

DERBYSHIRE COUNTY COUNCIL

COUNCIL

4 February 2015

**Joint report of the Chief Executive and the
Strategic Director - Economy, Transport and Environment**

**PROPOSAL FOR DERBYSHIRE COUNTY COUNCIL TO BE A CONSTITUENT
MEMBER OF THE PROPOSED DERBY AND DERBYSHIRE (D2) COMBINED
AUTHORITY**

(1) Purpose of the Report

To invite the Council to endorse the decision taken by Cabinet on 3rd February 2015 to submit to Government a scheme for the establishment of a Derby and Derbyshire Combined Authority.

(2) Information and Analysis

Strategic Policy Context

The last five years have set economic development in a context of political change and global recession. There is a strong desire nationally to re-balance the economy, and develop new, forward-looking economies that support growth and prosperity.

It is within this context the UK's 39 Local Economic Partnerships (LEPs) were created to bring together private and public sector skills – and purpose – to help address the economic challenges and drive regional growth; the D2N2 LEP is the relevant body for the D2 area.

Recent Government policies and funding announcements have sought to advance 'localism' and devolve decision making to LEP areas and local economic geographies, recognising the 'importance of place' in successful economic development and the need for local, distinct solutions to tackle the challenges of economic growth.

Within this context, the Greater Manchester area has led the way in securing devolution and stronger local governance to drive economic growth; other metropolitan areas such as Sheffield City Region, West Yorkshire and the North East have followed, building on existing platforms of 'city deals' to target their efforts.

There is now a significant opportunity for the D2 area and the wider D2N2 LEP region to put forward its own vision for growth and devolution which builds on the existing economic strengths and assets, maximises the latent potential for growth and ensures Derbyshire residents benefit from increased prosperity.

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Current Arrangements within the D2 Area

In September 2013, the Leaders of the County Council, Derby City Council and the eight district and borough councils in D2 agreed to establish a Joint Economic Prosperity Committee (Joint Committee) to support more effective and collaborative working across a range of functions and issues. Formal approval from each individual authority to establish the D2 Joint Committee was secured between December 2013 and March 2014.

Working alongside a similar Joint Committee arrangement for the Nottingham/ Nottinghamshire (N2) area, the D2 Joint Committee supports the work of the wider D2N2 LEP.

The D2 Governance Review

A key area of work for the D2 Joint Committee over the last 10 months has been to undertake a governance review to determine whether the existing arrangements for economic development, regeneration and transport in Derbyshire are delivering the best results.

The review has been undertaken within the context of current policy and the aspirations of national government to devolve powers and resources to strong local governance structures; it was carried out under Section 108 of the Local Democracy, Economic Development and Construction Act, 2009 (LDEDC Act) and the Transport Act, 2008.

A simple, but robust review process was established which addressed three fundamental questions:

- Where are we now?
- Where do we need to be?
- How are we going to get there?

The purpose of the review has been to evaluate the effectiveness and efficiency of existing governance arrangements for economic development, regeneration and transport across the D2 area and test the scope for improving the economic conditions of the area; these are the statutory tests required to be applied.

Work involved evaluating current economic performance and considering options for strengthening local governance which included:

- Leaving existing arrangements unchanged or slightly extended (i.e. through the current Joint Committee);
- Establishing an economic prosperity board (EPB)
- Establishing a combined authority (CA)

The review also sought to recommend which option was likely to be most beneficial to strengthening the overarching governance arrangements across the wider D2N2 LEP.

Appendix 1 of this Cabinet report presents the Governance Review Report and sets out a detailed account of the current economic conditions across the D2 area, evaluates the existing Joint Committee and wider LEP governance arrangements and considers the potential options for improvement.

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It concludes that a combined authority for D2 presents the best option for “positively impacting on the economic conditions of the D2 area, and also in providing the best opportunities for improved efficiency and effectiveness of delivery in transport and economic development”.

This conclusion complements the findings of the current N2 review which together, ensure the wider D2N2 LEP will benefit from strengthened governance, attracting greater freedoms, flexibility and funding from Government.

The Proposed Derby and Derbyshire Combined Authority

The proposed D2 Combined Authority will be constituted of a Board, made up of the 10 Leaders from the D2 local authorities (constituent members). It will form an essential element of overall LEP-wide governance and, in so doing, will help strengthen local accountability and ensure transparency of decision-making.

