer	Mark Rogers, Interim Chief Executive	
Accountable Employee	Nick Bell, Interim Director of Finance & S73 Officer	
Key decision	No	
Public Report	Yes	
Voting Arrangements	By simple majority including the Mayor.	

Recommendation(s) for action or decision:	
The Combined County Authority is recommended to:	
A	To note the forecast underspend on the revenue budget for 2024/25 of (£3.75m) based on quarter 1 information.
B	To note the forecast underspend on the capital budget for 2024/25 of (£14.6m) based on quarter 1 information which includes a reprofiled capital budget of (£5.1m) detailed in recommendation C below, leaving an overall net underspend of (£9.5m)
C	To approve the reprofiling of £5.10m Brownfield Housing Fund capital budget to 2025/26 detailed in paragraph 2.14.
D	To approve the proposed capital programme as set out in Appendix 2.

1. Purpose

- 1.1 To inform Members of the spending position for the period 1st April 2024 to 30th June 2024 for the Combined County Authority's revenue and capital budgets and update them on any significant variances to budget.
- 1.2 To request that Members approve the revised capital programme for 2024/25 financial year and the proposed resourcing of the capital programme and the level of capital resources available.
- 1.3 To update Members on the level of reserves carried forward from 2023/24 for both revenue and capital budgets.

2. Context and Quarter 1 Budget Position

- 2.1 This is the first of a series of quarterly budget monitoring reports which the Board will receive. It is based on the budget for 2024-25 approved by the Board on 20th March 2024. As the Combined County Authority is in its first year of development the spend in the first three months of the financial year (covered by this report) has been focused on developing the capacity, capability, systems and processes which will be required to ensure that future investments are focused on the right programmes and projects, that those programmes and projects are effectively delivered and demonstrate value for money and that those programmes and projects have the anticipated impact on strategic outcomes.
- 2.2 Since the budget was approved the Mayor has been elected and much of the preparatory work has now been completed. The Authority is, therefore, now in a position to accelerate investment in the strategic priorities identified in the Strategic and Investment Framework approved by Board on the 20th March 2024. The forecast outturn for the financial year reflects that accelerated investment.

Revenue Budget

- 2.3 The table below summarises the first quarter position by Directorate. The current projections are for a forecast underspend position of (£3.75m) on the overall Revenue budget for 2024/25. The bulk of this variance (£2.6m) relates to interest on cash balances forecast to be higher than originally budgeted.

Summary Quarter 1 2024/25 Revenue Budget Monitoring

Directorate	Original Budget £'000	Forecast Outturn £'000	Forecast Over / (Underspend) £'000
Chief Executive	11,167	909	(10,258)
Mayor's Office	(1,000)	(863)	137
Strategy & Inclusive Growth	(890)	731	1,621
Place	(1,848)	2,028	3,877
Resources	3,500	4,372	872
Net Expenditure	10,930	7,178	(3,752)
Total Funding	(19,000)	(19,000)	0
Contribution (To)/From Reserves	8,070	8,070	0
Net (Surplus)/Deficit	0	(3,752)	(3,752)

- 2.4 The summary table above is shown by Directorate and can be seen in further details in **Appendix 1**.
- 2.5 As discussed in paragraph 3.1 below, it is important to look at the overall picture for Quarter 1 rather than line by line due to the way in which the Original Budget has been reflected. An example of this is the large underspend showing against Chief Executive due to how the salaries budget was allocated when the Original Budget was set due to lack of more detailed information on structures. The forecasts have been based on the approved EMCCA structure which has since been put in place, hence the large variances.

2.6 In the above table, the income has been allocated to the functional areas where the income is specific to that area, for example, specific Transport grants have been included against Transport under the Place Directorate but the overall annual investment funding has been shown as a separate funding line at the bottom of the table.

