

**GOVERNANCE REVIEW:  
APPENDIX 1 TO CABINET  
REPORT**

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# **Report of the Derby and Derbyshire Authorities' Statutory Governance Review**

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**Undertaken in Accordance with  
Local Democracy, Economic Development  
& Construction Act, 2009**

## **EXECUTIVE SUMMARY:**

### **DERBY AND DERBYSHIRE (D2) GOVERNANCE REVIEW**

#### **Background**

The economic conditions across Derby and Derbyshire, Nottingham and Nottinghamshire (D2N2) are challenging and are likely to remain so for some time. Not all parts of the D2N2 area have benefited equally from recent improvements to the economy, or from the wellbeing and prosperity this brings.

At present, the D2 area, with a population of over one million residents, has an economy that is performing reasonably well and has shown some resilience during the recession. The area enjoys good connectivity, being well served by national transport networks and there are strong connections to neighbouring economies in Nottinghamshire, South Yorkshire and Greater Manchester; partner agencies across D2 have used these links to attract significant levels of investment to the area.

However, despite our strengths, we know we are not realising our potential. We are still a net spender of UK tax revenues and there is not enough local control over the policies which affect our economy. We believe that raising the economic performance of the D2 area to match the national average could result in:

- **An additional £2.6bn of GVA** (a measure of productivity and wealth)
- **41,100 more jobs**
- **4,400 more businesses**

Working closely with the D2N2 Local Economic Partnership (LEP), the ten local authorities of Derby and Derbyshire have set up a Derby and Derbyshire (D2) Joint Committee to help achieve this potential. However, there is scope to make even more and faster progress on economic growth and the Committee has prepared this document to set out its proposal for creating a combined authority for the D2 area.

#### **Proposal**

**It is proposed to create 2 combined authorities for the single, D2N2 LEP area.**

To succeed in the long term, we need to become more self-reliant and have the means to unlock our economic potential. Specifically in the Derby and Derbyshire area, we need to drive productivity and growth by investing in transport and digital infrastructure, job opportunities and skills. We need to make sure residents have access to housing that meets their needs and that they are able to live prosperous and fulfilling lives.

In order to fulfil our potential, the D2 councils are committed to focusing local leadership and service delivery on tackling a number of key challenges. These include shifting the economic base to be less reliant on the public sector; narrowing the skills gap to improve the competitiveness of the area; building on current sector strengths to provide wider employment opportunities, particularly for young people; and developing a transport and housing infrastructure that will continue to support and drive growth in the future.

We believe the ten partner authorities of D2, working with the private and third sector representatives of the D2N2 LEP, are best placed to take the tough decisions about where to focus the efforts and interventions to address these challenges, drive delivery and be accountable for the results.

This document provides an overview of the arrangements currently in place in the D2 area and makes the case for how a combined authority can improve the effectiveness and efficiency of local transport networks, drive economic development and regeneration and improve the overall economic conditions of the area.

To be successful, we have recognised there is a need to strengthen our governance arrangements so we can combine and coordinate our efforts more effectively and make more joined up, strategic decisions, whilst taking account of local circumstances. This will help strengthen governance within the wider Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2) Local Enterprise Partnership, particularly as Nottingham and Nottinghamshire authorities are developing proposals for a separate combined authority that will complement the D2 approach.

Elsewhere in the country, combined authorities have been established to help groups of councils act more effectively in response to similar challenges to those outlined above. Central government has encouraged this approach and has devolved to combined authorities funding and powers that were previously held within Whitehall. In order to establish a combined authority, local councils need to carry out a review that will show how certain tests are met, including whether transport functions will be delivered more effectively and economic conditions improved.

Given the potential to improve the D2 economy and recent opportunities presented by Government, the D2 Joint Committee has carried out a formal governance review. We have considered the options of continuing to work together as a joint committee, setting up an economic prosperity board or establishing a combined authority to test which one provides the best solution for helping us achieve stronger economic growth.

The review shows the option of creating a combined authority provides the best opportunity for meeting the tests set out by Government. It also provides a stronger form of local governance for supporting the wider work of the D2N2 LEP, ensuring it continues to be an engine for growth in the East Midlands.

In particular, the review shows that a combined authority would:

- Lead to faster, more effective and accountable **decision making**, by bringing together the democratically elected leaders from all ten councils in a single formal body which is able to take decisions jointly.
- Enable councils in D2 to benefit from acting **strategically** across the whole economic area whilst still retaining the **local connection** provided by each individual council and **local control** as to how the powers conferred on the combined authority are used.
- Strengthen the **relationships** that D2 councils have with neighbouring economic areas, in particular by bringing a democratically accountable and single D2 view into the wider D2N2 Local Enterprise Partnership and the overlapping Sheffield City Region.
- Improve **implementation** by increasing coordination and reducing the potential for duplication and inefficient delivery.
- Underpin a strong case for **devolving more** powers and funding to the area over time and increase the attractiveness of the area for **investment**.

The proposals build on existing partnership working by ensuring non-constituent and observer representatives from the private and voluntary sectors. The review concludes by setting out the significant benefits (ambitions) that could be delivered through the proposed combined authority, in particular improvements to how we:

- Support our people to develop their **skills**, through a greater alignment of labour market, skills and education provision, working directly with employers.
- Shape our place, by delivering improvements to public **transport** networks and infrastructure in ways that enable, rather than constrain, our growth ambitions.
- Shape our place, through a strategic approach to delivery of more affordable **homes** in the right places to meet local needs and create sustainable communities.
- Support our businesses, by targeting the right support for the D2 economy that will secure more and better paid **jobs** for local people.
- Finance the future, through making the most of our collective strength and assets across the D2 area and **investing** strategically to unlock future growth.

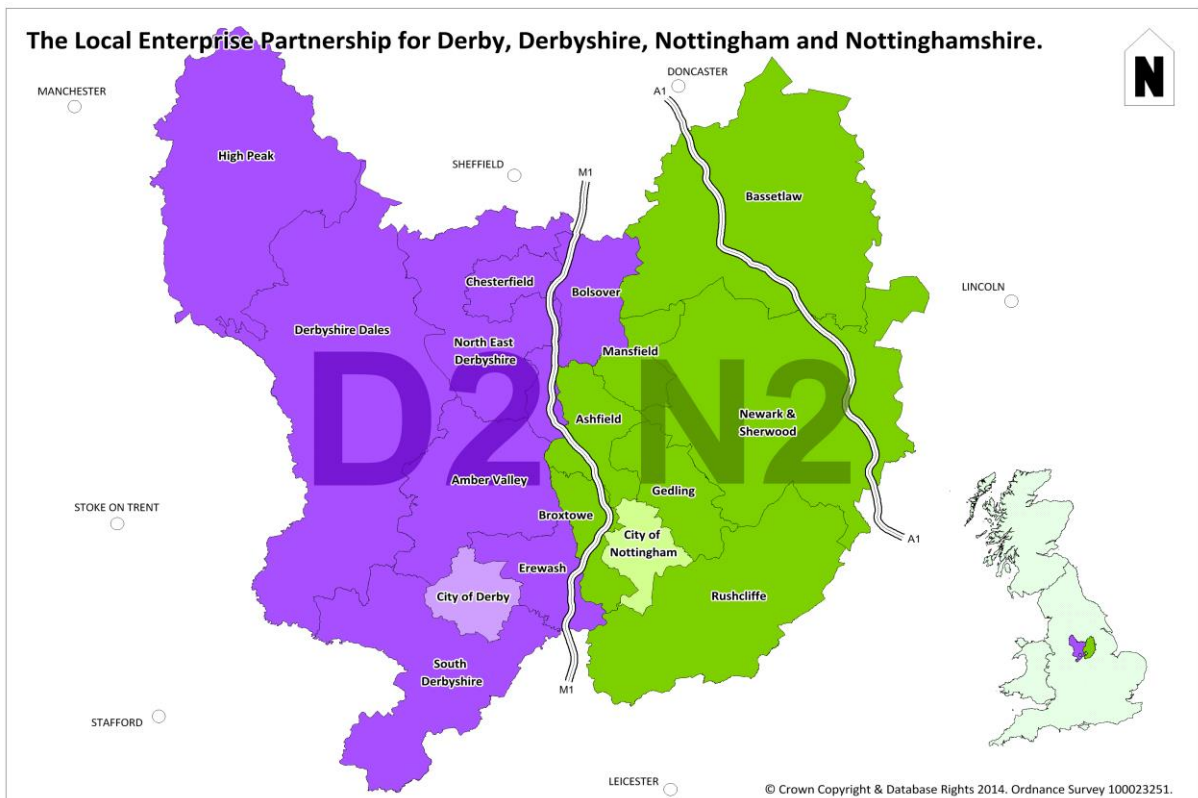
**By delivering these ambitions under a new combined authority, D2 will be able to realise its full economic potential and bring significant benefits to the people of Derby and Derbyshire, as well as the wider UK economy.**

# Proposal to Create a Derby and Derbyshire Combined Authority

## 1.0 Context for Derby and Derbyshire

### 1.1 Strategic Context

The county of Derbyshire (shown purple in Figure 1 below), including the city of Derby, numerous market towns and a substantial proportion of the Peak District, sits in the East Midlands at the heart of the UK. It joins the county of Nottinghamshire and core city of Nottingham (shown green) to form the D2N2 Local Enterprise Partnership (LEP) economic region, one of the largest LEP areas in the country.



**Figure 1: Regional Context of D2N2 Area**

The whole D2N2 area has a population of more than 2.1m people and a Gross Value Added (GVA) of more than £40bn; employment is concentrated in the area's two largest centres, Derby and Nottingham, which account for 36% of total employment and 26% of the population. Over 900,000 people are employed in the D2N2 area, making it the fourth largest of LEP economies.

The D2N2 economy has a strong track record of exports, with just less than 20% of employment in export-intensive industries, placing it in the top quartile of all LEPs nationally. In 2011/12, nearly 2,300 jobs were created by Foreign Direct Investment, the fifth largest of all LEPs.

## Transport

D2N2 enjoys good connectivity, being well-served by national north/south transport links such as the M1, A1 and rail networks via Midland Mainline and East Coast Mainline which connect to international destinations at St Pancras and Kings Cross. Regionally, the road network reflects the diverse geography of the area: the A42 and A38 connect to the West Midlands and the A50 connects to the North West via Stoke-on-Trent. These good connections are reflected in the concentration of retail distribution centres along the M1, A50 and A38 corridors.

Despite recent improvements to the A46 and planned improvements to the A61 and A453, major challenges remain to the effectiveness of the region's transport network, with high levels of congestion on the M1 north of junction 28, the A38 at Derby, A52 Nottingham Ring Road, A46 at Newark and A628/ A57 at Glossop in the north west of Derbyshire. The costs of congestion on the strategic road network in the East Midlands are forecast to rise to around £0.7bn by 2025 unless measures are put in place to address this.

The frequency and speed of rail connections to other parts of the country are variable; services to London via Midland Mainline are slower than those offered by the East Coast line. The planned electrification of Midland Mainline will provide an opportunity for improving service quality and efficiency but further improvements are required to significantly reduce journey times. A combination of limited capacity and poor journey times results in overcrowding on cross-country trains that connect the East Midlands with the North, South West and East Anglia; rail therefore offers a poor alternative to driving, exacerbating road congestion.

