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To:	Executive
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Ward(s) Affected:	All
Author:	Janet Waggott, Chief Executive
Lead Executive Member:	Councillor Mark Crane, Leader of the Council
Lead Officer:	Janet Waggott, Chief Executive

Title: Devolution Deal for York and North Yorkshire

Summary:

This report sets out the steps being taken by City of York Council and North Yorkshire County Council (the Constituent Councils) towards the creation of a Combined Authority for York and North Yorkshire. The report includes details of the 'minded' to Devolution Deal, the Governance Review and the Scheme which has been prepared for consultation.

Recommendation:

That Executive support the steps being taken by City of York Council and North Yorkshire County Council (the Constituent Councils) towards the creation of a Combined Authority for York and North Yorkshire as set out in this report, and in particular to note:

- (a) the 'minded' to Devolution Deal;**
- (b) the Governance Review as identified in Appendix 1; and**
- (c) the Scheme which has been prepared for consultation in Appendix 2.**

Reasons for recommendation:

To ensure Members are consulted in relation to the proposed Devolution Deal and the next steps being taken towards the creation of a Combined Authority for York and North Yorkshire.

1. Introduction and background

- 1.1 On 1 August 2022 the Secretary of State for Levelling Up, Housing and Communities announced that the Government was minded to enter into a Devolution Deal with York and North Yorkshire under which the region would benefit from £540 million of new Government investment to spend on local priorities to produce growth, together with a range of devolved powers. This Devolution Deal is dependent upon the City of York Council and North Yorkshire County Council establishing a Combined Authority for the area with an elected Mayor.
- 1.2 Since the announcement, negotiations and further work have been undertaken around the detail of the proposed Deal, the structure of the proposed Combined Authority and the process to be followed to create it, subject to the necessary consultation. This report seeks to update Selby District Council members on this work and the next steps to be taken by the City of York Council and North Yorkshire County Council.
- 1.3 In order to develop the proposal to establish a Mayoral Combined Authority there needs to be consideration of a governance review and the publication of a Scheme if it is concluded that the exercise of statutory functions is likely to be improved by the creation of a Mayoral Combined Authority.
- 1.4 The Scheme is subject to an eight-week public consultation across York and North Yorkshire in October 2022.

2. Background and Issues

- 2.1 All of the Councils in York and North Yorkshire have an ambitious vision for enhancing social and economy prosperity and increasing the wellbeing of our communities building upon the existing position. The Councils wish to increase the region's contribution to the north and national economies and improve the region's productivity through enhanced business growth, innovation delivery, skills and infrastructure. The Councils have been working together to ensure that all residents have the opportunity to benefit from and contribute to future growth and will continue to do so.
- 2.2 The 'minded' to Devolution Deal represents a significant step forward in improving the environment and delivering more and better jobs to the area. It further delivers new responsibilities and investment that will benefit our communities across York and North Yorkshire and the northern region as a whole. The Deal means that decisions previously taken centrally could now be taken closer to the people affected and the region is not disadvantaged as other regions acquire their own Devolution Deals.
- 2.3 The Deal can be found on the Government's website here:

<https://www.gov.uk/government/publications/york-and-north-yorkshire-devolution-deal/york-and-north-yorkshire-devolution-deal#summary-of-the-devolution-deal-between-the-government-and-the-local-authorities-of-york->

[and-north-yorkshire-comprising-city-of-york-council-and-north-yorkshire-council](#)

2.4 The Deal proposes the following benefits for the region:

- £18 million per year in Gainshare funding over 30 years to invest in local priorities;
- Subject to a full business case, investment of up to £50 million to support and deliver the York Central brownfield regeneration scheme which would generate additional GVA and associated benefits for the whole York and North Yorkshire region;
- £7 million investment to enable York and North Yorkshire to drive green economic growth towards the ambition to become a carbon negative region;
- Investment of up to £2.65 million of projects to deliver affordable, low carbon homes;
- £13 million for the building of new homes on brownfield land across 2023/24 and 2024/25;
- A commitment to establish a working group to support the development of BioYorkshire;
- New powers from Government to drive regeneration and build more affordable homes;
- New transport powers to improve and integrate the regional transport network.