2.7 The main reasons for the overall underspend are:

- (£2.6m) additional income forecast to be received in bank interest.
- (£1.5m) forecast underspend on overheads eg recharges from Nottinghamshire and Derbyshire County Councils for services such as ICT, Procurement, Payroll etc. This underspend is in part offset by the additional cost of £0.6m due to EMCCA employing more permanent and interim employees to take work forward in areas previously forecast to be recharged by the partner authorities.
- (£1.3m) forecast underspend on the £2m approved by Board on 20th March 2024 for spend on the Strategic Framework/Delivery Plan, of which £0.3m is now required next financial year. The remaining (£1m) underspend results largely from breaking the innovation, business support and bold interventions (energy industry) projects into initial and secondary phases. Support has been recruited to develop the framework for innovation and business support and we expect that to define the second phase of investment. Similarly, the first phase of the energy industry work has been completed and we are currently assessing scope and scale of the next phase. It is likely that this scoping will result in a reduction to the forecast underspend but we are not sufficiently advanced at this stage to quantify the amount. This underspend does include £0.3m to be carried forward to 2025/26.
- £0.9m reduction in income from the Transport Levy budgeted for but which will not be charged this financial year – this will be reviewed as part of the 2025/26 budget setting process.

2.8 The table below details the net expenditure line shown in the previous table but by CIPFA category:

Revenue Expenditure Summary by CIPFA Category

Expenditure Category	Original Budget £'000	Actual YTD £'000	Forecast Outturn £'000	Forecast Over / (Underspend) £'000
Employees	6,310	10	6,777	393
Premises	0	0	57	57
Travel	45	0	7	(38)
Supplies and Services	10,162	143	4,674	(5,488)
Third Party Payments	4,000	3,070	9,038	5,038
Expenditure Total	20,517	3,224	20,554	(38)
Income Category	Original Budget £'000	Actual YTD £'000	Forecast Outturn £'000	Forecast Over / (Underspend) £'000
Grants	(8,138)	(1,783)	(10,170)	(2,032)
Contributions/Jnt Funding	(949)	0	0	949
Other Income	(500)	0	(3,131)	(2,631)
Income Total	(9,587)	(1,783)	(13,301)	(3,714)
Net Expenditure	10,930	1,441	7,253	(3,752)

2.9 This table shows the actual spend to date which currently stands at £3.2m against a forecast outturn position of £20.6m. The table does not currently show any committed expenditure and this will be an improvement that will be incorporated into future quarterly monitoring reports.

2.10 There are a number of assumptions which have been made to be able to pull together these figures. The main assumptions are listed below:

- Permanent staff forecasts have included assumptions around start dates which have been based on the recruitment phase and also the potential level of the role.
- Agency staff forecasts have included assumptions around annual leave to be taken and length of contracts following detailed discussions with managers.
- To calculate the bank interest, very high-level assumptions have been made regarding monthly spend amounts for non-pay expenditure. Pay expenditure has been based on the forecast salary figures. Assumptions have also been made about the likely changes to the bank base rate over the rest of the year.
- Recharges are considerably lower than expected but have been based on discussions with partner Councils on expected service demand. The actual costs are demand led so the figure could increase should the service use increase. A small contingency has been included.

Capital Budget

2.11 The first table below summarises the first quarter position by project. The current forecast is for an underspend of (£14.60m) on the overall Capital budget for 2024/25. This includes an underspend in 2024/25 of (£5.10m) on the Brownfield Housing Fund project which is recommended to be reprofiled into 2025/26 (see paragraph 2.14 below).

The second table details £9.750m carried forward capital budget from 2023/24. These are projects delivered by partners (detailed in Appendix 2 and paragraph 2.16).