In the medium to long-term, the D2N2 area will benefit from its location on the HS2 route between London and the North, hosting one of the Midlands' key stations; however, significant investment and effort is needed to ensure the region harnesses the full potential of this new rail infrastructure and connectivity.

East Midlands Airport (EMA), located within 15 miles of Nottingham and Derby, is the UK's second largest air freight hub after Heathrow and is a critical economic driver for the region. The importance of the area for high value freight will be strengthened with the planned investment of a major inter-modal rail freight interchange at junction 24 of the M1 in the near future.

## Economic Base

From being the cradle of the industrial revolution and home to the world's first factory, the D2N2 area is a dynamic and diverse economy, with a global reputation for excellence in high-tech manufacturing - particularly transport - construction, medicine and bio-science. World-class universities and Tier 1, market-leading companies such as Rolls Royce, Toyota, Sygnature Discovery and Alliance Boots in the urban centres

provide the economic backbone from which supply chains and our numerous small and micro businesses can grow, many of which are located in rural areas.

Growth sectors such as transport equipment manufacturing, visitor economy, low carbon economy etc. employ over 150,000 and account for nearly 20% of the area's workforce.

Gross Value Added (GVA) per full time employee (FTE) is a standard indicator used to measure the level of wealth in an area. For the D2N2 area, GVA has increased year on year for the past four years following a slight decline in 2009, however, it is still only 80% of the England average and the gap with the rest of England has been widening recently. Whilst D2N2 has over 62,000 businesses, including over 54,000 micro businesses, the overall business base is low given the size of the population.

Over 71% of the working age population are employed or self-employed, although productivity and earnings are low. This is due to the occupational profile being predominantly aligned towards skilled trades and service occupations (low skill, low wage jobs). There is an under-supply, but growing number, of professional occupations. These are important to the future growth of the D2N2 economy.

Although over 400,000 people in the area are educated to degree level, at 30% of the population, this is lower than the England average (35%). Around 143,000 people of working age have no qualifications at all, which means they are at risk of poorly paid, insecure jobs and unemployment.

The D2N2 region has a diverse economy with specific strengths in 8 areas. These are:

- Transport equipment manufacturing: 20,300 employees (2013)
- Life sciences: 7,200 employees (2012)
- Food and drink manufacturing: 19,200 employees (2013)
- Construction: 36,500 employees (2013)
- Visitor economy: 73,300 employees (2013)
- Low carbon economy: 28,700 employees (2011/12)
- Transport and logistics: 29,800 employees (2013)
- Creative industries: 26,500 employees (2012)

## **1.2 Characteristics of the D2N2 Economy**

The D2N2 area has four characteristic 'geographies' which, although broadly reflecting the county boundaries of Derbyshire and Nottinghamshire, also reflect the economic relationship between the two counties and with the surrounding metropolitan areas of South Yorkshire, Greater Manchester, Leicestershire and Staffordshire. These are:

- Nottingham city, south and east Nottinghamshire and east Derbyshire (purple)
- Derby city, south Derbyshire and the M1 corridor (green)
- North Nottinghamshire and north and east Derbyshire (pink)
- Wider Peak District (beige)



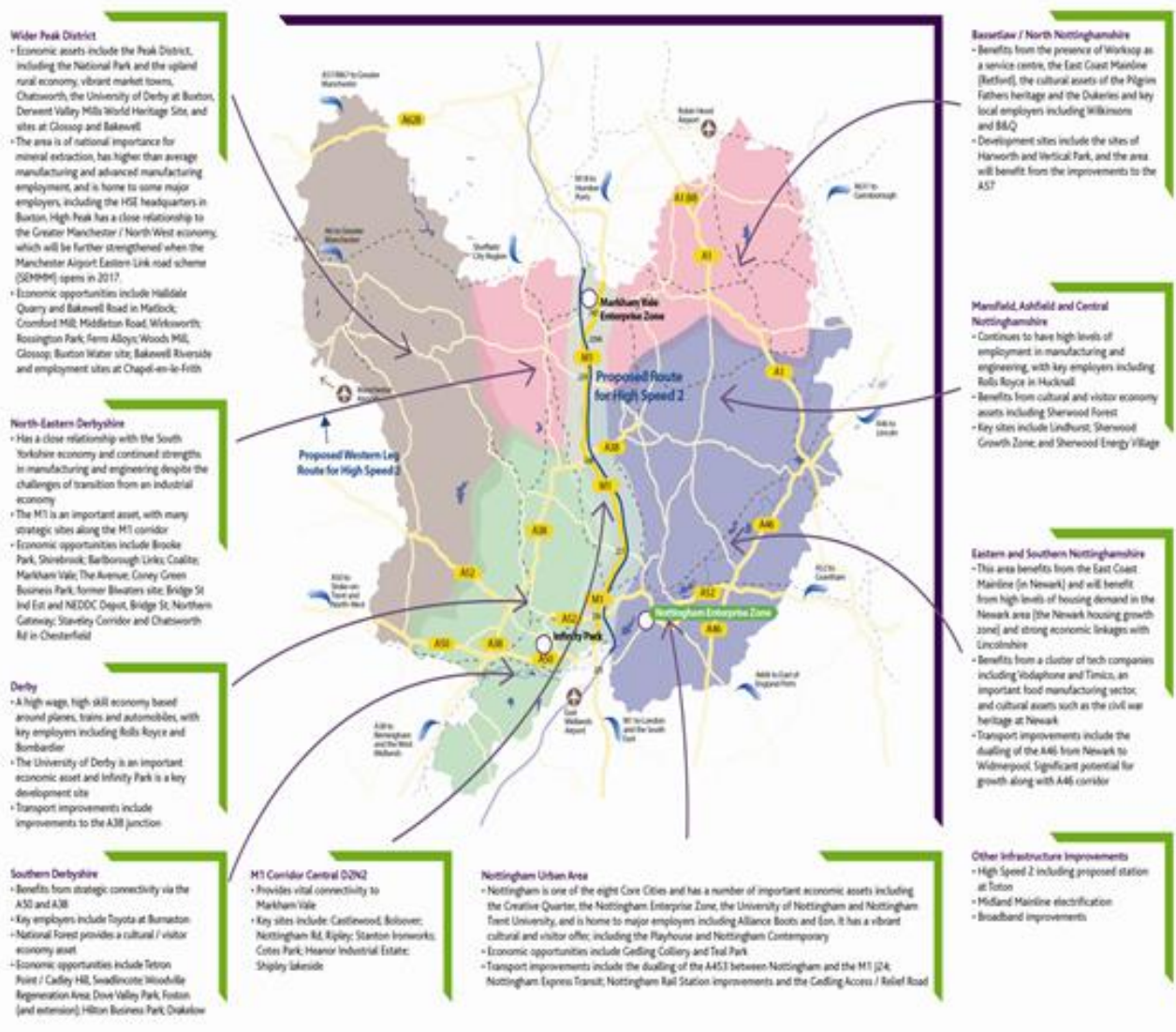


Figure 2: Spatial Relationship and Outline of Economic Characteristics

## 1.3 D2N2 Governance and Strategic Delivery

### Existing Governance Arrangements

Strategic governance and oversight of the D2N2 economy is provided by the Local Enterprise Partnership (LEP). The LEP is made up of a leadership [Board](#), various delivery groups, and advisory arrangements.

The Board is chaired by a representative from the local business sector and has a total of 15 members, constituted of private sector representatives; three leaders from the D2 local authorities and three from the N2 authorities; the voluntary and community sector; and other public sector bodies such as education, training providers and health.

The D2N2 Board is responsible for setting the overall economic strategy for the LEP, including the development of priorities, performance management and oversight/endorsement of strategic projects, as well as monitoring expenditure and outputs across the D2N2 area. Full details of the LEP Board and its constitution are available on the D2N2 LEP website.

Supporting the Board are three strategic groups covering:

- Private sector business;
- Skills and employment; and
- Infrastructure and investment.

These groups are supported by a number of technical working groups and a range of advisory/ task and finish groups (24 in total currently). Work on European Strategy implementation sits alongside, but outside, these arrangements.

In addition to the core D2N2 LEP arrangements, two Joint Committees (one for each of the D2 and N2 areas) support the work of the Board by providing strategic co-ordination and delivery of relevant local government services. For D2, these arrangements include work with the private, voluntary and education sectors via the Derby Renaissance Board and the Derbyshire Economic Partnership. Further details can be found at:

[www.communityactionderby.org.uk](http://www.communityactionderby.org.uk) and

[www.derbyshireeconomicpartnership.org](http://www.derbyshireeconomicpartnership.org)

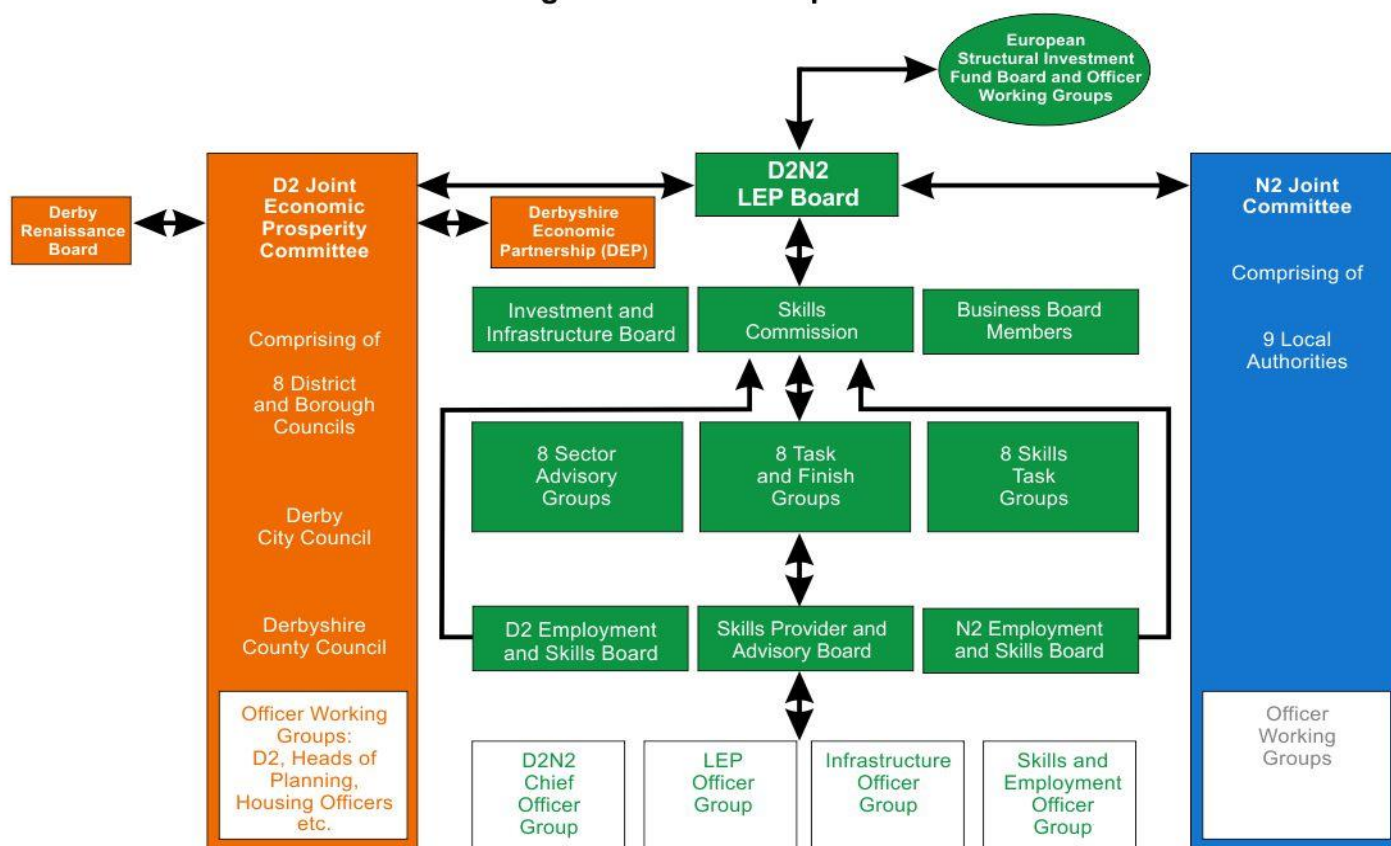
Figure 3 overleaf illustrates how the LEP's existing governance arrangements (shown in green) link with the existing D2 Joint Committee arrangements (shown in orange - N2 arrangements shown in blue).