2.5 The Deal requires the York and North Yorkshire Authorities to establish a new Mayoral Combined Authority. The first elections for the Mayor of York and North Yorkshire would be held in May 2024. To establish the new Mayoral Combined Authority, the Secretary of State will need to make a Statutory Order under the Local Democracy, Economic Development and Construction Act 2009. The Order will come into effect after the creation of the new unitary Council for North Yorkshire and abolition of the district councils in North Yorkshire. The Order will create a new Mayoral Combined Authority consisting of the new North Yorkshire Council and the City of York Council and would be chaired by a directly elected Mayor who would be given powers directly from government.

2.6 The District & Borough Councils, including Selby District Council, have been working together with City of York Council and North Yorkshire County Council to secure the Devolution Deal. Legislation provides that the Constituent Councils of the proposed Combined Authority must carry out a governance review of the area and, dependent on the result of the review, prepare and consult on a Scheme to implement the proposals to create the Combined Authority. The legislation requires that Constituent Councils formally consent to the creation of the Combined Authority. Although Selby District Council will not be a Constituent Council of the proposed Combined Authority due to its abolition on 31 March 2023 pursuant to the Structural Changes Order, at this stage of the Combined Authority legal creation process, the District Council still exists in law and so for completeness members are asked to note and support the steps being taken by City of York Council and North Yorkshire County Council towards the potential creation of the new Combined Authority as set out in this report.

- 2.7 A Governance Review has now been undertaken by officers of the North Yorkshire County Council and City of York Council. A report setting out the findings of that Governance Review is attached at Appendix 1 and is considered in more detail below.
- 2.8 North Yorkshire County Council and City of York Council must decide whether the criteria in the 2009 Act have been met. The criteria is as follows:
- Whether the proposed creation of a Mayoral Combined Authority for York and North Yorkshire would be likely to improve the exercise of statutory functions in that area (Section 109 of the 2009 Act).
- 2.9 The review in Appendix 1 concludes the creation of a Mayoral Combined Authority does meet the statutory test. If the Constituent Councils are satisfied that the criteria has been met, the next stage of the process is for those Councils to draft and publish a Scheme setting out how it is intended to implement these proposals. A draft Scheme is attached at Appendix 2. Those Councils must then carry out public consultation on the proposals. At the end of that consultation period, the Councils must submit the review, the Scheme (as revised if appropriate) and a summary of the responses received to the Secretary of State (currently Rt Hon Greg Clark). He will then decide whether he is satisfied that the statutory criteria is met to allow him to make the necessary orders and whether the Councils have provided their consent to the making of the Order. It is anticipated that at the time of the decision the relevant Councils will be North Yorkshire Council and the City of York Council.
- 2.10 Attached at Appendix 3 is a briefing which describes in more detail the process of accepting the Deal and answers a number of frequently asked questions.

3. Consultation

- 3.1 If the City of York Council and North Yorkshire County Council give approval to the next steps in the process to form a Combined Authority, the details and timeline of a mayoral-led combined authority for York and North Yorkshire will go forward for public views. The consultation will begin in mid-October and close in mid-December, covering a period of 8 weeks. It is important that the consultation reaches a broad and representative range of responses from across the region and includes the views of people from different backgrounds, groups and organisations, including businesses here. This exercise will therefore be supported by a detailed engagement programme and with input from the Consultation Institute. A consultation partner is also being procured to support the data gathering and analysis (see below).
- 3.2 While this will be a digital-first approach with the primary consultation channel an online survey asking people their views on the draft scheme following a governance review, significant additional engagement will include face-to-face where that is the most effective approach. The survey will be developed in-house by the two Councils, coordinated centrally and hosted on a Devolution branded online survey platform, linked to the City of York and North Yorkshire County Council websites. Questions and Answers from the consultation

platform will be captured, with social media polls initiated on the Devolution branded social platforms and those of the two councils. Any written responses and letters will also be captured.