Summary Quarter 1 2024/25

Capital Budget Monitoring

Project	Original Budget	Revised Budget	Forecast Outturn	Total Funding	Reprofile to 2025/26	Overall Net Position
	£'000	£'000	£'000	£'000	£'000	£'000
Brownfield Housing Fund	8,400	8,400	3,300	(8,400)	(5,100)	0
Devolved Investment Fund - Capital	17,000	19,000	9,500	(19,000)	0	(9,500)
Integrated Transport Block	0	9,645	9,645	(9,645)	0	0
Highways Maintenance Block needs & incentive elements	0	19,941	19,941	(19,941)	0	0
Pothole Fund	0	15,953	15,953	(15,953)	0	0
Network North/reallocated HS2 for highway maintenance	0	6,087	6,087	(6,087)	0	0
Heat Pump Skills Academy	0	500	500	(500)	0	0
Mine Water Heat Pump	0	200	200	(200)	0	0
HillCrest	0	642	642	(642)	0	0
Stone Centre	0	500	500	(500)	0	0
Unallocated Surplus	2,000	0	0	0	0	0
	27,400	80,869	66,269	(80,869)	(5,100)	(9,500)

2023/24 CARRY FORWARD

Project	Original Budget	Revised Budget	Forecast Outturn	Total Funding	Reprofile to 2025/26	Overall Net Position
	£'000	£'000	£'000	£'000	£'000	£'000
23/24 CF - Retrofit Housing	7,936	7,936	7,936	(7,936)	0	0
23/24 CF - Gigahubs	1,200	1,200	1,200	(1,200)	0	0
23/24 CF - Markham Vale Cycling	166	166	166	(166)	0	0
23/24 CF - Low Carbon Skills	189	189	189	(189)	0	0
23/24 CF - Homelessness	259	259	259	(259)	0	0
	9,750	9,750	9,750	(9,750)	0	0

- 2.12 In table 1 the original budget approved by Board on 20th March 2024 includes the £19m annual investment funding along with 50% of the £16.8m allocation for the Brownfield Housing Fund funding which crosses two financial years.
- 2.13 The £19m is still to be allocated to projects for 2024/25 but work is underway to define the initial projects for investment and it is currently forecast that around 50% of this allocated funding (i.e. £9.5m) will have been spent by the end of this financial year, with the remaining funding being carried forward into 2025/26.
- 2.14 It is anticipated that all the grant agreements for the Brownfield Housing Fund will be entered into by December 2024 for the full £16.8m. However it is forecast that only £3.3m will be actually paid out in 2024/25, with the remaining £13.5m paid in 2025/26. £8.4m was originally budgeted to be paid in 2024/25, therefore it is proposed that the difference between this and the £3.3m forecast to be paid (i.e. £5.1m) is reprofiled into 2025/26.

- 2.15 The funding from the Department of Transport of £51.63m comprises the remaining Transport and Highway Maintenance allocations for 2024/25 which are routed through EMCCA. This includes the block allocations, Pothole Fund and capital uplift from the reallocation of HS2 funding. In each case this funding is to be passported through to the constituent Councils in line with the notifications issued to the authorities in late 2023/early 2024, along with all the assurance requirements. Each authority has already approved its capital programme for this year and will need to report back to EMCCA on its delivery.
- 2.16 The second table is money which was carried forward from 2023/24 which was not fully spent in that year. This money was centralised to Derbyshire County Council as the Accountable Body before EMCCA was a legal entity and has now been passported across. These projects are delivered by EMCCA's partners which include constituent councils, Midlands Net Zero Hub and West Notts College and EMCCA's Head of Investment Strategy & Programmes is overseeing how these projects are progressing.

Capital Programme

- 2.17 The current forecast capital programme is detailed in Appendix 2. As noted above there is further work to be done to finalise this programme before the end of the financial year and the Board is likely to be asked to approve any changes as part of its regular Budget Monitoring reports. For the purpose of this first Budget Monitoring report the Board is asked to approve the current forecast capital programme as detailed in Appendix 2.