In addition to those arrangements identified in Figure 3, Derbyshire Dales, Bolsover, North East Derbyshire and Chesterfield councils ('overlap' authorities within the D2 Joint Committee) also have strong relationships with LEPs in the wider economic areas of Staffordshire, Greater Manchester and South Yorkshire (Sheffield City Region). Bassetlaw District Council in Nottinghamshire has a similar relationship with the Sheffield City Region LEP.

Because the D2N2 LEP itself is not an accountable body, it had previously nominated different local authorities from across D2N2 to hold funds on its behalf. These arrangements are currently being refined and one Accountable Body (Derbyshire County Council) now has been identified to hold all the funding streams on behalf of the LEP. This will help simplify some aspects of the governance arrangements, particularly in relation to assurance processes and programme management.

Currently, the LEP has been scored 2 out of 4 by the Government's Department of Business, Innovation & Skills, suggesting there is scope to strengthen governance arrangements further. It is acknowledged that local authorities, through a combined authority or economic prosperity board, can bring greater transparency and democratic accountability to LEP governance and are being actively encouraged by Government.

### Existing D2N2 LEP - Comprehensive



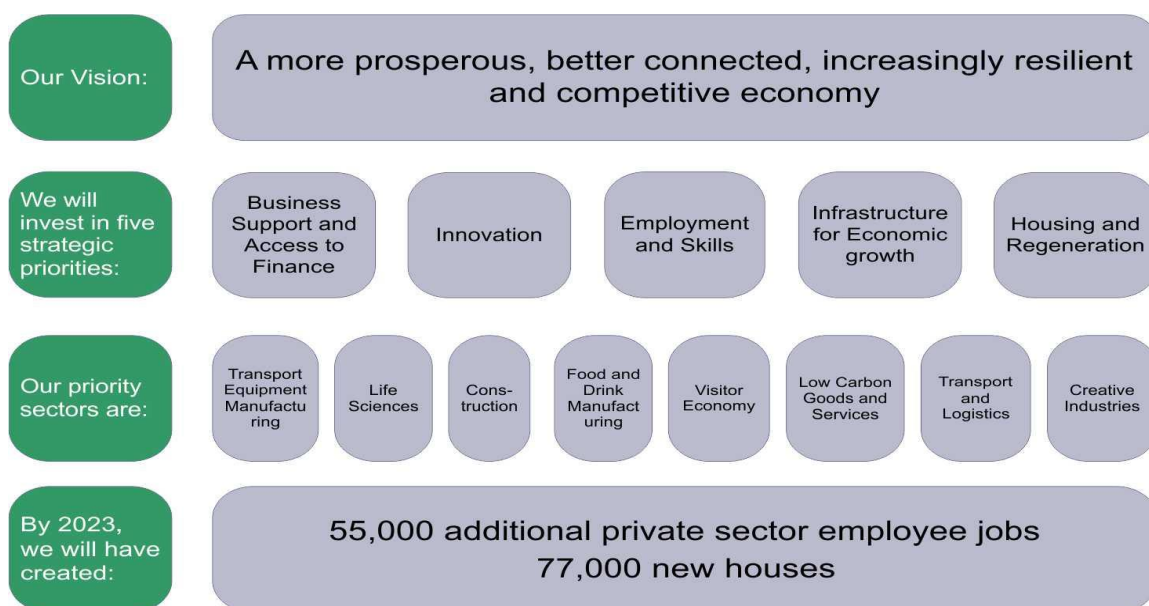
**Figure 3: Current D2N2 LEP Comprehensive Governance Arrangements**

### Strategic Delivery

The D2N2 LEP’s ambitions and priorities are set out in the D2N2 Strategic Economic Plan ([SEP](#)). The SEP was approved in early 2014 and confirms the following long term vision for the whole D2N2 region:

**“That D2N2 will become a more prosperous, better connected and increasingly competitive and resilient economy, at the heart of the UK economy, making a leading contribution to the UK’s advanced manufacturing and life sciences sectors and generating significant export earnings for UK plc. We will create a D2N2 which provides a great place to live, work and invest”.**

This vision is supported by the following themes, priorities and targets:



**Figure 4: The Vision, Priorities, Sectors and Targets of the Strategic Economic Plan**

As the overarching strategic body responsible for driving economic growth, it is important the D2N2 LEP arrangements are fit for purpose, agile and responsive to changing economic conditions. The strength of its governance and partnerships – particularly its sub-committees and working relationships across public/ private and third sectors - are critical to its success and, ultimately to the economic success of the region.

The work of this D2 governance review has sought to test the strength of these relationships and identify areas where this can be improved. Although the D2N2 economy has much strength, significant challenges remain and more has to be done across all partners and stakeholders to drive growth, employment and prosperity if the region is to regain competitive advantage over the rest of the UK.

## 1.4 D2 Governance and Delivery

### Existing D2 Governance

The D2 area is made up of ten constituent local authorities that provide a range of strategic and frontline services to local residents. Derby City Council is a unitary authority and Derbyshire County Council is an ‘upper tier’ authority; each provides a range of strategic functions including transport, highways, education and social care.

The remainder eight local authorities are either district or borough councils and provide functions such as planning and housing. All D2 authorities provide economic development services, aspects of inward investment support and relationship management with local businesses.

The ten constituent local authorities of the D2 (Derby and Derbyshire) area are:

- Amber Valley Borough Council
- Bolsover District Council
- Chesterfield District Council
- Derby City Council
- Derbyshire County Council
- Derbyshire Dales District Council
- Erewash Borough Council
- High Peak Borough Council
- North East District Council
- South Derbyshire District Council

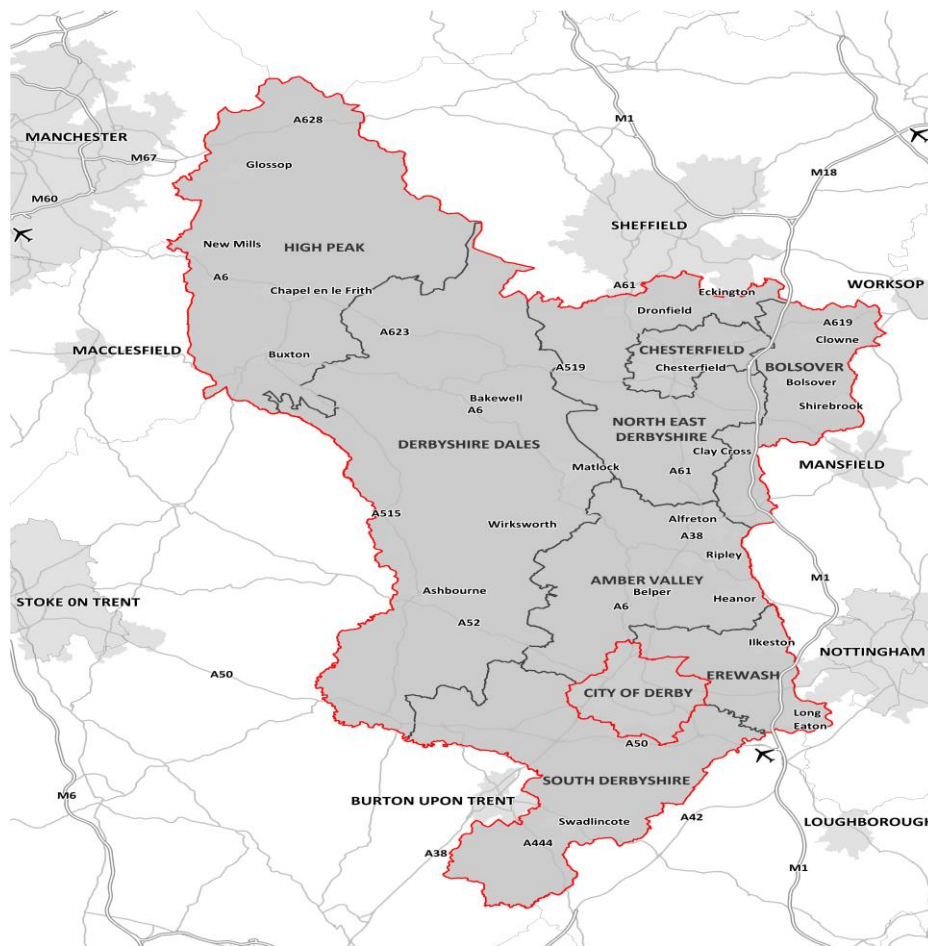


Figure 5: The Derby and Derbyshire (D2) Geography

The ten D2 authorities have a strong reputation for collaborative working both through formal partnerships such as the Derbyshire Economic Partnership (DEP), the Visit Peak District Destination Management Partnership, active participation on bodies such as Sheffield City Region LEP and the Combined Authority and Housing Market Area Partnerships that cover the D2 area.

This collaboration takes place alongside other less formal arrangements such as the D2 Housing Officers' Group and Planning Policy Managers' Group that support the wider objective of securing economic growth and success. These groups also provide input to discussions that cover the wider economic geography across the D2N2 area (Derbyshire and Nottinghamshire).

### **Progressing Governance Arrangements**

As part of an on-going and maturing process to strengthen collaboration and partnership working, the D2 authorities set up a formal Joint Committee, known as the D2 Joint Economic Prosperity Committee, in December 2013.

Membership of the Committee is made up of the Leaders of all ten D2 authorities, supported by Chief Executives and a number of working groups. (A similar arrangement has been set up with the nine Nottingham and Nottinghamshire (N2) local authorities).

Areas of work covered by the D2 Joint Committee include not only transport, skills and economic development, but other some aspects of Planning (particularly in relation to the statutory 'Duty to Co-operate'), assessment and delivery of key regeneration projects, co-ordination of business support and inward investment, tourism and marketing.

