



Board Meeting (Agenda Item 3)

Date: 19 March 2025

Title: Staffing and Operating Budget 2025/26

Director: Matthew Thorpe, Chief Finance Officer (Section 73 Officer) and Sean Anstee, Director of Operations

Please note that the following recommendations are subject to consideration and determination by the Devon and Torbay Combined County Authority (DTCCA) and confirmation under the provisions of the Constitution, before taking effect.

In order for this matter to be agreed, it requires:

- (a) The majority of members of Constituent Council Members (or their substitutes) present and voting at the meeting to be favour, **including** both Lead Members for the Constituent Councils
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1. Recommendation

- 1.1 That members approve the 2025/26 operating budget and indicative budget for 2026/27, and the deficit position, noting the opportunity to use LEP Legacy funding to mitigate this.
- 1.2 That members note the activity underway to establish the processes, policies, and procedures to operatively effectively and discharge the duties of the Authority.

2. Purpose

- 2.1 This report outlines the key elements and proposed operating budget for 2025/26 for the DTCCA, as well as an indicative budget for 2026/27. The budget aligns with the operating approach and outline budget previously presented and agreed upon by Constituent Council Members and Chief Officers for the initial mobilisation phase of the DTCCA. This culminated in a draft budget being noted at the DTCCA Briefing held on 18 February 2025.
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- 2.2 The report also provides several additional updates detailing the activities underway to effectively discharge the DTCCA's duties and where budgets have been reprofiled based on further information. The 2025/26 budget includes costs for core staffing, resourcing through service level agreements, and activity expenditure. It also includes the known income streams to date.
- 2.3 Considerable officer time has been invested by the devolution partners to establish the DTCCA. The budget is based on the principle that this time is treated as sunk costs and will not be reclaimed by the partners. Additionally, some of the development work has been funded through the LEP Integration Grant, as previously agreed by Constituent Council Members and Chief Officers.
- 2.4 This report sets out the limitations, risks, and uncertainty of the budget as this stage. Further revisions may be required in-year as work programmes become operational and this will be reported to the Authority Board as they occur.
- 2.5 The Government has also launched a consultation on its 'minded to' decision to withdraw funding for former LEP functions, which should be noted alongside this draft budget. The 'minded to' decision does not impact the Growth Hub and Career Hub functions, which are expected to continue; however, the funding allocated to these functions may not remain at the same level.

3. Background

- 3.1 The outline operating budget previously presented to the Authority's Shadow Board and Briefing has been updated and reprofiled. It includes additional expenditure items:
- Accountable Body Costs (estimated)
 - Audit Costs (estimated)
 - Insurance
 - Banking
 - Travel and Expenses
 - Communications Officer
- 3.2 Local Enterprise Partnership (LEP) legacy funds are owed to Devon County Council (DCC) and Torbay Council and are part of a Memorandum of Understanding (MOU) agreed by the Heart of the South West upper-tier councils. These funds can be ring-fenced for economic development and can contribute to the DTCCA's income. The exact funding levels will be shared with the Authority's Board as soon as they are confirmed. The estimated funding levels are expected to be sufficient to cover the current operating budget deficit.
- 3.3 The DTCCA's Accountable Body costs cover expenditures such as IT, HR, insurance, treasury management, and VAT advice, with some of these costs currently estimated. Insurance quotes have been received and included. Internal and external audit services will be required; Devon Audit Partnership has outlined their service and fee, which are included in this draft budget. An estimate and recommendation for external audit have also been included, with a separate report on this agenda to approve the appointment process. There are no overhead costs included in the draft budget for costs incurred to date. As income streams are clarified and costs become clearer, along with resource implications, this can be revisited and agreed upon by the Authority's Board and its Constituent Council Members.