- 3.3 It is essential that everyone is able to participate via their preferred route, so additional non-digital routes such as hard copies of information will also be publicly available and well publicised. All information will be available in accessible formats on request.
- 3.4 In addition to this, there will be a targeted mailshot of postal surveys identified.
- 3.5 The communications for the consultation will include significant proactive communications throughout the consultation period to ensure as many people as possible are reached including under-represented areas. Frequently asked questions will be kept up to date and every effort will be made to answer queries as the consultation progresses.
- 3.6 The consultation partner will then evaluate the responses and ensure there is a representative sample of replies from across the region. At the end of the consultation period, based on this information, the North Yorkshire and York Councils will prepare a summary of the responses received. A further report will be brought to their Executives and Council (as appropriate) to provide the outcome of the consultation and will consider whether to submit the scheme as drafted or amended or at all to the Secretary of State.
- 3.7 Selby District Council members will be updated through Member briefings.

4. Assessment

Governance Review Executive Summary

- 4.1 The purpose of the Governance Review has been to review the exercise of statutory functions in York and North Yorkshire with a view to deciding whether to publish a Scheme which sets out how these changes will be made and then to undertake public consultation.
- 4.2 The Governance Review has found that the available economic evidence, drawn from national and regional sources, provides a rationale to work across the York and North Yorkshire area, recognising that it operates as a strong and coherent functional geography. It boasts a strong and diverse electoral mix with significant growth potential, underpinned by significant economic assets and infrastructure of national strategic importance. The York and North Yorkshire functional market area is characterised by an innovation and knowledge economy driven by the three universities, supporting strong financial, rail-tech and digital sectors, and a broad bioeconomy linked to food and materials production. Tourism, food and drink, and hospitality is strong across the whole sub-region, based on its natural and built assets.
- 4.3 Despite its significant assets and opportunities, the area is yet to reach its economic potential and the review identifies opportunities for improving lives for people in the region through stronger governance arrangements and the

proposed Devolution Deal. The review also identifies the challenges facing the region which currently inhibit growth and how these can be addressed through increased investments in the area.

- 4.4 The minded to Devolution Deal represents a significant step forward in delivering more and better jobs to the area. It delivers significant new responsibilities and investment that will benefit communities. It means that decisions previously taken centrally can in the future be potentially taken closer to the people affected. The proposed Mayoral Combined Authority will promote local democracy through direct democratic accountability. The introduction of a directly elected Mayor will enable a greater focus for change that will seek to enhance economic growth.
- 4.5 The Governance Review notes that the Devolution Deal is dependent on the establishment of a Mayoral Combined Authority and concludes that this is the appropriate mechanism by which the powers and funding proposed can be devolved to York and North Yorkshire.
- 4.6 Furthermore, the Governance Review concludes that the current governance arrangements do not represent the best model for the ambitions of the Councils in terms of delivering their long-term ambitions for economic growth. In summary the Review concludes that the statutory criteria are met in creating a Mayoral Combined Authority for York and North Yorkshire as it will improve the exercise of statutory functions in the area.
- 4.7 It will therefore be recommended that City of York Council and North Yorkshire County Council progress these proposals by publishing the requisite Scheme and undertaking public consultation.

5. The Scheme

- 5.1 If it is concluded that the statutory criteria have been met, the next stage is to publish a Scheme in respect of the proposals. A draft of the Scheme is attached at Appendix 2. The Scheme explains the following:
 - (a) How the new Mayoral Combined Authority for York and North Yorkshire will be created with the newly created North Yorkshire Council and York as the two local authority Members. The newly created Combined Authority will have the Mayor as the Chair.
 - (b) How the Mayoral Combined Authority will make decisions and the powers it will have.
 - (c) How transport will be dealt with on an integrated basis.
- 5.2 As set out in the Scheme the York and North Yorkshire Combined Authority will be a Mayoral Combined Authority and it is expected that the first elections for the Mayor will make place in May 2024. This election will replace the scheduled Police, Fire and Crime Commissioner elections and the Combined Authority Mayor will take over the Commissioner's responsibilities as well.

5.3 It is expected that the Combined Authority will be established as a legal body by the end of 2023.

5.4 As a Mayoral Combined Authority, the Mayor will make certain decisions on certain functions. The Combined Authority's Executive will make decisions on all other matters.

6. Programme Arrangements

6.1 The activities required to progress the devolution process, subject to approval from the Constituent Councils, are broad and significant in scale. It requires a response to each area of the deal, each funding stream identified and each function, whilst creating a new organisation, the Mayoral Combined Authority, over the next two years. Working across multiple organisations, there is a clear need for a programme structure which provides the necessary governance, transparency and accountability during the transitional period towards a Combined Authority.