This work is undertaken with the support and co-operation of the business-led Derbyshire Enterprise Partnership (DEP) and the Derby Renaissance Board (DRB). Membership of both these partnerships consists of local businesses, developers, education and third sector representatives, in addition to local authority representatives.

The D2 Joint Committee meets on a regular basis and the meetings take place in public and agendas, minutes and the timetable of meetings are available. The aim of the Joint Committee is to continue to progress areas of joint working around economic development and growth, however, its ability to deliver significant and stretching improvements to the local economy is currently limited. It is not an accountable body in its own right, cannot hold money and therefore has no real power beyond the informal agreement of the ten local authorities.

To make a real and lasting difference to the local economy, the current D2 governance arrangements need to develop further and in particular, need to ensure stronger links with the existing arrangements of the D2N2 LEP around economic development, transport and skills.

## 1.5 Delivering for D2: Current Vision and Priorities

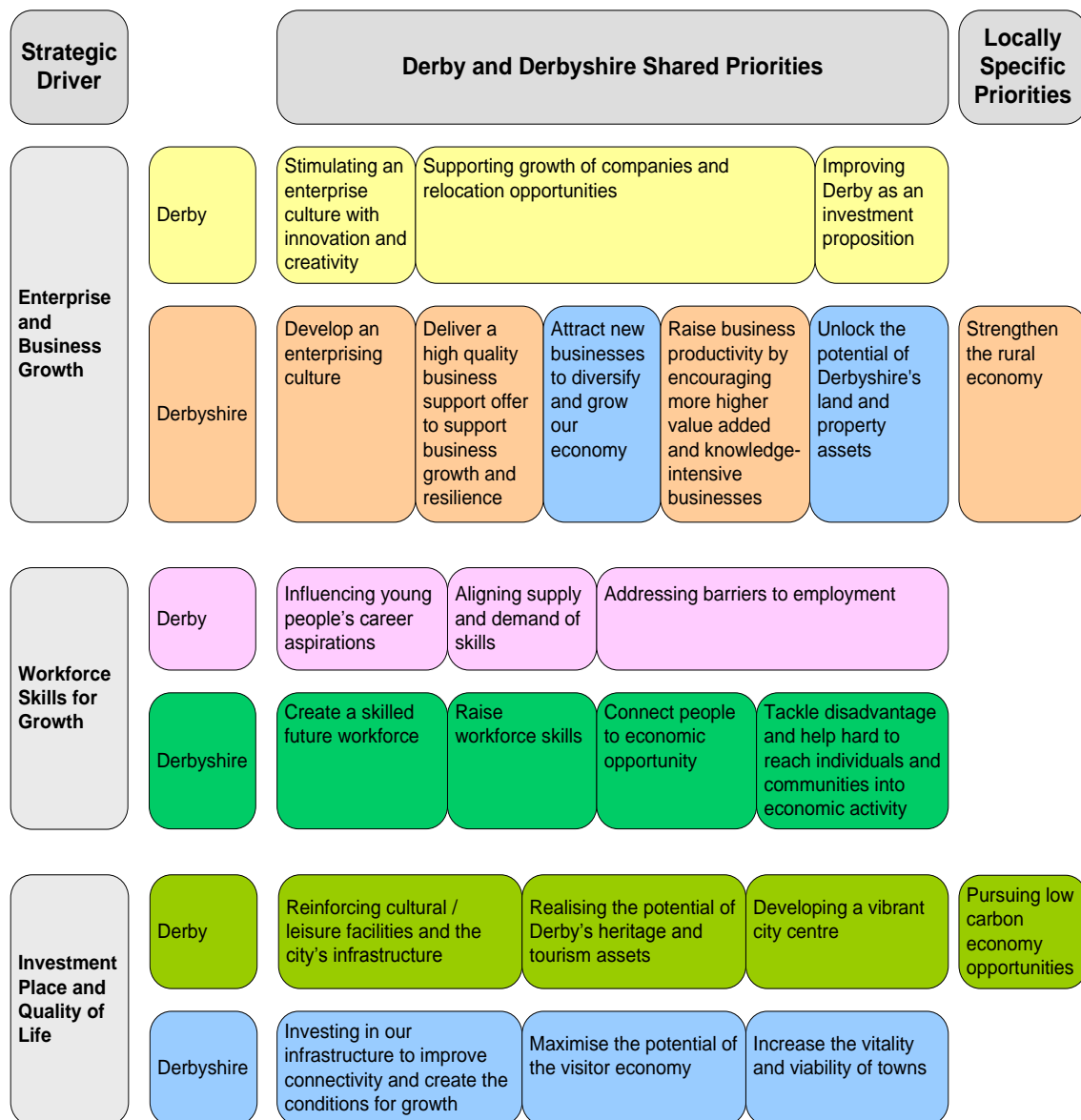
Just as the D2N2 LEP has set out its ambitions in the Strategic Economic Plan, the D2 authorities (via the D2 Joint Committee) have set out their vision, objectives and priorities in the draft Derbyshire Economic Framework. This Framework pulls together the Derbyshire Economic Strategy Statement (DESS) which was signed off by the D2 Joint Committee in summer, 2014 and the more established, Derby Economic Strategy (DES) 2011-2016.

Through this Framework, the D2 Joint Committee shares a vision to:

**“Support economic growth in tomorrow’s Derbyshire, preserving what makes the county special and promoting activity that is inclusive to all, regardless of geography or economic disadvantage”.**

The shared priorities of the D2 Joint Committee which cascade from this vision are set out in Figure 6 overleaf. In summary, these are:

- **Enterprise and business growth (supporting our businesses):** primarily around stimulating and developing an enterprising culture, making sure the D2 area is attractive to inward investors, diversifying the economy (more, new and different business), raising productivity levels, supporting businesses to grow and prosper, unlocking our potential, and strengthening our rural economy.
- **Workforce skills for growth (supporting our people):** raising the aspirations of young people, addressing barriers to employment, raising skill levels and ensuring they meet the demands/ needs of employers, connecting people to job opportunities.
- **Investment in place and quality of life (improving our place):** investing in transport infrastructure and networks (road, rail and bus), strengthening the visitor and heritage economy (cultural offer), increasing the vitality of market towns and urban and city centres, supporting sustainable communities.



**Figure 6: The Shared Priorities of the D2 Joint Committee**

## 1.6 Current D2 Economic Conditions and the Potential for Growth

### Background

Within the overarching D2N2 area, there is a distinctive D2 functioning economic geography, strongly influenced by its location and relationship with neighbouring major urban centres and conurbations which is evident in the 'travel to work patterns' and 'housing market areas' that extend beyond D2's borders.

The D2 area has a population of over one million residents and includes the key city of Derby (largest settlement with over 251,000 people) and urban centres such as Chesterfield (104,000). The D2 area also contains numerous market towns and smaller villages which support a diverse rural economy and a high proportion of the D2



area is rural, with the Peak District National Park covering approximately a third of the area.

The rural geography incorporates much of the Peak District National Park but also includes the Derbyshire Dales and lowlands, and the National Forest in the south of the county. The high quality natural environment is a key economic asset and offers the potential for an excellent quality of life and an attractive location for new investment.

Connectivity across Derbyshire is supported by good road networks with the M1 providing a major spine through the east of the county and excellent north-south access. The A50 and A38 provide links to the North West and M6 corridor in the west, whilst the A61 links Chesterfield into the wider Sheffield City Region. High Peak and Derbyshire Dales have road and rail links into Manchester, Sheffield and Stoke on Trent. Erewash in the south-east has strong ties with Nottingham and forms part of the Nottingham Core Housing Market Area.

This inter-relationship with surrounding areas adds a level of complexity to the functioning economic geography but also brings considerable opportunity to drive increased employment and new economic growth, as well as to deepen and expand markets for local goods and services.

## **D2 Economic Characteristics**

A detailed economic analysis is available in the Draft Economic Framework (available from the D2 Joint Committee website) however in summary, key characteristics of the D2 economy are:

### Gross Value Added (GVA)

In total, the D2 economy generates around £19bn Gross Value Added (GVA) each year, and per head of population, it has grown faster here than the England average over the past nine years.

Growth has been supported strongly by the city of Derby where GVA is now 15.6% higher than the national average. Areas such as Bolsover also perform well but there is slower growth in the more rural and former industrial parts. There is potential for D2 to increase its output and contribute more to the UK's economy but this will not happen without significant interventions to improve the productivity and attract higher value businesses.

### Unemployment

Over 27,000 people aged 16-64 are unemployed in the D2 area, 5.4% of the economically active total. Particular groups are badly affected by unemployment: one quarter of the unemployed are aged under 25. Long-term unemployment has risen rapidly as a result of the recession nearly three in ten unemployed people have been claiming Job Seekers Allowance for more than a year.

There is nearly 2,000 young people aged 16-18 who are not in education, employment or training (NEET), with particular concentrations in Erewash, Bolsover and Chesterfield.

### Jobs

The local economy employs over 400,000 people and grew by 1.9% over the recession and recovery period (2009-2013) – compared to 2.5% nationally. But, performance is varied with Chesterfield, South Derbyshire and Bolsover all recording more than 5% increases; but again, overall employment growth has been slow - only 1.9% compared to 9% nationally over the last growth cycle (1998-2008).

Over 324,000 businesses provide employment opportunities in D2 and the proportion of the working age population who are in work is higher than the national average. The employment rate has risen from 73.8% in 2005 to 74.6% in 2013, whilst the England rate fell from 72.8% to 71.7% over the same period.

Forecasts suggest that recent growth will not keep pace with the national average and employment in a number of important, well-paid sectors, including manufacturing and mining and quarrying, is expected to decline. This will impact heavily on local economic prosperity.

Employment is heavily weighted towards the public sector, equating to more than one in five jobs in D2, although the proportion is slightly lower in Derby city. This presents major employment challenges in the light of public sector cuts and will be compounded by predicted job losses in manufacturing, mirroring the national picture.

D2 has a lower proportion of part-time jobs than is the case nationally, although nearly 30.0% of jobs are part-time. There are fewer full-time jobs in Derby city than other parts of D2.

The fastest growing sectors are expected to include professional, scientific and technical activities, as well as arts and entertainment; the wholesale and retail sector will create a large number of new jobs.

### Skills

The rate of increase in the proportion of the D2 population holding higher level skills has slowed in recent years and the gap with England average has widened. Fewer than 30% of working age people in the D2 area hold degree-level qualifications or their equivalent, compared to 35% nationally.

The proportion of working age adults who hold qualifications at level 2 or below (equivalent to GCSE level) had been falling but has now stalled in recent years. Nearly 50% adults in D2 hold qualifications at level 2 or below, compared to 44% in England. The proportion is higher in Derby (50.1%) than the rest of the D2 area.

## Economic Base

The D2 area is home to nearly 324,000 registered businesses, ranging from major multinationals with thousands of employees, to entrepreneurial start-up companies. Despite this, the D2 area has fewer businesses than would be expected given the size of its working age population, with 50 businesses per 1,000 working age residents, compared to 57 in England.