- 3.4 A Travel and Expenses budget will be required, and a policy will need to be agreed upon. The Authority's Board is asked to note that at this stage, the intention is to replicate DCC travel and expenses policy, as the Accountable Body. An estimate has been included in the draft budget.
- 3.5 Core DTCCA staffing has been supplemented with a Communications Officer. Initially, it was anticipated that one of the upper-tier authority's communications teams could provide this service under a Service Level Agreement. However, this has not proven possible, and consequently a dedicated role is to be appointed, reporting to the Director of Operations. Additional communications support will be required by the DTCCA on an ad-hoc basis and will be determined by the Director of Operations, acting within the resource constraints of the DTCCA.
- 3.6 The Adult Skills Fund (previously the Adult Education Budget) is one of the devolved powers awarded to the DTCCA and is subject to a second statutory instrument. The delivery of this responsibility will form part of a Service Level Agreement with DCC, including the appointment of two roles funded initially from a mobilisation fund and the commissioning of a skills plan. This will be subject to a further update at a future Authority Board.
- 3.7 The Connect to Work programme is still being finalised and agreed upon with the Department of Work and Pensions and the Department of Health and Social Care. DCC is the Accountable Body for this, with the expectation that this funding and function will transfer to the DTCCA in future.
- 3.8 Within the first year of the programme, DCC will retain responsibility for the Connect to Work programme as the Accountable Body, and all funding will flow through DCC. There is scope for a management fee to be drawn from the funding allocation, and an upfront sum is available to design and develop the programme in Devon, Torbay, and Plymouth this fiscal year.
- 3.9 Although the intention is for this programme to be governed under the DTCCA in future, the operating budget for has been updated to remove the expected allocation for Devon, Torbay, and Plymouth and discussions with DWP will occur to understand in further detail for the proposed transfer of Accountable Body status to the DTCCA. It is also noted that since payment for the programme is in arrears, this resolves cash flow and procurement concerns that would have arisen for the DTCCA prior to Accountable Body transfer arrangements being clarified.
- 3.10 The income and expenditure lines for the Careers Hub and Growth Hub are currently estimated and remain subject to agreement with the Department of Business and Trade and the Careers Enterprise Company. They are currently shown as having a net nil impact on the operations of the DTCCA. The Growth Hub operates across Devon, Torbay, Plymouth, and Somerset, with the Heart of the South West upper-tier councils having agreed on the funding and operation of the Growth Hub in the MOU mentioned above. An underspend has accrued and is available to support operations in 2025/26. The Careers Hub includes Devon, Torbay, and Plymouth, with funding allocated on an academic year basis rather than calendar or financial years. This is fully funded, with partner matching until

August 2025. Levels of expected investment and any match funding after this date need to be agreed upon.

- 3.11 The capital programme awarded to the area is being administered by SCC. Sixteen projects have been awarded funding, and to date, eight have signed funding agreements in place. The spend deadline, as set out in the funding agreement with the Government, is 31st March, and there are ongoing conversations with the Government to seek an extension. Several projects are at risk of not spending by this date, and solutions remain under consideration. The spend drawdown by the projects is slower than expected, resulting in some accrued interest on the funding, which can also be made available to support the operating budget of the DTCCA.
- 3.12 Following ministerial signing of the regulations, the DTCCA formally came into being on the 5th February 2025. This has enabled further engagement with Barclays to meet their requirements for opening an account in the DTCCA's name.
- 3.13 In addition to the Assurance Framework, which was approved at the Authority's Shadow Board on 31 January 2025, the Finance Procedure Rules and officer delegations are set out in the draft constitution. This has enabled engagement with Ministry for Housing, Communities and Local Government colleagues to request the drawdown of the £1 million capacity funding to support the core operations of the DTCCA.
- 3.14 Several other matters require resolution in the immediate future, all of which are in progress. This includes establishing the DTCCA as an independent entity in DCC's new finance system, which is due to go live in the coming weeks. Additionally, advice is being sought on VAT registration and treasury management activities. Year-end accounts are required covering the period from the inception of the DTCCA to the end of the fiscal year, and arrangements are being made by the Chief Finance Officer (Section 73 Officer) to prepare these.

4. Options and alternatives

- 4.1 The DTCCA is required to prepare and approve an operating budget. Consideration has been given to the various components of the budget, and it has been prepared using the most recent and known information about the financial position of the DTCCA.

5. Financial considerations

- 5.1 The report sets out the financial and resource allocations for the DTCCA during 2025/26 and an indicative budget for 2026/27. There are several costs and funding streams that are not yet known and will require finalisation. These may impact on the financial operation of the DTCCA and require adjustment and mitigating action to be agreed by the DTCCA Board in accordance with the DTCCA's constitution.

6. Legal considerations

- 6.1 The DTCCA is required to operate legally and compliantly. Approving the operating budget is a requirement of the inaugural meeting of the Authority's Board.

- 6.2 A number of income streams available to the DTCCA and the Accountable Body are subject to grant agreements and conditions.

7. Environmental impact considerations

- 7.1 There are no environmental impact considerations arising from this report.

8. Equality considerations

- 8.1 There are no equality considerations arising from this report.

9. Engagement and consultation

- 9.1 The draft operating budget has previously been presented to the Board operating in shadow form and at a briefing. Feedback from those sessions has been incorporated in the final deliberations taken when setting the operating budget.

10. Associated risks

- 10.1 The DTCCA would not be compliant with its legal and statutory obligations if it did not approve its operating budget. A balanced budget would present a material risk to the DTCCA, and the report has set out the approach to mitigate against known deficits at this stage.