6.2 Officers are currently liaising with Government to understand the required format for businesses cases, for assurance processes and the terms under which grant funding will be released. This will help to shape the required approach, including the level of resourcing required and the mechanisms by which individuals will be engaged. Proposals will be submitted to the Chief Executive of North Yorkshire County Council and the Chief Operating Officer of City of York Council for agreement.

6.3 It is anticipated that a small central team of officers, drawn from councils and the Local Enterprise Partnership, will form the programme office, supported by officers located within each organisation. The funding for these arrangements will come from the capacity funding agreed as part of the deal, potentially alongside the early gainshare. As detailed in the finance section of this paper, these funds will not be available until November 2023 and so any early expenditure will need to be cashflowed by the two Constituent Councils and reimbursed. Proposals will be submitted to the Chief Executive of North Yorkshire County Council and the Chief Operating Officer of City of York Council for agreement, operating within the agreed resources available within the deal, and, where relevant, such arrangements will be reported to the Joint Committee (see Paragraph 8 below).

6.4 The need for an agreed programme structure is acute for the early funding which will be received prior to the formation of any potential Combined Authority. £2.65m of funding for piloting approaches to affordable low carbon homes is included in the deal, for the current financial year (2022/23). The Government has determined that the money will be split in the following way:

- £2m York Shared Ownership.
- £0.250m Scarborough enabling works.
- £0.4m Craven Empty Homes Pilot.

6.5 This funding is subject to business case approval by Government, as well as a mechanism for reporting back on progress. As such, it is necessary to

implement an interim assurance process which satisfies Government requirements prior to the funding being drawn down. Business cases will be submitted by each local authority, once approved by the S.151 officer, directly to the Department of Levelling Up, Housing and Communities for approval. Once approval has been given, it is understood that the funding will be directly granted to the three local authorities. Further discussion is underway to understand the specific detail needed by Government once the projects have been initiated, with these requirements forming the basis of the assurance process for the delivery and monitoring stage of each project.

- 6.6 Subsequent funding streams, which would be received after the Order establishing the Combined Authority has passed into law, would be subject to a full assurance process, with full business case approval being undertaken locally, by the Joint Committee (see below) or the Combined Authority once established. The detailed arrangements for this will be considered and approved by the Joint Committee.

7. Proposal to Create a Joint Committee

- 7.1 As noted above the Councils in North Yorkshire and York have been working together with Government to obtain a Devolution Deal that can be consulted upon. The recommendation on whether to actually create a Mayoral Combined Authority or not will be considered until after the consultation with the public has taken place.
- 7.2 However in the meantime, to ensure proper governance and transparency, City of York Council and North Yorkshire County Council (as preparing authority for the new unitary) will be recommended to create a Joint Committee between the two Councils to have joint political oversight of the arrangements in working together. This will assist in making accountability clearer and decision making more transparent.
- 7.3 It is proposed that the Joint Committee will have limited powers initially and that the sovereignty of the Constituent Councils will remain unchanged. However, the Committee will provide an open forum for Members from, ultimately, North Yorkshire Council and the City of York to work together in reviewing the actions identified in this report and in considering what is strategically appropriate for the region.
- 7.4 It is proposed that the Membership of the Committee mirrors the proposed scheme as far as possible at this stage, which means:
- Two Executive Members for each Constituent Council
 - Co-opted membership offered to the Police, Fire and Crime Commissioner and the Chair of the Local Enterprise Partnership
- 7.5 As this committee would not be chaired by a Mayor (as opposed to a Mayoral Combined Authority), it is proposed that the Chair is appointed by the Committee itself.

- 7.6 It is proposed that the Joint Committee is established under Section 101(5) of the Local Government Act 1972 by the Executives of the constituent Councils.
- 7.7 It is proposed that the terms of reference of the Joint Committee include:
- Reviewing collectively the provisions of implementing the Deal if accepted across the region; and
 - Collaborating on projects and plans that benefit the region (subject to each individual authority's approval).
- 7.8 The final terms of reference for the Joint Committee will be agreed between the two Constituent Authorities. The draft Terms of Reference are set out at Appendix 6.