Business survival rates tend to be marginally higher in the D2 area than in England as a whole but business start-up rates have fallen behind the national level in recent years – this means there is a business ‘gap’ of some 5,400 businesses

Compared to England, D2 has a lower proportion of micro-enterprises, employing fewer than ten people, and a similar proportion of large businesses employing 250+. Small and medium enterprises (SMEs) employing 10-249 people (excluding microbusinesses) account for 12.3% of the business base, compared to 11.2% nationally.

The D2 area has a number of sectoral strengths and nationally competitive clusters:

- **Advanced manufacturing sector:** 7.1% of employment base is in manufacturing-nearly double the English average. Employees working in the sector are highly skilled and this is reflected in the high average wages they receive.
- **Visitor economy:** of growing importance to the D2 area with the Peak District National Park and National Forest complementing the numerous heritage, cultural, historical and leisure-based attractions. Although traditionally a lower wage, lower value sector, there is scope to secure further investment in the visitor economy in order to, attract more, higher spending visitors and create better quality jobs.
- **Aggregates industry:** including mining, quarrying and related support activities. As a high GVA and high wage sector, the aggregates industry makes an important contribution to the economy of the Peak District area in particular.
- **Contribution to UK export earnings:** skilled workforce in key sectors and availability of high quality sites for investment make D2 an attractive location for foreign direct investment.

## Prosperity and Financial Wellbeing

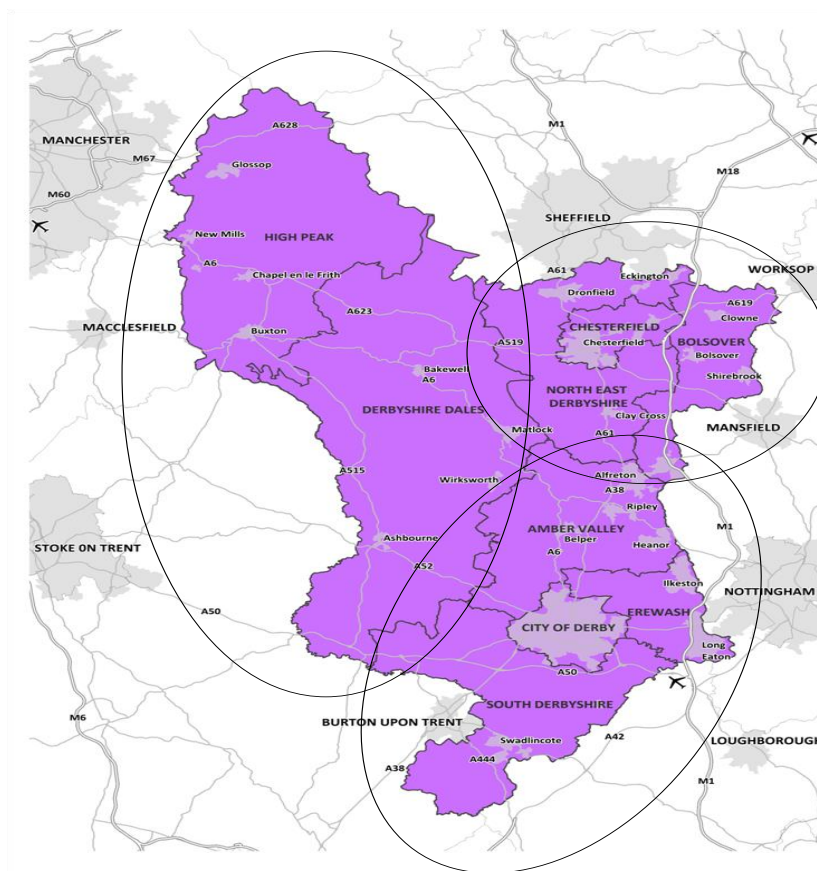
The earnings of residents in D2 are close to the English average, around £520 per week. However, there are differences across the area, with workplace wages considerably higher in Derby (27% above the England average) than the rest of Derbyshire.

Gross disposable household income levels per head are substantially lower than the England average in many parts of D2, at just over £13,000 in Derby and just under

£14,000 in East Derbyshire. Household income levels are significantly higher in South and West Derbyshire at £16,300, nearly 96% of the England average.

## 1.7 The D2 Functioning Economic Geography

The current Derbyshire Economic Strategy Statement defines D2 three distinctive economic geographies that recognise not only the commuter/ travel to work patterns for the area, but also the business supply chains and centre of economic activity. These geographies are shown in Figure 7 below.



**Figure 7: The Functioning Economic Geographies of the D2 Area**

Although these geographies overlap with adjacent areas such as Nottinghamshire, Sheffield City Region and Greater Manchester, they present characteristics that are ‘distinctively Derbyshire’. These characteristics provide not only the platform for further growth but also demonstrate why change in the form of renewed efforts and targeted economic interventions are needed.

## **Geography 1: The North East Economic Zone**

The North East Zone includes a significant part of the M1 Corridor from junction 26 (Ilkeston) to junction 30 (Barlborough), Bolsover, North East Derbyshire and Chesterfield. The Zone has a strong industrial heritage and its northern fringe is influenced by developments within the Sheffield City Region which attracts workers from Dronfield and surrounding communities. The geography of the area is diverse and characterised by contrasts; rural/ urban; affluence/ deprivation; high/poor accessibility. Securing growth whilst reducing disparities and improving economic prosperity through access to better – and better paid jobs - is a major development priority here.

The Zone is home to major employment sites and has high business density, with considerable potential for further growth at sites such as Markham Vale and along the A61 Corridor. Chesterfield presents significant investment opportunities around Waterside and Peak Resort. This Zone in particular has potential for significant contribution to future GVA growth given its economic diversity and critical mass of activity.

## **Geography 2: The North West Economic Zone**

This Zone primarily covers High Peak and Derbyshire Dales, extending into the rural areas of North East Derbyshire and the western fringe of Amber Valley. It is predominantly rural, includes parts of the unique Derwent Valley Mills World Heritage Site and benefits from high quality landscape; it is home to much of the Peak District National Park. Market towns are the main centres of population: Glossop, New Mills, Whaley Bridge, Chapel-en-le-Frith, Buxton, Matlock, Bakewell, Wirksworth and Ashbourne and provide opportunity for housing and economic growth.

The urban centres have relatively buoyant tourist economies which make them attractive to supply chain businesses. Land based industries (agriculture, mining and quarrying) along with micro-businesses, are also important here. The area is home to a large proportion of high earning, highly skilled residents but many commute out of the area for work as the Zone is characterised by a predominantly low wage economy. There is significant opportunity to build on the high levels of entrepreneurialism and maximise opportunities for economic diversification and transition to higher value added businesses. Heritage-led regeneration, for example Buxton Crescent, provides an exceptional platform for growth.

Land supply is unable to meet the needs of modern businesses or potential growth sectors and requires investment and innovative solutions to bring buildings back into use. Connectivity improvements are a key priority to address rural accessibility, congestion pinch points and broadband not-spots/connectivity speeds. Public transport is essential for helping people access employment and affordable housing, although rail links to Manchester are relatively good, improvements to key rail and bus services are essential to support sustainable local economic growth and prosperity.

## **Geography 3: The South Zone**

The Zone includes South Derbyshire, Erewash and Amber Valley. It has a relatively buoyant economy with considerable growth potential, particularly within high value added activities and supply chain development. The Zone is an area of engineering

excellence in the Aerospace, Rail and Automotive sectors. Derby City is an important asset in terms of flows of labour, goods and services

This south is an attractive place to live and has a relatively affluent and highly skilled workforce, although there are pockets of disadvantage and an ageing population. The Zone is planned to accommodate much of the future expansion of the city of Derby, including housing, employment and infrastructure.

A manufacturing growth corridor runs along the A38/A50/M1 and A52, the development of which has been supported by the availability of major brownfield sites and a highly skilled workforce. A key priority is to facilitate further high quality growth and maximise the proximity to East Midland's Airport and Nottingham Enterprise Zone, plus strong road and rail connections, to present an attractive proposition for businesses; road congestion is a key challenge to growth. There is also further scope to develop the rural and visitor economy and revive the prospects of post-industrial and market towns.

## **1.8 Economic Potential and the Case for Change**

Research by the OECD demonstrates that in areas such as D2, *'good infrastructure providing accessibility to markets, improving human capital by reducing the number of workers with low or no skills and increasing involvement in innovative activities are all associated with high levels of growth'*.

Evidence also shows that 'place matters'; because the barriers to growth faced by local communities and local economies vary, a place-based approach is needed with flexibility to adapt national policy to local circumstances, rather than a 'one size fits all' strategy.

Furthermore, the City Growth Commission suggests that 'the quality of governance [partnerships and partners] is a key issue and identifies that devolved finance and governance arrangements were critical success factors.

The three functioning geographies described in section 1.7 above, although having some distinct characteristics, are connected in many ways. Collectively, they contribute to the overall performance of the current D2 economy with many industries, economic sectors and supply chains spanning the three zones. One critical means of connection is transport and other infrastructure, but physical and social geography also play an important part in connecting economic wellbeing. For example, the visitor economy is strongly supported by attractive landscapes and rural areas that stretch from the Peak District in the Northern Zone, through to the Limestone platforms of the North West, along the central spine of the Derwent Valley down to Derby city and ultimately, the National Forest in the South Zone. The total Visitor Economy is worth £1.7bn to the D2 economy and all three economic zones play a significant part in this – and more importantly, offer significant potential for growth.

Another key area of connected economic policy is the ambition to make Derbyshire a 'living wage economy', supporting people to be more financial resilient through tackling

under-claiming of benefits (approx. £112m goes unclaimed each year), providing debt advice and ensuring ensuring appropriate and flexible childcare. Addressing these issues across the D2 area will help ensure parents and local people are able to take advantage of the opportunities and potential within the D2 economy.

Transport infrastructure and networks also provide strong connections across D2 - and linkages to the surrounding areas. The M1 which passes through the east of the county, provides a major spine to the north and south of the country, the A38 and A42/M42 provide connections to the West Midlands and the A50 links D2 to the North West. The economic importance and potential of our road networks are demonstrated in the number of retail distribution centres which have chosen D2 as their preferred location, and these road corridors also provide the location for many of the most important strategic development sites within D2.

The D2 area also benefits from good rail links. The Midland Mainline, although in need of upgrading to match the speed of service on the east and west coast mainlines, passes through Derby and Chesterfield and provides connections to London in the south and Sheffield and Leeds to the north. The main cross-country line links D2 to Leeds, York and Newcastle to the north east, and to Birmingham, Bristol and the far south west. The HS2 eastern line and new station offers the potential to not only improve links with the rest of the country but provides a platform for major new development and generating greater productivity and wealth for the D2 economy.

As the UK's second largest air freight hub, East Midlands Airport is a critical asset and provides access to customers and markets around the world. The potential development of a rail freight interchange linked to M1 J24 could generate a significant number of jobs that could be accessed by residents in the south of the D2 area and supporting supply chains across the wider economy.

Despite its many strengths, the D2 economy is not currently realising its economic potential and has scope to make a bigger contribution to the UK's economy, and specifically to the wider D2N2 economy outlined earlier in this report.