11. Conclusion

- 11.1 This report and appendix provide an operating budget for the DTCCA for 2025/26 and an indicative budget for 2026/27, serving as the basis to deliver a range of devolved activities and to mobilise the new institution. It outlines the staff resources needed to operate the DTCCA for its first 12 months. Members are asked to note that several budget lines remain subject to finalisation and therefore subject to change and will be agreed with the Chief Finance Officer (Section 73 Officer) and reported to the Authority's Board.

Local Government Act 1972: List of background papers

None

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Appendix 1 – Budget

	Grade	FTE	2024/25		2025/26		2026/27*	
			2024/25 £	FTE	2025/26 £	FTE	2026/27 £	2026/27
Core Team and Statutory Officers								
Chief Executive	L0	0.1	0	0.1	24,786		25,284	
S73 Officer	L2	0.1	0	0.1	17,414		17,764	
Monitoring Officer / Legal Director	L3	0.1	0	0.1	16,087		16,410	
Director of Operations	L6	1	17,222	1	106,875		109,027	
Relocation Allowance			4,000		0		0	
Programme Manager *	F	0	0	1	52,187		53,246	
Governance Officer	F	0	0	1	52,187		53,246	
Scrutiny Officer	F	0	0	0.5	26,094		26,623	
Communications Officer	H	0	0	1	65,884		67,217	
Financial Support Officer	G	0	0	0.5	29,422		30,017	
Housing Lead	L8	0	0	1	87,472		89,236	
Travel & Expenses			0		10,000		10,000	
Internal Audit			0		40,000		35,000	
External Audit (Estimate)			tbc		40,000		55,000	
Insurance			3,667		44,000		46,200	
Accountable body costs (ICT, HR & Insurance & Treasury / VAT etc)			12,500		50,000		50,000	
Provision for SLAs			0		81,312		81,312	
Total Forecast Cost		1.30	37,389	6.30	743,720		765,583	
Funding								
Core CCA Funding			0		(500,000)		(500,000)	
Interest from £16m capital funding			(160,000)		0		0	
Employers NI (indicative amount from MHCLG)					(140,000)			
Total Forecast Funding			(160,000)		(640,000)		(500,000)	
Core Team (surplus)/Deficit			(122,611)		103,720		265,583	

Underspends will be carried forward to support future years deficits or activities

Operational Activity

Connect to Work SLA (DCC)	0	0	255,000	Connect to Work is a devolved DWP work and health programme. DCC is the Accountable Body. This will transfer to the CCA at a future date.
Connect to Work Delivery		0	6,395,000	
Connect to Work Main Budget	0	0	(6,650,000)	
	0	0	0	
ASF Staffing	0	136,590	72,587	The Adult Skills Fund will be devolved to the CCA from September 26/27, subject to DfE confirmation. Capacity funding of £300k is available to support the preparatory work.
ASF Strategy & implementation on costs 15%	0	30,000	30,000	
ASF Mobilisation Support	0	20,410	10,413	
	0	(187,000)	(113,000)	
	0	0	0	
Growth Hub	0	509,816	509,816	Economic development is a core CCA function. Growth Hub services will be delivered under SLA with DCC.
Growth Hub Funding	0	(509,816)	(509,816)	
	0	0	0	
Careers Hub	0	600,963	600,963	Economic development is a core CCA function. Careers Hub services will be delivered under SLA with DCC.
Careers Hub Funding	0	(600,963)	(600,963)	
	0	0	0	
Shared Prosperity Fund	0	3,445,148	0	This is the revenue allocation for UK Shared Prosperity Funding detailed in the UKSPF paper.
Shared Prosperity Fund Funding	0	(3,445,148)	0	
	0	0	0	
Active Travel	0	780,988	0	DfT have confirmed Active Travel funds will be managed through the CCA. This is the indicative revenue figure.
Active Travel Plan Funding	0	(780,988)	0	
	0	0	0	
Local Enterprise Partnership Legacy Activity	TBC	TBC	TBC	
Local Enterprise Partnership Residual Funding	TBC	TBC	TBC	

***Connect to Work is subject to further clarification from DWP**

Capital Activity	2024/25	2025/26	2026/27	
Shared Prosperity Fund	0	721,522	0	This is the capital allocation for UK Shared Prosperity Funding detailed in the UKSPF paper.
Shared Prosperity Fund Funding	0	(721,522)	0	
	0	0	0	
Active Travel	0	2,473,127	0	DfT have confirmed Active Travel funds will be managed through the CCA. This is the indicative capital figure.
Active Travel Plan Funding	0	(2,473,127)	0	
	0	0	0	