

YORK AND NORTH YORKSHIRE JOINT DEVOLUTION COMMITTEE

MEETING

13 MARCH 2023

Key Financial and Implementation Principles

Report of the City of York Council Chief Finance Officer and Head of HR

1.0 PURPOSE OF REPORT

- 1.1 To provide the Committee with an outline of the key financial principles and assumptions which underpin the next phase of planning for the Mayoral Combined Authority. These assumptions support the development of a financial model and staffing structure for the new organisation, which will be developed over the coming months, following the approval from both Councils to proceed with the statutory process to create the Combined Authority.

2.0 BACKGROUND

- 2.1 Following the Full Council decisions of City of York Council and North Yorkshire County Council to submit the consultation outcomes to Government, it is necessary to begin planning for the creation of a new Combined Authority. In order to develop both the financial and staffing models for the new organisation, the overall principles upon which they are based must be agreed.
- 2.2 The MCA has a number of statutory functions and statutory posts, and whilst these provide a starting point, there is a significant degree of local choice as to how the Combined Authority is structured and resourced.
- 2.3 From the recent consultation, a commonly shared view is that the Combined Authority should, at its inception, be a lean organisation which attempts to draw on existing resource and capabilities from the constituent councils, existing LEP and OPFCC teams. Whilst this approach can undoubtedly reduce unnecessary additional bureaucratic burden, and maximise the local impact of the funding received, this must be balanced with the need to ensure that the Combined Authority is a high-performing functional organisation, able to respond to requirements to attract, plan and deliver further investment in the area and be adequately resourced to deliver significant projects.
- 2.4 Typically, in other areas with Devolution Deals, Combined Authorities have started small, but have grown once the strategic direction has been set and, critically, once additional funding streams are flowing through the Combined Authority.
- 2.5 The costs associated with PFCC functions are not included within this report, as these functions will transfer with funding and will have a neutral impact on the overall Combined Authority budget.

3.0 KEY FINANCIAL AND IMPLEMENTATION PRINCIPLES

- 3.1 It is proposed that, at this inception of the new Combined Authority, North Yorkshire Council will act as the accountable body. This is necessary as it will not be possible to have the required systems (including bank accounts and payroll) established prior to the

set-up of the Combined Authority. As well as ensuring YNY can receive funding as soon as possible, it will ensure that the cash flow burden on North Yorkshire Council (who are managing the implementation costs in advance for the first tranche of Government funding) is minimised. It should also allow for a smooth transfer, given existing LEP staff and their support services are already provided by North Yorkshire County Council.

- 3.2 It is also proposed that, as far as is feasible, the core costs of the Combined Authority will be contained within the recurring funding available from the Mayoral Capacity Fund (£1m) and the existing BEIS funding for the LEP (£0.25m), giving an annual total of £1.25m. The roles and services associated with this funding are likely to be those which allow the Combined Authority to fulfil its statutory responsibilities and its corporate functions.
- 3.3 The above budget would not, however, cover all the resourcing costs of delivering the functions of the Combined Authority. In addition to the core costs, the following would need to be considered:
- i. Fully funded LEP programme activity. These programmes either have funding through to March 2025, or are established and renewed annually.
 - ii. Commitments which are required to implement the devolution deal and could reasonably be considered programme activity and charged to relevant devolution funding streams.
 - iii. Activity which is currently unfunded. If YNY wish to progress these areas, it would be subject to a full business case to be considered as an investment by the Joint Committee through the Mayoral Investment Fund.
- 3.4 The level of support required by each programme would be considered as the plans develop and so a flat percentage top slice of programme budgets is not recommended at present. Under this model the core £1.3m CA budget will also need to include a contingency for funding of potentially abortive costs where programmes do not bring in the anticipated funding.
- 3.5 In the initial set up period, it is anticipated that the Combined Authority will receive its support services from either constituent council unless a clear specialist need has been identified that can't be fulfilled by either council.
- 3.6 Based on the principles above, work will continue developing clear options for the staffing model and the supporting financial model.

4.0 CONCLUSION

- 4.1 Given the need to develop the operating model of the Combined Authority, the committee is asked to review the principles above and provide comments. This will allow further work to draw up more detailed options.

5.0 FINANCIAL IMPLICATIONS

- 5.1 The financial implications are included in section 3 above.

6.0 LEGAL IMPLICATIONS

- 6.1 There are no direct legal implications of the recommendations.

7.0 CLIMATE CHANGE IMPLICATIONS

7.1 There are no direct climate change implications of the recommendations.

8.0 EQUALITIES IMPLICATIONS

8.1 There are no direct equalities implications of the recommendations.

9.0 REASONS FOR RECOMMENDATIONS

9.1 To allow work to progress on developing detailed staffing and financial models.

10.0 RECOMMENDATIONS

10.1 Given the need to develop the operating model of the Combined Authority, the Committee is asked to review the principles above and provide comments.

Will Boardman, Head of Corporate Strategy and City Partnerships, City of York Council.

21/02/2023