Building on the existing base of advanced manufacturing, pockets of highly skilled workforce and plentiful supply of sites and premises to attract and grow more highly productive businesses, D2 could regain its economic competitiveness and significantly improve the quality of people's lives in the area - if supported by appropriate investment and interventions.

If D2's economic performance could be improved to match national average, it is estimated it could deliver (source: draft Derbyshire Economic Framework):

- **An additional £2.6bn of GVA**
- **41,100 more jobs**
- **4,400 more businesses**

Based on the current levels of performance, there is clear scope to strengthen our approach to:

- **Supporting enterprise and business growth:** through investment in growing businesses in all key sectors; applying funds such as Global Derbyshire; supply chain development and stimulating innovation; inward investment and marketing.
- **Workforce skills and growth:** through joining up employment needs with skills supply to reduce unemployment and ensure the local economy is capable of growing.
- **Investment, place and quality of life:** through integrating transport with regeneration and economic development activity; investing to support key economic centres; tackling broadband connectivity to increase sustainable and high quality growth; establishing innovative mechanisms for securing funding for infrastructure and regeneration priorities.

Critical to tackling this latent growth potential is strong local governance, not only in the D2 area but across D2N2. Ensuring strong partnership working across the public, private and third sectors to facilitate the conditions that underpin economic success will be essential going forward and the D2 governance review has sought to identify and address the areas for improved joint working and delivery.

## 1.9 Developing Distinct Paths for Growth: Relationship with N2 Economy

The D2 and N2 economies share a number of headline challenges: the number of businesses is too low; start-up rates are below the national average; despite improvements, the qualifications held by residents are below the national average and, as a result, our GVA per head is only 80% of the England average and household levels are 86%.

However, despite these common issues, the **two economies are very different**, have followed different growth paths in recent years and need different plans to support future growth, based on distinct and differing drivers. Whilst there is much scope for strong joint working to support the wider D2N2 LEP, it is clear there is a need to develop bespoke interventions to tackle the distinctive challenges.

### Example: Economic Base and Skills Development

The D2 economy is heavily dependent on traditional, engineering-based industries and advance manufacturing (planes, trains and automobiles) whilst the N2 economy is much less dependent on this sector (it accounts for only 10% of employment and 11% of GVA, compared to 17% of employment and 23% of GVA in D2). The structure of manufacturing in N2 is also different, with relatively little employment in advanced engineering and a higher proportion in niche, but growing, sectors such as life sciences.



This difference in the fundamental economic base has a direct impact on work needed to support skills development, training and preparing the local labour market to take advantage of employment opportunities. More specifically, although both economies share a need for basic, work-ready skills to be developed within the labour market, the prevalent economic growth sectors of D2 (advanced manufacturing, visitor and rural economy, aggregates industry) require a very different thinking, different partnerships and different approaches to those needed to support the prevalent N2 economic base.

Furthermore, the service sector, particularly administrative and support services, is much more significant in N2, accounting for nearly three times the share of employment as it does in D2, and even higher in Nottingham city.

### **Example: Visitor Economy**

Whilst both areas have important and growing visitor economies, the cultural and tourism offers are also very different. In Nottinghamshire, the predominant destination offer is around the city, business and retail markets whilst Derbyshire's industrial heritage and cultural heritage provides a strong platform for national and international tourism through offers such as the Derwent Valley World Heritage Site, the Peak District National Park (80% of which is within the county) and historic houses and estates. This economic base also sets the framework for the wider economic supply chain, labour market skills and transport needs.

There are however, aspects of the visitor economy which link the two areas of N2 and D2 and illustrate the need for a strong and coherent D2N2 LEP. This is exemplified by the National Forest which sits across three LEP areas (D2N2, Leicestershire and Staffordshire) and three key local authorities (South Derbyshire, East Staffordshire and NW Leicestershire). The National Forest is not yet reaching its full economic potential and to do so, it is essential D2, working with the support of the D2N2 LEP, is able to influence and shape the future development of the Forest in terms of marketing, tourist offer and supply chain, to help drive the wider D2 (and N2) visitor economy.

### **Example: The Role of City Centres**

**The core city of Nottingham and the key city of Derby also demonstrate very different characteristics and play different roles in the D2 and N2 economies.** Nottingham (and N2 as a whole) has a larger population than Derby (and D2) and the population profiles are quite distinctive. In particular, Nottingham has a notably larger proportion of younger people aged 15-24 (23.2% of the city's population), compared to 14.5% in Derby.

This is largely a reflection of its two universities, one of which, the university of Nottingham, is recognised as a world-class, research institution and is ranked in the top 1% of universities in the world. It plays a critical role in the N2 economy, both as a high value employer in its own right and through the contribution it makes towards innovation, research and development activity to support businesses – in the local economy, particularly in relation to life sciences. Moreover, whilst Nottingham is a large

urban centre providing many and varied employment opportunities, economic activity rates in the wider N2 area are lower than in D2.

Nottingham city in particular has below average levels of economic activity, reflective of the large student population, and has significantly higher levels of long term unemployment (5% points higher than D2), particularly in its deprived neighbourhoods. It does not play the same critical role as Derby in providing high-paid, high quality jobs for local residents. For example, Derby draws over 70% of its workforce from within a 10 kilometre radius [2011 census], the vast majority of which falls within the City boundary or the adjacent Derbyshire districts. A similar pattern occurs in other main employment locations such as Chesterfield. Whilst some journeys to work are made over longer distances to and from other areas including N2, it is clear the D2 economy is to a very large extent self-contained.

These issues, challenges and drivers require distinct and targeted interventions that given the geographical size and disparity of the whole D2N2 area, are best dealt with at a local level; and at the very least, within the separate, recognised functioning economic geographies of D2 and N2. Indeed, the physical geography of the D2 and N2 areas present challenges of their own. Collectively, they cover an area of xx sq miles, the D2 area alone is xx sq miles; with a geography of that size, there is no single, identifiable labour market, or economy, that covers the whole LEP area and again, endorses a more localised approach based on a D2 or N2 geography.

## **2.0 The Review**

### **2.1 Policy Drivers**

The last 5 years have set economic development in a context of political change and global recession; Government policies are simultaneously about cutting costs, lowering debt and creating new opportunities. There is an increased awareness of labour market needs, a real sense of wage fairness and personal responsibility and the need to re-balance the national economy to make the most of local strengths and develop new forward looking economies.

It is within this context, the 39 UK LEPs (Local Economic Partnerships) were created to bring together private and public sector skills and purpose to help address the economic challenges and drive regional growth.

Lord Heseltine's 2012 report, 'No Stone Unturned in the Pursuit of Growth' emphasised the importance of place in economic development, highlighting the diverse opportunities and challenges faced by different local economies across the country. The report recommended that local places are given the initiative to generate local growth, along with incentives to encourage each area to play to its natural strengths and make the greatest possible contribution to national economic growth.

The Single Local Growth Fund and the role of LEPs in leading the development of the 2014-2020 European Programme highlight the enhanced responsibilities which are being devolved to local economic geographies. More recently, the referendum on

Scottish devolution and the raising of the 'English question' has given new impetus to rethinking regional economic geographies.

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 region - to put forward its own vision for growth and devolution which builds on the existing economic strengths and assets, maximises the available potential for growth and ensures everyone benefits from increased economic prosperity, enabling the area

Any approach in the D2 area will necessarily need to address the economic conditions highlighted earlier in this report and will need to secure delivery and operate in challenging conditions such as:

- Significant reductions (37%) in public sector finance – and an estimated national local authority funding shortfall of £12.4 billion by 2020;
- Increasing demands and needs from service users –particularly in health and social care;
- Securing sustainable medium term financial strategies
- A fast-paced and changing global economy;
- The need for increasing agility and responsiveness to change.

Despite these challenges, the D2N2 LEP, supported by a new governance structure within the D2 area – now has a real opportunity to embrace a new phase of collaboration which will benefit local people and local business. By aligning resources, efforts and collective strength in the right areas, the scope for economic transformation is significant.

The Government's objective of achieving strong and sustainable economic growth has a strong focus on policies to promote innovation, business growth and skills; including the Industrial Strategy, Investing in Britain's Future and Skills for Sustainable Growth. The important contribution universities make to economic growth has been highlighted in the Witty Review; and it is evident that technological developments and innovation will be an important influence on the shape of future economies.

Alongside Government policy, there is a strong and growing cry from organisations such as the County Council Network for all local areas to have the right to a meaningful package of devolved powers, fiscal freedoms and budgets. This will bring decisions closer to the people they affect, boost economic output and help fundamentally reshape public services.

## **2.2 The Need for a Review**

Whilst increased coordination and collaboration is positive and leads to tangible benefits, it is clear the governance structures of the D2 area needed to be reviewed in

the context of the recent policy announcements and the aspirations of national government to devolve powers and resources to strong local governance structures.

It is important that any future arrangements support and strengthen the LEP in delivering its strategic priorities.

Derbyshire has a functioning economic geography that has strong alignment to the county area, its city, market towns and rural economy - but it also recognises the strength, pull and impact of surrounding conurbations such as Manchester, Sheffield, Nottingham, Birmingham and Leicester.

The relationship of Derbyshire's economy within this wider context is understood and is set out in the Local Economic Assessment and the emerging Derbyshire Economic Framework. In considering the future governance options for D2, regard has been given to this economic context.

Additionally, within D2, it is fully recognised that two tier government does, and needs to continue to, play a vital role in ensuring the delivery of effective, local services. It is responsive to local needs, but agile, strategic and capable enough of adapting to changing circumstances at regional and national level. The spectrum of delivery vehicles across parish, district, city and county council is its key strength and allows responses to be scaled up or down, according to issue.

The relationship with other existing governance arrangements such as N2 and the D2N2 LEP need to be seamless if they are to be successful in transforming economic performance within a complex and fast-paced policy environment. The D2 governance Review has been undertaken in the context of a continually maturing relationship between the D2 local authorities, strengthening relationships with the N2 Joint Committee and its constituent authorities and the on-going development of D2N2 LEP governance.

Accordingly, the question for the D2 governance review has not just been whether our governance arrangements are sufficient today, but whether they will be sufficient to deliver our medium to long-term ambitions.

### **2.3 The Review Process**

The D2 authorities recognise the value of leading and shaping the debate on devolution. Accordingly, D2 Leaders have embraced the opportunity to explore whether more substantial arrangements would provide better scope for tackling the current economic challenges (outlined in Sections 1.2 and 1.5).

To this end, at its meeting on January 2014, the D2 Joint Economic Prosperity Committee agreed to carry out a Governance Review under section 108 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDCA) and under the 2008 Transport Act.

In accordance with statutory guidance the purpose of this Review has been to:

- Evaluate the effectiveness and efficiency of existing governance arrangements for economic development, regeneration and transport across the D2 area;
- Consider the options available for making changes to these governance structures and arrangements – such as leaving existing governance unchanged, strengthening or restructuring existing governance arrangements, establishing an Economic Prosperity Board (EPB), and establishing a Combined Authority;
- Recommend which option is likely to be most beneficial to the D2 area and strengthen the overarching governance arrangements across D2 and N2 in a seamless way and contributing to the effectiveness of the D2N2 LEP.

