

# York and North Yorkshire Joint Devolution Committee Meeting

24 July 2023

## Finance Update

### Report of the City of York Council Chief Finance Officer

#### 1. Purpose of the Report

- 1.1. Agree outline spending plans from April to Combined Authority creation in November 2023.
- 1.2. Note that North Yorkshire Council (NYC) will continue to cash flow the implementation and set up costs of the Combined Authority (CA) on the understanding that these costs will be repaid once funding is released on creation of the Combined Authority in November.
- 1.3. Note that as the accounting body for the LEP, NYC holds any reserves currently held by the LEP. It is intended that any balance held on this reserve as at 1<sup>st</sup> November 2023, when the CA will be created, will be repaid back to the contributing authorities on a pro rata basis

#### 2. Background

- 2.1. The Combined Authority (CA) will be funded through a range of new funding streams. To provide confidence in the financial sustainability and investment potential of the CA, work has been ongoing to produce an outline financial model, identifying both the transitional costs for establishing the CA and its ongoing operational costs.
- 2.2. To do so, clarity is required on the costs of areas such as staffing, accommodation, ICT provision and support services, for which there are multiple options or possibilities. An initial position has been taken that, certainly for the first year of its existence, the CA will receive all support services from the constituent councils. Over time, as the CA develops and senior roles are appointed to, this may change but it is considered that retaining existing council provided support services will ensure stability and resilience in the short to medium term. Assumptions have been made around the level of support services needed and, based on these assumptions, estimates are being produced that will result in a high level outline budget for the initial period of the CA.
- 2.3. A staffing structure report is included elsewhere on this agenda and consultation with staff impacted will commence soon. Subject to the outcome of the consultation, there may be some changes required to the structure and any financial impact of this will be reported to a future meeting of this Committee.
- 2.4. The CA budget will be brought for approval at a future meeting of this Committee.

#### 3. Implementation Costs

- 3.1. A budget of £600k was agreed at Joint Committee in November 2022, with any expenditure to be signed off jointly by the CYC and NYCC s151 officers. It was

expected that this funding would take us to the end of the financial year and through the consultation period, accepting that once further work had been done there would be a clearer picture of the estimated implementation costs up to creation of the CA in November 2023.

- 3.2. The costs incurred to 31/3/23 total £582k and a breakdown is set out in the table below for information.

<b>2022/23 implementation costs (actual)</b>		
	<b>£000</b>	
Consultation costs	222	Originally estimated at £300k
NYCC staff recharge	16	Detailed schedule available
CYC staff recharge	64	Detailed schedule available
LEP staff recharge	280	Detailed schedule available
<b>Total</b>	<b>582</b>	

- 3.3. An estimate has been made for implementation costs from April through to 1<sup>st</sup> November 2023 and a breakdown of estimated costs is set out in the table below.

<b>2023/24 implementation costs (estimated)</b>		
<b>Area</b>	<b>£'000</b>	
Communications	54	Detailed schedule available
Finance	44	Detailed schedule available
HR	44	Detailed schedule available
Legal	81	Detailed schedule available
Project Management	286	Detailed schedule available
Contingency	132	
<b>Sub Total</b>	<b>641</b>	
Programme Costs	188	Detailed schedule available
IT Infrastructure	171	Detailed schedule available
<b>Total</b>	<b>1,000</b>	

- 3.4. This will form the overall budget for the implementation team. Clearly the estimates may change as the project develops, new issues may emerge and new priorities for funding are identified. The budget will be monitored in the usual way and any variations will be agreed by both CYC and NYC s151 officers, although clearly overall spend will remain within the funding envelope set out in the table above.
- 3.5. North Yorkshire Council will continue to cash flow the implementation costs as previously agreed, and the risks continue to be shared with City of York Council should the CA not progress.
- 3.6. Any expenditure that is to be charged to the implementation budget will continue to require the sign off from both CYC and NYC s151 officers. In future, as part of the CAs financial operating procedures / financial regulations there will of course be a formal scheme of delegation that will outline authorisation limits for officers within the CA.