8. Implications

8.1 Legal Implications

- 8.1.1 The legal implications are identified in the report. However, for the sake of clarity Section 108 of the 2009 Act provides that two authorities may undertake a review of the exercise of statutory functions in relation to an area. Appendix 1 contains the governance review undertaken for the review area of North Yorkshire and York under Section 108.
- 8.1.2 Section 109 of the 2009 Act provides that if a review concludes that the establishment of a combined authority for an area would likely improve the exercise of statutory functions in relation to the area, the authorities may prepare and publish a scheme for the establishment of a combined authority for the area. For "the review area" of North Yorkshire and York, Appendix 1 has concluded that a combined authority would likely improve the exercise of statutory functions in North Yorkshire and York, Appendix 2 provides a draft Scheme for the establishment of a Mayoral Combined Authority.
- 8.1.3 Section 103 of the 2009 Act provides that the Scheme area must consist of two or more local government areas in England and the geography of North Yorkshire and York complies with that condition. It is noted that the Constituent Councils of a proposed combined authority under the Scheme would be North Yorkshire Council and the City of York Council as the effective date would be after Local Government Reorganisation within North Yorkshire.
- 8.1.4 Regulation 7(3)(a) and (b) of the North Yorkshire (Structural Changes) Order 2022 provides that the Executive of North Yorkshire County Council can exercise the functions under Section 108 (review by authorities: new combined authority) and Section 109 (preparation and publication of Scheme: new combined authority) on behalf of North Yorkshire Council.
- 8.1.5 Section 110 of the 2009 Act provides that the Secretary of State may make an order establishing a combined authority only if:
- (a) He considers that to do so is likely to improve the exercise of statutory functions in the area or areas to which the order relates.

- (b) The Constituent Councils consent (which at the time of making the order will be North Yorkshire Council and the City of York).
- (c) Consultation has been carried out, either by the Secretary of State or the constituent councils.

8.1.6 This section also provides that the Secretary of State in making the order must have regard to the need:

- (a) To reflect the identities and interests of local communities.
- (b) To secure effective and convenient local government.

8.1.7 It is intended that the Constituent Councils will agree to carry out a public consultation in connection with the proposals contained in the Scheme and if it is subsequently determined to proceed with the Scheme, a summary of the consultation responses will be submitted to the Secretary of State. It will then be a matter for the Secretary of State to consider whether further consultation was necessary.

8.1.8 Section 107A to 107K of the 2009 Act provides that the Secretary of State may make an order to provide that there will be a directly elected Mayor for the area of the Combined Authority where the Constituent Councils submit a request for the creation of a Mayor under the Scheme. Further it provides that the Mayor will be a member of and chair the Combined Authority.

8.1.9 These provisions and Schedule 5C also provide that the Secretary of State must by order make provision authorising any future Mayor to appoint a Deputy Mayor in respect of policing, fire and crime.

8.1.10 This report notes the steps being taken by the Constituent Councils to agree the governance review under Section 108, approve the draft Scheme under Section 109 and to carry out a public consultation under Section 110. A future report will be taken to their elected members (as appropriate) to consider the results of the consultation and whether to proceed with a submission to the Secretary of State and on what basis.

8.1.11 A copy of the draft timetable for the various stages is attached at Appendix 4.

8.1.12 It is also worth noting that Government is currently considering the Levelling Up and Regeneration Bill which, if enacted, would make some changes to the creation of combined authorities which will be kept under review as the Bill passes through the House of Commons and the House of Lords. The Bill looks at making it easier for areas to invoke the relevant governance arrangements necessary for devolution deals.

8.2 Financial Implications

8.2.1 The following section sets out the funding that would come to the Mayoral Combined Authority as part of the 'Deal' and the anticipated initial

implementation costs. This funding is able to fund the Mayoral Combined Authority set up costs, governance costs and costs associated with delivering the commitments within the deal. It should be noted that the majority of this funding will not be received until November 2023, when the order passes through Parliament and there will be a requirement to cash flow the activity which is required to take place in advance of this date. The recommendations to North Yorkshire County Council and City of York Council include delegation to the S.151 officers to work up these costs prior to receipt of the funding and to agree how that risk will be shared. Approval will also be sought from those two Councils to cashflow initial implementation costs of up to £600k and for their members to receive a further report once full implementation costs are known.

