

York and North Yorkshire Combined Authority

22 January 2024

Combined Authority Budget 2023/24 and 2024/25

Report of the interim Director of Resources (S73 Officer)

1. Purpose of the Report

- 1.1. To approve the initial budget for the York and North Yorkshire Combined Authority covering the period from January 2024 through to March 2025
- 1.2. To approve the Treasury Management Strategy Statement for the York and North Yorkshire Combined Authority
- 1.3. To agree that the York and North Yorkshire Combined Authority will opt into the national Public Sector Audit Appointments scheme to appoint its External Auditors
- 1.4. To approve acceptance of grant funding

2. Background

- 2.1. On 1 August 2022, the Secretary of State for Levelling Up, Housing and Communities announced the Government was “minded to” enter into a Devolution Deal based on the asks approved by both councils, with York and North Yorkshire to benefit from £540 million of new Government investment to spend on local priorities for economic growth, together with a range of devolved powers for example covering transport, housing, skills and digital connectivity.
- 2.2. Representatives from the constituent councils have met regularly with Government Officials to consider the Order that will create the legal and legislative basis for the Combined Authority. All the relevant work was completed with Government and the necessary debates held in Parliament and in late December Ministerial sign-off was completed that enabled the legal establishment of the Combined Authority.
- 2.3. The election for the mayor of York and North Yorkshire is due to take place on 2 May 2024 and once elected, the Combined Authority will then become a Mayoral Combined Authority with the new mayor also taking on the functions of the Police Fire and Crime Commissioner for North Yorkshire. The Local Enterprise Partnership Board will transition into the Business Committee of the Combined Authority with the LEP’s staff integrating into the Authority at its creation.
- 2.4. Ahead of the establishment of the MCA, a Joint Committee comprising Executive leadership of City of York Council and North Yorkshire Council was created to oversee the implementation of the Devolution Deal and establish the Combined Authority.
- 2.5. To support the work of establishing the MCA, there has been a working group comprised of officer representatives from both Councils, the Office of the Police, Fire and Crime Commissioner and the Local Enterprise Partnership.

- 2.6. The budget outlined in this report has been informed by the work of the officer group and the various work streams covering all aspects of the new authority such as Human Resources, Information Technology, Communications and Governance.
- 2.7. As the Combined Authority does not yet have a Corporate Plan, which would usually determine and direct how resources are prioritised, the budget set out in this report covers the period from February 2024 through to March 2025, split by financial years. 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.

3. Analysis

- 3.1. The draft budget set out in this report is based on a number of assumptions including, the current budgets for the LEP, costs of the outline staffing structure as approved by the Joint Committee at its meeting in July 2023 and our understanding of the costs and income streams of a Combined Authority. It covers all known running costs along with a contingency of £500k for any risks and issues that may arise during the first year of operation.
- 3.2. The budget also includes the cost of the Mayoral elections in May 2024 and future years budgets will include a contribution to an election reserve to build up funds for the 2029 election. A prudent assumption has also been included on the anticipated interest from the cash balances that will be held by the Combined Authority.
- 3.3. At this stage, all support services for the Combined Authority will be provided by North Yorkshire Council and City of York Council through a series of Service Level Agreements. This will ensure continuity of service and support for staff transferring over to the new organisation and will also ensure safe and legal operation from day one. As the Combined Authority progresses, it will be able to review these arrangements in a planned, structure way to ensure value for money as well as ensuring that arrangements are fit for purpose in the longer term as the CA develops and matures.
- 3.4. Any budget must always make proper provision for reserves and good practice is that reserves are based on a proper risk assessment. At this early stage, it has not been possible to carry out a review that properly considers all risks and therefore the contingency of £500k included in the budget is proposed as an interim measure pending a more thorough review.
- 3.5. The budget makes proper provision for all known and anticipated costs, along with a contingency sum for any unforeseen matters. Should the contingency be required, approval for this will be sought from the Combined Authority. Therefore, in my opinion as the interim S73 Officer, the budget outlined in this report is robust and has adequate reserves.
- 3.6. The table below sets out the initial operational budget for the York & North Yorkshire Combined Authority, including implementation costs.