- 3.7. Also included in the table above are costs being incurred by the LEP on behalf of the CA through the delivery of programmes including Net Zero and Brownfield. In order to deliver these funds there are some necessary overheads that will be met from within the funds themselves. These costs include organising and supporting the bidding process, assurance and due diligence as well as independent assessment of the bids themselves.
- 3.8. Upon the creation of the CA, the LEP ceases to exist. Although not technically a separate entity (the LEP is part of North Yorkshire Council and its staff are NYC employees) they do hold reserves. When the CA is created these reserves will be returned to NYC to be distributed to the constituent councils in accordance with the original local authority funding contributions to the running of the LEP.
- 3.9. The costs set out in this report relate to the creation of the CA and the associated set up costs (such as website creation, branding, etc.). The OPFCC has a separate workstream and, whilst incurring costs as part of a transformation programme to align with the future CA, these costs have already been approved by the OPFCC and do not directly relate to the creation of the CA and implementation of the agreed deal. Therefore, they are not considered further in this report.

#### **4. Other Costs and Summary**

- 4.1. In terms of known funding for the new CA, there is the Mayoral Capacity Fund, Transport Capacity Fund and an Investment Fund (gainshare). This gives total known funding of £10m in 2023/24 and £19.5m in 2024/25. The transfer of the LEP into the CA brings with it other time limited funding that delivers specific projects or programmes of work. This project funding also funds the LEP staff directly involved in delivering those projects. It is expected that this type of project specific funding will continue to be forthcoming in future years.
- 4.2. As well as the implementation costs outlined in this report there are several other areas where future expenditure is being committed. Elsewhere on this agenda the report on AEB outlines the need for match funding of £494k, although some of this may be support in kind rather than a direct contribution from the CA budgets.
- 4.3. The proposed staffing structure report, also elsewhere on this agenda, outlines the significant financial implications of transferring the existing LEP into the new CA. Should the proposed structure be approved, this gives a part year cost of £1.6m in 2023/24 with a full year cost of £4.5m pa. Of this cost, £1.9m is funded from project specific grants (£0.8m in 2023/24), £1m from the Mayoral Capacity Fund and the balance of £1.6m funded from the gainshare.
- 4.4. The implementation costs, AEB match funding and transfer of LEP staff totals is c£3m in 2023/24 meaning that of the £10m funding available for 2023/24 c£7m will be carried forward into 2024/25.
- 4.5. A report on the overall budget for the CA, bringing together all the various funding streams and commitments, will be brought to a future Joint Committee for approval.

## **5. Alternative options considered**

5.1. City of York Council and North Yorkshire Council are both committed to the delivery of the Devolution deal and the creation of the Combined Authority. There are no alternative options available.

## **6. Financial Implications**

6.1. The financial implications are included throughout the report

## **7. Legal Implications**

7.1. No legal implications have been identified.

## **8. Equalities Implications**

8.1. No equalities implications have been identified.

## **9. Climate Change Implications**

9.1. No climate change implications have been identified.

## **10. Reasons for recommendations**

10.1. Approval of a budget to continue work on setting up the Combined Authority is essential to ensure funding can be accessed once the statutory order is made.

## **11. Recommendations**

11.1. The Committee is asked to

- Note the implementation spend of £582k incurred to 31<sup>st</sup> March 2023 and approve the budget of £1m for continued implementation costs up to the creation of the Combined Authority in November 2023.
- Note that North Yorkshire Council (NYC) will continue to cash flow the implementation and set up costs of the Combined Authority (CA) on the understanding that these costs will be repaid once funding is released on creation of the Combined Authority in November.
- Note that any remaining reserves held by the LEP as at 1st November 2023, when the CA will be created, will be repaid back to the contributing authorities on a pro rata basis.

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