8.2.2 The Table below sets out the key new funding available through the deal and which elements will be received when the Order passes through Parliament and which when the Mayor is elected. In total £52.3m new funding will be received in the CSR period (up to March 2025). This includes:

	2022/23	Passing of the Order (Nov 23)	Election of the Mayor (May 24)
Mayoral Investment Fund		£9m	£18m
Mayoral Capacity Funding		£0.5m	£1m
Transport Capacity Funding		£0.5m	£0.5m
Brownfield Funding		£13.178m	
Net Zero Funding		£7m	
Net zero affordable housing	£2.65m		
Totals	£2.65m	£30.178m	£19.5m

8.2.3 On satisfaction of the conditions within the deal additional funds will also be invested through the Mayoral Combined Authority route which are currently routed through the two Constituent Councils. This includes the Consolidated Transport Budget and Adult Education Budget. The current annual value of North Yorkshire's Local Transport Plan is £40m. It is envisaged that the LTP for North Yorkshire and York will be received directly from government to the Mayoral Combined Authority as the Strategic Transport Authority rather than directly to the constituent authorities. It is then envisaged that the combined LTP will be distributed to the Constituent Authorities who will retain the delivery responsibility as the statutory Highways Authorities

8.2.4 As per the scheme, provision will also be made for the two Constituent Councils to meet the costs of the Combined Authority and how the costs are to be apportioned between them. The Mayoral Combined Authority will be funded entirely from the capacity funding set out above plus the Mayoral Investment Fund. It is also expected that future projects and funding pots will include with them an element of capacity funding to support the running of individual schemes.

8.2.5 The Table in Paragraph 10.2 highlights the elements within the Deal which have funding attached to them at this point. There are wider commitments from government as part of the Deal where there is no funding attached or potential funding is not defined at this stage. These include the Digital and Natural Capital. There are potential resource requirements attached to all of the commitments.

8.2.6 The Devolution project team are currently holding a series of meetings with the leads of the various work streams to establish the resources that will be required to meet both statutory responsibilities (such as the creation of the Strategic Transport Plan) or the requirements to take full advantage of future funding or the timing of the Deal. The development of this is subject to cash flowing arrangements in advance of the Deal being approved and then subsequent funding allocations to the MCA from government.

8.2.7 Capacity funding available for the implementation includes:

Mayoral Capacity Fund	£1.5m (1.5 years)
Transport Capacity Fund	£1.0m
Brownfield Land Funding	£378k
Total	£2.878m
Mayoral Investment Fund (can also be used to support implementation costs)	£9.0m
Total available to fund implementation costs	£11.878m

8.2.8 Funding of £2.878m is available to fund implementation costs. Additionally, the Mayoral Investment Funding can also be used. As detailed in paragraph 10.2, £9m Mayoral Investment Funding will be received in November 2023. This makes available funding to support implementation of £11.878m.

8.2.9 The Mayoral Investment Funding can also be used. As detailed in 10.2, £9m Mayoral Investment Funding will be received in November 2023. This makes available funding to support implementation of £11.878m.

8.2.10 Whilst the funding is set and known, the funding will not be available to draw down until (and if) the Order is approved in November 2023. The work that this capacity fund is intended to cover must start now in order that:

- York and North Yorkshire are prepared and able to invest in Brownfield, Net Zero and Low Carbon Affordable Housing investment which must be defrayed by March 2025 – total £22.45m.
- The Mayoral Combined Authority is formally created and operational for when the Mayor takes office in May 2024
- Fully compliant governance procedures are followed, both for the consultation phase of approving the deal and also ensuring shadow arrangements are delivered in an open and transparent manner

- Correct legal procedures are followed with regard to TUPE or employees in scope and procurement of Mayoral Combined Authority support services

8.2.11 Therefore the two Constituent Councils will need to cash flow the funding until November 2023 when the capacity funds become available, subject to an agreement to create a Mayoral Combined Authority.

8.2.12 Implementation and set up costs will need to be incurred to cover areas including consultation, additional legal costs and the shadow governance arrangements and delivery costs in progressing the delivery commitments within the deal. As the detail of these costs is still being worked up, it is proposed that the two Constituent Councils approve an initial amount of £600k to cover the costs of the initial consultation exercise and other early implementation costs and that further reports are brought back to their members for approval for the full implementation costs once these are known. These costs, by necessity to meet the timescales, will be incurred before the capacity funding and Mayoral Investment Funding can be drawn down in November 2023. It is proposed that these costs are recovered in full through a first call on the capacity funding / Mayoral Investment Funding once available.