Mayoral Combined Authority Financial Model.				
		23/24 year	24/25 year	TOTAL
		Jan 24 to Mar 24	Apr 24 to Mar 25	Jan 24- Mar 25
		Phase 1	Phase 2	TOTAL
		Total	Total	
Income				
	Mayoral Investment Fund	-£ 9,000,000	-£ 18,000,000	-£ 27,000,000
	Government Grant			
	Mayoral Capacity Funding	-£ 500,000	-£ 1,000,000	-£ 1,500,000
	Transport Capacity Funding	-£ 500,000	-£ 500,000	-£ 1,000,000
	Housing Capacity Funding	-£ 173,500	-£ 173,500	-£ 347,000
	Brownfield Funding	-£ 154,763	-£ 12,545,237	-£ 12,700,000
	Net Zero Funding	-£ 1,753,557	-£ 5,246,443	-£ 7,000,000
	Adult Education	-£ 105,229	-£ 278,901	-£ 384,130
	Local Transport Plan	£ -	£ -	£ -
	Local Energy Advice Demonstrator (LEAD)	£ -	-£ 2,000,000	-£ 2,000,000
	Other Government Grant (Dept for Business & Trade)	£ -	-£ 240,000	-£ 240,000
			£ -	£ -
	Other Grants	-£ 292,279	-£ 3,758,924	-£ 4,051,203
	Other Income	-£ 18,834	-£ 118,006	-£ 136,840
	Investment income	£ -	-£ 500,000	-£ 500,000
	Total income	-£ 12,498,162	-£ 44,361,012	-£ 56,859,173
Expenditure				
	Staff costs			
	Staffing Costs Total- Gross, NI & Pension	£ 660,014	£ 4,531,848	£ 5,191,862
	Other Staffing Related Costs	£ 8,167	£ 51,940	£ 60,107
	Total staff costs	£ 668,181	£ 4,583,788	£ 5,251,969
	Operational costs	£ -	£ -	
	Supplies, Services & Subcontractor	£ 3,771,120	£ 22,934,814	£ 26,705,934
	Overheads & Corporate Costs	£ 576,156	£ 1,931,688	£ 2,507,844
	Mayoral Election Costs	£ -	£ 2,200,000	£ 2,200,000
	Set-up & Implementation costs	£ 1,293,875	£ 240,000	£ 1,533,875
	Total operational costs	£ 5,641,151	£ 27,306,502	£ 32,947,653
		£ -	£ -	
		£ -	£ -	
	Total Expenditure	£ 6,309,331	£ 31,890,291	£ 38,199,622
	Net (surplus)/deficit	-£ 6,188,830	-£ 12,470,721	-£ 18,659,551

Table 1 – draft budget

3.7. The key figures to note are the full year budget figures in the 24/25 column showing a total staff cost of £4.5m and corporate overheads (including support services delivered through service level agreements) of £1.9m. The full cost of the Mayoral election has been included in this first year.

3.8. The “surplus” figure of £18m (over the 15 month period of this budget) represents the balance of Mayoral Investment Fund that will be available for investment in agreed priorities across the region. For the 2024/25 budget, some £6m of the Mayoral Investment Fund has already been allocated. This is broken down as follows:

- Cost of Mayoral election £2.2m
- Over allocation of Net Zero funds previously agreed at Joint Committee £0.5m
- Contingency allocation £0.5m
- Allocation to AEB previously agreed at Joint Committee £0.3m

- Core staffing costs and other corporate overheads £1.5m
- Allocation to CYC & NYC for development of a pipeline of investible schemes £1m

4. Treasury Management Strategy

- 4.1. Attached at Appendix 1 is a draft Treasury Management Strategy for approval. 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 North Yorkshire Council.
- 4.2. The strategy will need to be updated as the medium term financial planning develops and future spending plans are defined.

5. Appointment of External Auditors

- 5.1. PSAA 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.

6. LEAP funding

- 6.1. The York and North Yorkshire Combined Authority has been awarded £2m from the Department for Energy Security and Net Zero Accelerator Programme to explore the potential to replicate the Bristol City LEAP model, which has established an innovative public-private partnership to secure investment into decarbonising Bristol's council owned estate. A joint working group has been established across the Combined Authority, City of York Council and North Yorkshire Council. The first phase of this will be feasibility and mapping. It is recommended the S73 Officer be given delegated authority to accept the £2m funding to progress this pilot activity.

7. Financial Implications

- 7.1. The financial implications are set out in the body of the report. The York and North Yorkshire Combined Authority will bring £540 million of new Government investment to spend on local priorities.

8. Legal Implications

- 8.1. The CA 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

9. Equalities Implications

- 9.1. It is not expected that the budget outlined in this report will have any adverse impacts on people with protected characteristics. Future investment decisions will be underpinned by an Equality Impact Assessment.

10. Recommendations

10.1. The Committee is asked to:

- i) Approve the budget outlined in Table 1
- ii) Delegate to the Director of Transition and the Interim Director of Resources authority to enter into Service Level Agreements with the constituent Councils on behalf of the Combined Authority for the provision of support services.
- iii) Approve the appointment of external auditors through the PSAA
- iv) Approve the Treasury Management Strategy at Appendix 1
- v) Delegate to the Interim Director of Resources the authority to accept the LEAP funding on behalf of the Combined Authority

10.2. Reason for recommendation – to ensure the York and North Yorkshire Combined Authority has a balanced budget.

Contact Officers:

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Appendices

Treasury Management Strategy Statement 2024/25