Four of the Board’s proposed constituent members (Chesterfield Borough Council, North East Derbyshire District Council, Bolsover District Council and Derbyshire Dales District Council) are currently non-constituent members of the Sheffield City Region Combined Authority (SCR CA). This membership brings significant benefits to those authorities and it is proposed their relationship with the SCR CA continues, supported by a strong protocol of joint working with the D2 CA.

Protocols for collaborative working are also proposed with Greater Manchester (in particular recognition of the strong relationship with High Peak Borough Council) and the proposed N2 CA (adjacent to Erewash Borough Council).

Non-constituent membership of the D2 CA Board is proposed to be offered to the D2N2 LEP to ensure strengthened governance and relationship management. Observer status on the Board is proposed to be offered to the Peak District National Park.

As part of the new governance arrangements, it is proposed to create a ‘stakeholder forum’ which will facilitate strong, strategic dialogue with the private and third sectors focused around driving forward the ambitions and priorities of the CA; the forum will be an extension/ reshaping of the current Derbyshire Economic Partnership (DEP). It is proposed the Chair of this forum will be invited as an observer to the CA Board.

A new Joint Leaders Forum constituted of all 19 elected leaders from across the local authorities of D2 and N2 is also proposed as part of the wider LEP and combined authority arrangements and will help ensure strong collaboration and local government leadership around key areas of mutual concern and potential opportunity.

Further details of the overall arrangements and constitution of the D2 CA are set out in Section 3 of the attached Governance Review Report and in the Draft Scheme, attached at Appendix 2.

The D2 CA will be a decision making and accountable body responsible for developing, agreeing, implementing and monitoring: D2-wide strategies; clear

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programmes of activity and funding; and specific delivery projects. Specific roles and responsibilities of the D2 CA in relation to programmes and funding will link to the LEP-wide Single Assurance Framework and role of the LEP's Accountable Body.

One of the significant benefits of the proposed CA is that it will attract further devolved funding from Government with more local determination of priorities and alignment of resources. It will also attract the flexibility of 'programme funding' which is significantly different from the current project-by-project funding model offered to the D2N2 LEP. These current arrangements provide little or no flexibility for aligning and re-aligning resources based on need or changing local circumstances.

It is proposed the work programme of the D2 CA will be focused initially around the four main ambitions:

- Jobs and employment: focused on generating more and better quality jobs, supporting key economic sectors, strengthening the rural economy and growing new business.
- Skills: 'Developing a 21st Century Guildhall' which provides a step change in the way in which young and vulnerable people - and others - identify and secure education, employment and training opportunities, integrated with an approach that brings employers much closer to the available labour market.
- Transport: 'Ways to Work' which is the collective, priority issue for D2 and will underpin the above proposal by delivering a single transport plan and improving access to employment, training and education – removing one of the key barriers to work.
- Housing: developing a more co-ordinated and cohesive housing offer across the D2 area, encouraging more affordable housing and working creatively to bring forward stalled sites

A fifth area of work, 'Funding our Future', will explore more creative and innovative use of the general power of competence and other freedoms/ flexibilities to support the D2 economic development, regeneration and transport programme

Overall, it is considered these proposals will meet the statutory tests of the Local Democracy, Economic Development and Construction Act, 2009 and 2008 Transport Act by:

- Providing more effective and accountable decision making for D2, by bringing together the democratically elected leaders from all ten councils in a single formal body which is able to take decisions jointly.
- Strengthening the existing governance arrangements of the D2N2 LEP to deliver the wider ambitions of the Strategic Economic Plan, working alongside the N2 local authorities.
- Ensuring strong and effective working relationships with local, private sector businesses, the voluntary and community sector
- Attracting more freedoms and flexibilities from central Government – and ultimately more funding – to ensure the ambitions and improvements can be delivered to the D2 economy.
- Ensuring delivery of economic development, transport and regeneration activity will be more effective and efficient through a single, formal combined

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authority than 10 individual local authorities operating in an informal environment.

- Providing significant scope for reducing duplication in the work of the ten individual authorities.
- Ensuring the D2 area is able to collaborate and compete effectively with neighbouring areas that also have created combined authorities (e.g. Sheffield City Region and Greater Manchester).