8.2.13 There is a risk that if the Deal is ultimately not signed, any costs incurred will be non-recoverable and provision would need to be made for write off in the host authority's financial statements and so it is proposed that this risk is shared between the two Constituent Councils. Delegation is being requested to the S151 Officers of North Yorkshire Council and City of York Council to work up the details of and implement the financial arrangements including agreeing appropriate set up costs, risk share and the funding source.

8.3 Policy and Risk Implications

8.3.1 The risk to the two Constituent Councils funding the activity ahead of the November 2023 date is limited to the risk of a final Deal not being agreed. As detailed in 10.6 above, implementation costs can be drawn from the funding to be received of £11.878m. Therefore, the primary risk is the costs expended should the deal not receive formal approval. The risk is expected to diminish as council approvals are achieved by March 2023, but the risk is only eliminated upon the deal finally being approved by government that releases the funding set out in this report.

8.3.2 The financial model and operating budget of the Mayoral Combined Authority will be established through a working group of the Constituent Councils and approved as part of the requested Section 151 officer delegation (in consultation with the relevant Executive Members). Consideration will also be given to establishing a Medium-Term Financial Plan, but this will be subject to further consideration and approvals as the deal progresses.

8.3.3 Before Government enters into a devolution deal to secure significant investment and a range of devolved powers for the area, the establishment of a new mayoral combined authority for York and North Yorkshire is required. If the new mayoral combined authority is not established, the area will not benefit

from the enhanced investment and more local decision making the Devolution Deal will create.

8.3.4 Policy implications as identified in the report.

8.4 Equalities and Diversity

8.4.1 An Equality Impact Assessment is attached at Appendix 5. It is not expected that the proposals described in this report will have any adverse impact on people with protected characteristics. The aim of promoting growth within the area is expected to have a positive impact on inclusivity.

8.5 Environmental

8.5.1 The recommendations within this report do not, in themselves, create direct environmental impacts and it is not appropriate to carry out a full environmental impact assessment. However, the creation of a Combined Authority with significant investment and powers has the potential to create significant environmental benefits, through the pursuit of a carbon negative region and investment agreed by the Government.

8.5.2 The Deal contains investment of up to £2.65 million on projects that support York and North Yorkshire's priority to deliver affordable, low carbon homes across the area, subject to final business cases. This investment would support shared ownership and energy efficiency measures, providing environmental benefits alongside positive quality of life and financial impacts.

8.5.3 The Deal also includes £7 million investment to enable York and North Yorkshire to drive green economic growth towards their ambitions to be a carbon negative region. This investment is subject to agreement of submitted business case. This investment will support projects related to low carbon energy, being denied through current work on Local Area Energy Plans.

8.5.4 Should the deal be progressed; the Government has committed to explore the potential benefits of and design options for a place-based approach to delivering retrofit measures. This would explore how Government could simplify and consolidate funds which target net zero initiatives at the local level where this provides the best approach to tackling climate change.

8.5.5 The Combined Authority would also work with Government to develop a Natural Capital Investment plan for York and North Yorkshire. Government will support York and North Yorkshire in the development of a Natural Capital Investment Plan. This support may include: a proportion of revenue funding; specialist expertise; co-ordination of peer support and networking; and/or local partnership working with DEFRA's Arm's Length Bodies (Environment Agency, Natural England, Forestry Commission).

8.6 Corporate Plan

The establishment of a combined authority and entry into a devolution deal will support all elements of the Council's corporate plan.

9. Appendices

Appendix 1 – York and North Yorkshire Devolution Governance Review

Appendix 2 – Scheme setting out proposals for the creation, governance and functions of the York and North Yorkshire Combined Authority

Appendix 3 – York and North Yorkshire Devolution – Member FAQ Briefing

Appendix 4 – Timetable for Devolution

Appendix 5 – Equality Impact Assessment

Appendix 6 – Joint Devolution Committee Draft Terms of Reference

Contact Officer:

Janet Waggott, Chief Executive

jwaggott@selby.gov.uk