The work of the review has involved exploring and answering three questions:

- 1) Where are we now?**
- 2) Where do we want to be?**
- 3) How will we get there?**

Work has been undertaken by a working group of officers from across D2 authorities, under the direction of a district council Chief Executive. The D2 Chief Executives Group and D2 Joint Committee have been actively involved in the review work, receiving regular updates, challenging current economic performance and providing leadership and direction to the development of D2 economic ambitions.

Challenge and input throughout the review has been provided from the business community via the Derbyshire Economic Partnership; discussions with the third sector; business network organisations such as the Chamber of Commerce; training and education providers and Government departments.

The input and reflections of these stakeholders has helped shape review activity and recommendations, prior to wider public consultation.

### **1) Where are we now?**

Work at this stage involved all D2 authorities examining current strategies, priorities and work programmes to evaluate the level of economic performance across the area. Much of these findings in terms of economic performance are outlined in earlier sections of this report. Anecdotal and consultation feedback was also considered to test the wider stakeholder view of performance.

In addition, the value of economic activity and current funding streams was also evaluated to understand the level of external (Government and European) resource being targeted at the D2 area to help determine the level of effectiveness of current activity and interventions

The table below provides an estimate of the level of investment expected to be made across a range of identified D2N2 SEP themes over the six year period 2015/16 to 2020/21:

Investment in Strategic Priorities – Local Growth Fund							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Business support and A2F	18.6	22.9	26.6	26.6	24.7	24.7	144.1
Innovation	74.4	77.1	79.4	79.4	78.3	78.2	466.8
Employment and skills	93.2	77.2	72.4	71.0	71.0	69.2	454.2
Economic infrastructure	214.7	201.6	170.6	170.6	170.2	170.1	1,097.8
Housing and regeneration	23.3	31.6	32.4	32.7	33.5	34.0	237.0
<b>Total</b>	<b>424.2</b>	<b>410.5</b>	<b>381.4</b>	<b>380.3</b>	<b>377.7</b>	<b>376.3</b>	<b>2,400.4</b>

During the period 2015/16-2020/21, £2.4bn of public sector resources is planned to be invested in economic growth activities across the wider LEP area, including nearly £1.1bn of investment in transport and economic infrastructure; almost £500m in innovation and low carbon activities; over £450m in employment and skills; over £200m in housing and regeneration and more than £140m to support our businesses and ensure they are able to access the finance they need to grow and prosper.

This resource complements that already being invested by the private sector. It is essential that any future delivery arrangements within the D2 (and D2N2) area need to ensure they are appropriate for maximising access, allocation and spend of the available funding to drive growth and success.

An assessment of the level and amount of work undertaken by the ten D2 authorities in relation to activity such as land assembly, marketing, business support and engagement, town centre management, inward investment, strategic transport, housing strategy was also completed. This has helped to identify areas of potential shared activity (particularly around support to major regeneration projects) where greater efficiency and effectiveness of delivery can be achieved and also possible areas of duplication where there is scope to use existing resources differently and secure better value for money. The scope and drive for more joined up approaches and increased effectiveness within the climate reducing resources in local government was significant.

Work also looked at the strength and effectiveness of current working relationships with the area's Local Enterprise Partnership (D2N2), neighbouring combined authorities (e.g. Sheffield City Region [[link to SCR website](#)] and Greater Manchester City Region to determine what the best 'economic geography' was for the area

In particular, the overlap of four Derbyshire local authorities (Derbyshire Dales, Bolsover, North East and Chesterfield) with the Sheffield City Region Combined Authority was considered. Currently, these authorities are non-constituent members of the SCR Combined Authority and benefit from a strong relationship both with the other four South Yorkshire authorities and D2 councils in the Joint Committee.

These overlap authorities are able to vote at the SCR Combined Authority on agreed matters and have a full seat and voting rights at the SCR LEP Board. This is a reflection of the strong economic and transport links, particularly travel to work patterns, supply chains and inward investment. Our Governance Review has been constructed on the basis that these current arrangements in terms of membership, voting and funding for the overlap authorities will continue – and moreover that they will be actively supported and maintained as appropriate; in respect of notional allocation of Government and EU Funds this means a 50/50 split between the two LEP areas.

The Governance Review has also emphasised the need to maintain relationships with the N2 area, which is of significance for Erewash where the housing market area is part of Greater Nottingham. Economic relationships also exist with Greater Manchester, Cheshire, Staffordshire and Leicestershire reflecting cross-boundary travel to work patterns these relationships aren't formalised administratively but do reflect wider natural geographies. In pursuing economic prosperity in Derby and Derbyshire, future governance D2 Combined Authority arrangements will nurture and seek to develop these existing relationships.

Full regard was given to the current overlap areas, travel to work patterns, housing market areas, and economic patterns impacting on the D2 economy, however, the review still concluded the administrative boundaries of the ten D2 authorities provide the most appropriate geographical area for combined authority governance.

## **2) Where do we want to be?**

Activity here was focused on a number of strands:

### **Policy Review**

- Current and emerging Government policy helped provide challenge and direction to the emerging overall shape of D2 arrangements
- A review of existing economic strategies such as the Strategic Economic Plan (SEP) the Derbyshire Economic Strategy Statement (DESS) and the Derby Economic Strategy (DES) helped set the overall vision for what needs to be delivered for the area and builds on the ambitions, priorities and growth potential in D2 identified earlier in this report.

### **Governance**

- The current working arrangements of the wider D2N2 LEP and the potential for strengthening local governance to secure wider programme funding for the Single Local Growth Fund were explored through discussion with key LEP Board members.
- Detailed discussions with and presentations to, the N2 Joint Committee to explore the potential for developing similar and complimentary arrangements as part of the wider work to strengthen and support LEP governance.

## Comparison and Challenge

- Review work also sought to fully explore the ‘art of the possible’ and looked at the proposals and potential of combined authorities in other areas – particularly in Sheffield City Region, the North East and West Yorkshire.
- Independent economic analysis was also commissioned from Ekosgen to help provide objective challenge to the possible areas and focus for growth. Detailed evidence is available in the Economic Impact Assessment undertaken by Derbyshire County Council in June 2014 and the draft Economic Framework.

Issues and initial proposals were shared with the DEP, the D2 Joint Committee and LEP Board members to secure stakeholder input.

### 3) How do we get there?

Work at this stage involved an objective appraisal of different governance and delivery models such as continuing with the remit and scope of the existing D2 Joint Committee; extending the work of the Joint Committee; setting up an Economic Prosperity Board; setting up a Combined Authority.

All the above models seek to drive economic prosperity which, in the Government document *‘Transforming Places; Changing Lives: Taking Forward the Regeneration Framework’*, aim to tackle three priority outcomes for regeneration:

- 1) Improve economic performance and tackling worklessness, particularly in deprived areas
- 2) Create the right conditions for business growth which could include investment in infrastructure, land use, and a better public realm; and
- 3) Create sustainable places where people want to live and work and businesses want to invest.

## 2.4 Summary of Governance Models

An overview of each of the three main governance models considered as part of the review is set out below. More detailed considerations and evidence of the option appraisal exercise are provided in Appendix 1 of this report.

### Joint Committee

The current D2 governance arrangements are a Joint Committee which has been set up as a formally constituted body with some delegated powers; it is not a ‘body corporate’, but is an arrangement for collaborative working. These arrangements have not been set up on a permanent nor binding basis.



The Joint Committee cannot hold funding or functions in its own right, nor can it take on devolved powers from Government. It is not an accountable body within the definitions of the LDEDC Act 2009 and all decisions on proposed actions to drive economic growth, regeneration and transport still need to be taken through the ten individual, constituent local authorities, which can result in delay, ineffectiveness and duplication. Government has advised informally that joint committees are unlikely to be a convincing model for strengthening local governance and not 'strong enough' to respond to the potential freedoms and flexibilities offered through devolution.

### Economic Prosperity Board

An economic prosperity board is a legal entity and 'body corporate', created to promote the sustainable economic development and regeneration of an area. It is an accountable body, can have devolved powers and hold funding. However, there is no provision in the 2009 Act for EPBs to be given borrowing or tax raising powers, nor to have the power to issue a levy to constituent authorities, nor to retain business rates.

The LDEDC Act 2009 provides for an EPB's functions to be made exercisable generally or subject to conditions. It also enables functions to be made exercisable only by the EPB (i.e. the function to be transferred to the EPB) or by both the EPB and the local authorities (i.e. the function is shared). Notably, an EPB **does not** include the transport function undertaken by upper tier authorities and consideration was given to whether an EPB can be fully effective in securing the stated outcomes and demonstrating the statutory tests that will be applied by Government.

Government considers EPBs to be stronger models of governance than joint committees but possibly not be 'strong enough' to compete effectively with other combined authorities as they do not hold transport powers.

### Combined Authorities

As with economic prosperity boards, combined authorities are legal entities and may be given functions of the constituent local authorities in the same way as EPBs.

They may be delegated functions of local authorities and the Secretary of State and can have powers and transport functions transferred to it under the provisions of the Local Transport Act 2008. An advantage of combined authorities is that they attract certain, additional functions and powers in their own right, such as the general power of competence which allows them to do anything they believe will help achieve their stated objective; these powers are not available to an EPB.

The Localism Act 2011 also allows ministers to transfers any other public function to combined authorities which could include, for example, responsibility for skills, support for jobseekers or the ability to set variable business rates. It also provides combined authorities with similar financial powers to those available to Integrated Transport Authorities, including the power to borrow and the power to levy constituent authorities to meet costs that are attributable to transport activities and to fund transport projects.

A combined authority can also borrow for transport purposes but can't fund any activity whose overarching purpose is not to deliver transport objectives or functions by means of the levy or through borrowing.

## **2.5 Appraising the Governance Models**

An option appraisal exercise was undertaken of the governance models. It was led by the Officer Working Group, chaired by the Chief Executive of Bolsover and NE Derbyshire. All local authorities within the D2 area were represented and results were shared, challenged and refined through discussion at varying stages with the D2 Joint Committee, the Derbyshire Economic Partnership, the Chamber of Commerce and other key stakeholders via face to face meetings and workshops. This challenge to the delivery model also included discussion with Government departments.

Further objective challenge to the conclusions of option appraisal and the proposal to create a combined authority is being provided through the wider public consultation exercise.