Public Consultation

As part of the governance review, the current D2 Joint Committee has undertaken a strong process of engagement with key stakeholders from across, and outside, the area. A major consultation exercise was undertaken between 2 January 2015 and 23 January 2015 to test local support on the proposal to create a D2 CA and the proposed ambitions outlined above.

In preparation for public consultation, a stakeholder 'map' of the different types of interests was developed and each of the 10 local authorities sent out information to specific agencies and organisations in their area. All council employees, elected members, parish councils have also been canvassed for views via an on-line questionnaire.

Information published to support the consultation exercise was specifically designed for different stakeholder groups to enable easier engagement with the process. The website was advertised through professional magazines, local newsletters, radio and social media; members of the two citizens' panels for Derbyshire and Derby City were invited to participate.

A range of stakeholders were consulted on the proposal which in summary, included:

- Local residents across the county
- Council employees across D2 authorities
- Elected members from across D2 authorities
- Members of key economic, regeneration or transport partnerships
- Organisations with an interest in rural concerns
- Derbyshire, Nottinghamshire and Leicestershire Chamber of Commerce (DNLCC)
- Federation of Small Businesses
- Private sector organisations and business/ economic networks, including the creative industries
- Transport providers and users
- Tourist organisations
- Housing providers and developers

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- Further and higher education providers, secondary schools and academies, Jobcentre Plus
- Voluntary sector organisations and umbrella groups
- Neighbouring local authorities and combined authorities
- Members of Parliament (D2 and N2)

In addition to the on-line survey, face to face sessions and workshops have been held to add qualitative content to the consultation process. This has included: direct discussion with the Chamber of Commerce; workshops with employers, education and training providers on the skills ambition; facilitated discussion with the Derbyshire Economic Partnership and D2N2 Local Transport Board; provision of a D2N2 LEP Board drop-in session for private sector members; and briefing session for MPs (attended by nine MPs from across the D2N2 area).

A total of 734 responses have been received to the online survey, along with 19 individual letters, emails or telephone calls providing more qualitative responses, mostly from parish councils, MPs and other public sector bodies such as the Derbyshire Fire and Rescue Authority, Derbyshire, Nottinghamshire and Leicestershire (DNL) Chamber of Commerce and adjoining combined authority or local authority areas.

The volume of response is very encouraging and indicates the level of interest in this issue.

Initial, headline analysis of the results confirms overall strong support (either 'strongly agree' or 'tend to agree') with the proposal to create a combined authority (67% in total), with many commenting it would help cut costs, reduce duplication and be a strong, strategic body to ensure comparable discussions with the Sheffield City Region and Greater Manchester Combined Authorities.

Strong support was also expressed for the proposed geographical area of the combined authority – i.e. Derbyshire and Derby City (D2) - with 70% in total either 'tending to agree' or 'strongly agreeing' to the proposal.

In relation to the ambitions, there was similar strong support for the proposals, with at least half of the respondents agreeing or strongly agreeing to all five (jobs, skills, transport, homes and investment); notably, 72% and 69% of respondents expressed support for the transport and investment ambitions respectively.

The consultation process also explored the potential relationship of the Combined Authority with other regeneration-focused organisations across the D2 area and the role that adjacent local authorities/ combined authorities might play in the D2 arrangements.

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Overall, 74% respondents “strongly agree” or “tended to agree” that the combined authority would build strong links with key organisations and 67% “strongly agree” or “tended to agree” with the proposal to allow adjacent authorities to play a role in the D2 Combined Authority.

One respondent summarises well the overarching principles of the proposal: *“...the proposal provides a simplified and elegant solution to the current situation, ensuring there is a single list of prioritiesremoving confusion and complexity...”*

The DNL Chamber of Commerce believes the proposal for the ten D2 authorities to combine into an effective partnership *“will maximise the potential of the LEP and relationship with national Government. Co-ordinated local action will ensure the best use of scant resources and expertise and will provide an effective interface for joint working with the private and third sectors.”*

More detailed analysis of the consultation responses is currently being undertaken. It is anticipated that a full breakdown of the range of responses - both positive and negative, alongside more detailed consideration of qualitative comments - will be available for Member consideration in advance of the Cabinet and Council meetings on 3 and 4 February 2015 respectively.

This detailed analysis will form Appendix 2 of the Governance Review Report and will also include the draft response of the D2 Joint Committee to the issues raised.