Reserves – Revenue and Capital

- 2.18 The table below summarises the position on the revenue and capital reserves currently held:

RESERVES - REVENUE & CAPITAL

	23/24 Carry Forward £'000	Movement in 2024/25 £'000	24/25 Closing Balance £'000
Total Revenue Reserves	10,493	8,070	18,563
Total Capital Reserves	19,250	(9,750)	9,500
TOTAL RESERVES	29,743	(1,680)	28,063

- 2.19 This tables shows that EMCCA held as at 31st March 2024 £10.49m in revenue reserves and £19.25m in capital reserves totalling £29.74m.
- 2.20 It is forecast that £9.75m of the capital carry forward will be spent in this financial year. These are projects that were started before EMCCA was a legal entity and are managed by the constituent councils, as noted in 2.17 above.
- 2.21 The total reserves as at 31st March 2025 will be £28.06m which includes a forecast contribution from revenue of £8.07m.

Risks and Opportunities

- 2.22 The following risks need to be considered when reading this report:
- Forecasts may change – the figures include a number of assumptions as detailed in paragraph 2.10.
 - The overhead costs may increase depending on service requirements as these costs are demand led, for example, the more invoices EMCCA pay the higher the costs recharged from the partner Council who process the invoices.

- Commitments are not currently showing on this report which will be addressed as a future improvement.
- There are some costs which have not been included due to the uncertainty around timing of the spend (ie it could occur in 2025/26) and also some costs which still need to be explored in further detail. An example of these costs are a new HR system and a new Finance System. Work is underway at looking at the anticipated costs of these systems and an update will be included in future quarterly reports.

2.23 There are also opportunities which can be explored including:

- Resource Planning – The EMCCA Senior Leadership Team has developed a Resourcing Strategy and approach that will increase, over the next few months, the number of permanent colleagues in roles, reducing reliance on interims.
- Work can be carried out to access grants that are available to EMCCA and a strategy needs to be developed as to how this will be approached.
- Future improvements to budget monitoring eg including commitments on monitoring reports and the quarterly reports to Board.

Treasury Management

2.24 The current balance being held on behalf of EMCCA by Derbyshire County Council as at 30th June 2024 is £65m. The interest earned to date on this balance is £0.7m.

2.25 The forecast interest to be received for 2024/25 is £3.1m which is £2.6m higher than the budget of £0.5m.

2.26 The interest rate Derbyshire County Council are currently paying to EMCCA on the balance is 5.15% which is 0.1% below base rate. This is as per the original agreement which was put in place. For the purposes of the forecast the interest rate has been reduced by 0.25% every quarter in line with advice received from Derbyshire County Council's Treasury Management Advisors.

2.27 EMCCA are in the process of setting up their own bank account and this is expected to be operational by October 2024.

3. Background

3.1 The original budget this quarterly monitoring report has been reported against was taken to the first Board meeting on 20th March 2024 and was the best estimate of how the Combined County Authority funding would be spent but given the stage in the development of the Combined County Authority it included a considerable number of assumptions and estimates. Therefore, it is very important to look at the picture overall rather than line by line.

3.2 To compile the information contained in this report, meetings have taken place between the Interim Head of Finance and the Interim Finance Business Partner with the relevant Programme Leads, other managers and Executive Directors.

3.3 The work at these meetings has included reviewing current spend to date, current commitments, future forecast spend (including all agency costs incurred along with contract end dates and permanent staffing recruitment spend) and also potential impacts on the budget for 2025/26. This work has included both the revenue and capital actuals, commitments and forecasts.

3.4 The figures have been scrutinised by the Interim Director of Finance (S73 Officer) and in further detail with the Executive Director of Resources followed by further consultation on the overall position with all members of the Senior Leadership Team (SLT).

4. Appendices

- 4.1 Appendix 1 – Summary Q1 Revenue Budget Monitoring 2024/25
- 4.2 Appendix 2 – Capital Programme 2024/25

5. Implications

Financial Implications

- 5.1 There are no direct financial implications arising from this report.

Legal Implications

- 5.2 The Combined County Authority is required to prepare a balanced budget in accordance with statutory requirements.

Other Significant Implications

- 5. There are no other implications identified in this report.

Background Papers

- 5. N/A