(3) Financial Considerations

It is anticipated the administrative costs of the D2 Combined Authority will not be any greater than those currently incurred in supporting the Joint Committee and D2N2 LEP arrangements.

Both financial and ‘in kind’ equivalent costs have been identified in relation to existing activity and these will continue to be directed towards the work of the LEP and D2 Joint Committee/ proposed Combined Authority to support the work and ambitions set out in this report and are confirmed as:

- Financial contribution from upper tier and unitary authorities (Derbyshire County Council and Derby City Council) to D2N2 LEP, currently part of core funding: **total £125,000 per annum** (NB: Derbyshire County Council financial commitment is £62,500 per annum)
- Financial support currently directed to facilitating and delivering work of Derbyshire Economic Partnership-related activity (including secretariat activity): £15,000 per each of 10 authorities: **total £150,000 per annum** (commitment to this arrangement has been extended through Derby City’s

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recent agreement to provide funding in recognition of the importance of activity). (NB: Derbyshire County Council financial commitment is £15,000 per annum)

- Financial support currently directed to facilitating D2 Employment and Skills Board: upper tier and unitary authority (Derbyshire County Council and Derby City Council) financial contribution of £12,500 each from the two local authorities to match fund LEP contribution of £25,000: **total £50,000 per annum**
- In kind contribution of key officers (excluding travel time and costs of officers, time equivalent of elected members and chief officers) currently directed at supporting wider D2N2 governance architecture (primarily LEP and aspects of D2 Joint Committee): **total equivalent financial contribution in kind across all D2 authorities of £550,120 per annum.**

Total value of existing financial and in-kind contribution for the D2 local authorities is £875,120 per annum

In addition to the above, and in line with statutory requirements for establishing a combined authority, the proposed D2 CA will nominate officers from the constituent authorities to undertake the following duties:

- D2 Combined Authority Head of Paid Service
- D2 Combined Authority Monitoring Officer
- D2 Combined Authority Chief Finance Officer (CFO)

It has been agreed through discussion at the D2 Joint Committee that nomination/appointment to these posts will not incur any additional expenditure to the proposed Combined Authority over and above existing costs.

As part of on-going work within each of the D2 authorities, the constituent authorities will continue to meet all costs reasonably attributable to the exercise of their own economic development, regeneration and transport functions.

The D2 CA will agree an annual budget for the purpose of the above range of expenditure; this expenditure is not expected to exceed that already incurred and will be apportioned appropriately across the ten constituent councils.

The financial affairs of the D2 CA will be conducted in accordance with the financial rules and procedures of the council from which the Chief Financial Officer is drawn.

(4) **Legal Considerations**

The power to create a combined authority is contained in Section 108 of the Local Democracy, Economic Development and Construction Act, 2009 (LDEDCA Act) and Sections 84, 91 and 93 of the Local Transport Act, 2008.

The work of the D2 Joint Committee, in undertaking its governance review and the resulting proposal to create a D2 Combined Authority, is considered to meet the statutory tests.

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Although Draft Statutory Guidance indicated an intention to amend the law to require a decision to support a combined authority to be a matter for local authorities' councils rather than cabinets, the current law requires this to be a decision of Cabinet. However, it is considered that the importance of the decision merits endorsement by Council.

5) Equality and Diversity Considerations

In depth consideration has been given to equality and diversity and the proposals contained in the Governance Review Report include actions and priorities which will address the current economic conditions of the D2 area and thereby will help tackle financial exclusion and deprivation within communities. The proposal also includes actions and priorities to address strategic issues around public transport and the reliability of the highways network as part of wider regeneration considerations.

6) Human Resource Considerations

There are no direct impacts, at this time, on human resources resulting from the proposal to create a D2 Combined Authority. As dialogue with Government and the D2N2 LEP continues over the coming months (and years) any such impacts will be highlighted and brought forward for consideration by elected members as appropriate.

Other Considerations

In preparing this report, the relevance of the additional following factors has been considered: prevention of crime and disorder, human rights, environmental, health, property and transport considerations.

(7) Background Papers

The agendas and minutes of the D2 Joint Committee

Other background papers held on file within the Economy, Transport and Environment Department.

Officer contact details - Joe Battye, extension 36574.

(8) OFFICERS' RECOMMENDATIONS That the Council endorses the decision taken by Cabinet on 3rd February 2015 to submit to Government a scheme for the establishment of a Derby and Derbyshire Combined Authority.

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