As part of the option appraisal process, consideration was given to four variations of the three main governance models. These were tested against a number of impact considerations. The options evaluated were:

- 1) Remain as a Joint Committee for Economic Prosperity**
- 2) Extend the role and functions covered by the existing Joint Committee**
- 3) Develop an Economic Prosperity Board**
- 4) Develop a Combined Authority**

The considerations applied as part of the option appraisal work included, in the first instance, the ability of a governance model to meet the statutory tests which will be applied by the Secretary of State in determining whether arrangements will be satisfactory in improving:

- The exercise of statutory functions relating to economic development and regeneration in the area;
- Efficiency and effectiveness of transport in the area; and
- The economic conditions in the area

In addition, other considerations were applied as part of the appraisal process in relation to:

- Opportunities for improved efficiency and effectiveness of delivery
- Nature and impact on relationship with N2 arrangements, D2N2 LEP
- Ability to develop/ improve strategic relationships with other LEPs and combined authorities
- Nature of relationship and impact on transport function
- Impact on decision – making processes: e.g. streamlined/ simplified/ transparency
- Impact on levels of local accountability/ democracy
- Range of Government powers likely to be made available

- Impact on access to external funding
- Ability to take a comprehensive approach to ensuring economic activity is linked to wider ambitions to improve social outcomes across the county
- Sustainability for the long term – e.g. responsive to emerging policy developments
- Any other considerations

Option appraisal was undertaken through a facilitated workshop session. In summary, option 2 (extended Joint Committee) was not seen to be a worthwhile approach as there was little additional advantage to the current arrangements; there was however, strong support from the Working Group for the creation of either an economic prosperity board or a combined authority, although the clear benefits of the latter option were noted in so far as:

- A CA is comparable to the governance arrangements of our neighbouring LEPs and would allow/ support strong mutual dialogue;
- The financial opportunities and freedoms/ flexibilities to improve local economic outcomes are significant;
- Depending on the nature of the transport functions included in the CA, the actual shape and size of it may not necessarily be that different to an EPB.

Some of the additional checks and balances applied through this process included:

- Understanding the original core purpose of the D2N2 alignment at LEP level – ie why a LEP had been originally created covering the D2 and N2 area
- The functioning economic geography of D2N2 generally and of D2 specifically
- Which of the models enabled some of D2's most significant challenges to be tackled (e.g. routes to work, tackling youth unemployment, attracting inward investment, developing market towns, tackling rural disadvantage?)
- Relevance of the option post April 2015, within the context of continuing devolution
- Consideration of anything that is still best managed/ delivered/ negotiated at D2N2 level

More detailed feedback of the option appraisal considerations, pros and cons is included in Appendix 1 of this report.

## 3.0 Interim Findings

### 3.1 Summary

It was concluded that a combined authority presented the best option for D2 in **positively impacting on the economic conditions of the area, and also in providing the best opportunities for improved efficiency and effectiveness of delivery in transport and economic development.**

The strongest functioning economic geography was considered to be the area known as D2 – Derbyshire county, including Derby City - although the overlaps with N2 (Nottinghamshire and Nottingham City), Sheffield City Region and Greater Manchester in particular, as well as Leicestershire, Staffordshire and Lincolnshire, were fully recognised. These overlaps are acknowledged as being important to the economic future of the D2 area, particularly in relation to economic supply chain, travel to work patterns etc.

This proposed geographical area for the combined authority has also been informed by the simultaneous work of the Nottingham and Nottinghamshire local authorities (N2) in undertaking a similar governance review, whereby interim findings concluded that a N2 combined authority was the most appropriate model for tackling distinct N2 economic conditions.

Following immediate conclusion of the option appraisal work, discussion has taken place with Government to challenge whether 2 separate, but linked, combined authorities operating within the 1 D2N2 LEP area could satisfy the statutory tests to improve the overall effectiveness and efficiency of transport and the economy.

Having full regard to the current economic conditions set out in Sections 1 and 2 of this report and the scope for growth within both the D2 and N2 areas, it has been concluded that separate, combined authorities for both D2 and N2 represent the best and most realistic solution. The challenges of creating single approaches to tackling skills, transport, housing etc across a combined Derbyshire and Nottinghamshire county geography would be unlikely to be responsive enough to local need.

The proposal to create a D2 Combined Authority (alongside a separate N2 Combined Authority) will build on the existing collaboration in place across D2, formalising and strengthening this in a way that retains local political commitment. It will allow the area to retain the advantages of scale and impact that come from coordination across the LEP area, whilst recognising the distinct characteristics and challenges of D2 and N2. The proposal is a pragmatic way of strengthening governance, building on existing strengths in both D2 and N2 areas whilst also addressing identified challenges in improving the wider D2N2 LEP governance.

It is believed these proposals will meet the statutory tests of the Local Democracy, Economic Development and Construction Act, 2009 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 [link to governance diagram]
- Ensuring strong and effective working relationships with local, private sector businesses, the voluntary and community sector [link to governance diagram]
- 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 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)

## **3.2 Proposed Governance Arrangements**

### **Key Principles**

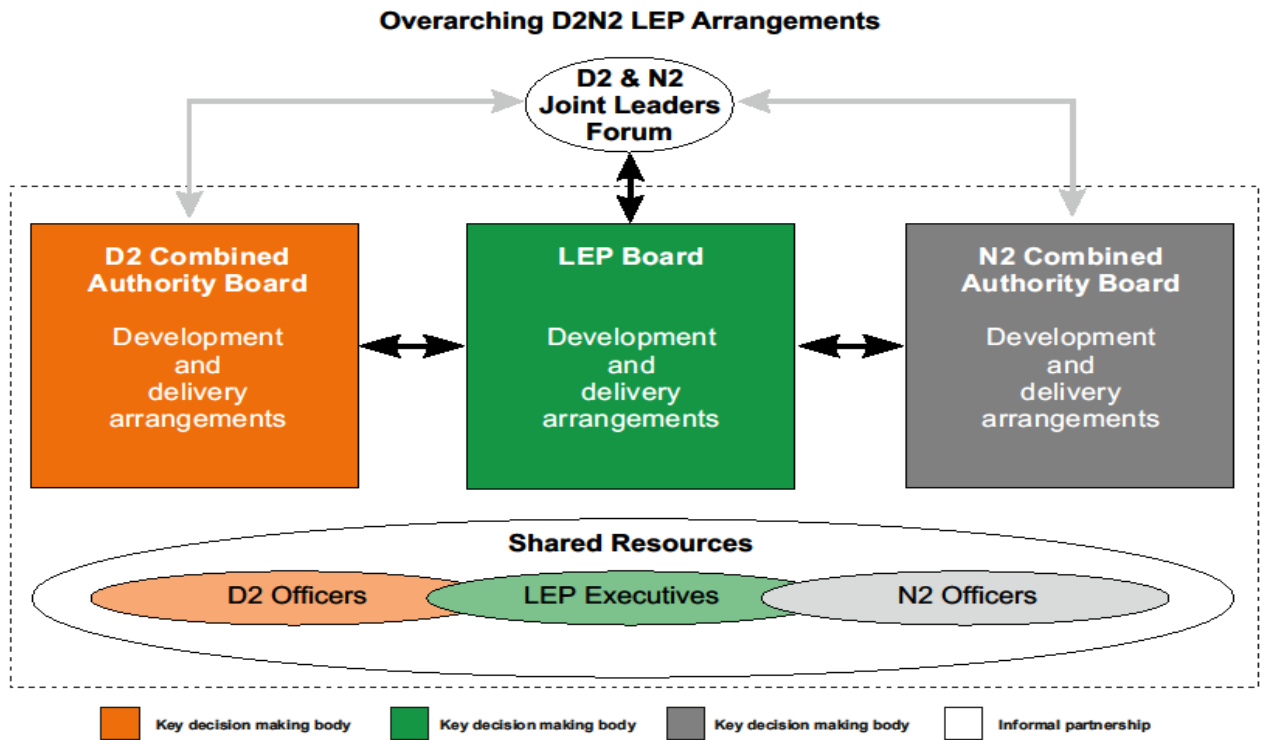
The proposed Derby and Derbyshire (D2) Combined Authority will form an essential element of the overall LEP-wide governance arrangements and will help strengthen accountability and ensure transparency of decision-making. The two new combined authorities will need to work seamlessly with the existing/ reshaped D2N2 LEP arrangements to ensure duplication of effort is reduced and the impact of activity in all areas is maximised.

A new Joint Leaders Forum constituted of all 19 elected leaders from across the local authorities of D2 and N2 is proposed and will help ensure strong collaboration and leadership around key areas of mutual concern and potential opportunity. It is proposed the Forum will meet twice each year – with the D2N2 LEP Board - to consider shared agendas for wider LEP consideration; identify joint areas of work; forward plans; and reflect on progress made. Outside the Forum and as part of the wider arrangements, opportunities for cross-LEP working will be explored and utilised where appropriate.

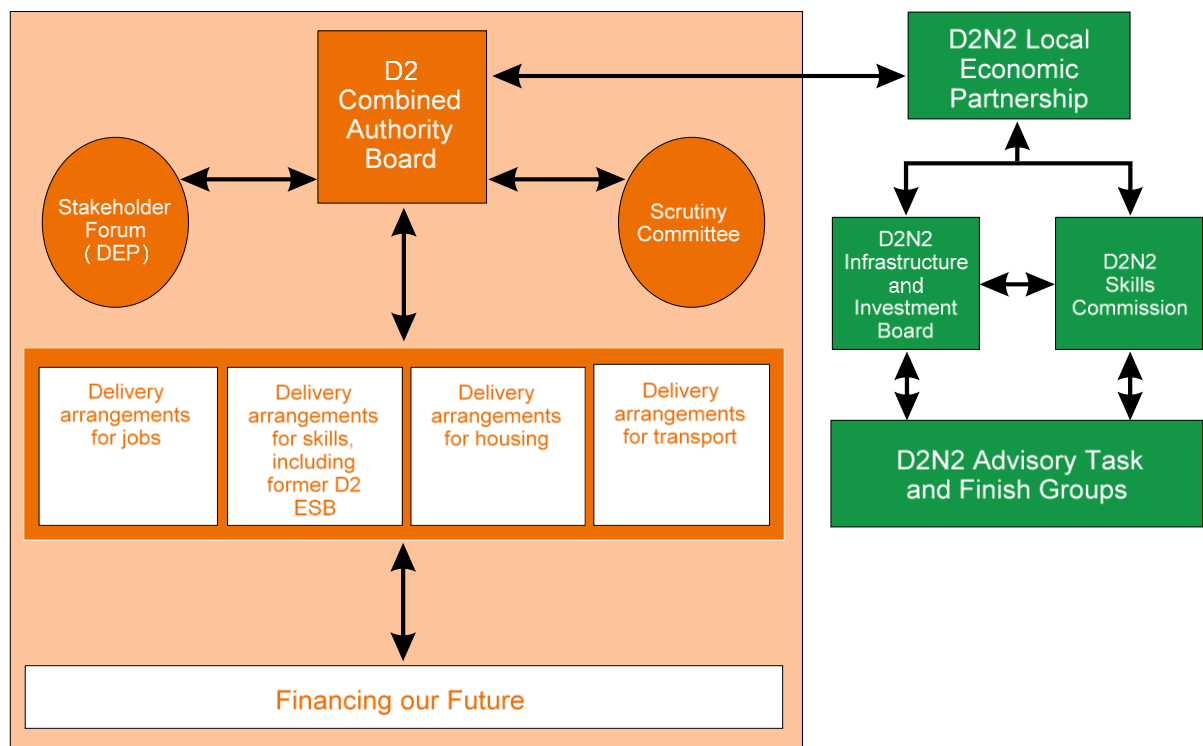
The D2 Combined Authority will play a critical role in ensuring delivery of the D2N2 LEP's agreed growth priorities by alignment of any future plans and strategic (e.g. the emerging draft D2 Economic Framework), with the Strategic Economic Plan.

Although the D2 Combined Authority will be a key decision making arena, it is essential that all parties (LEP Board, N2 Combined Authority) are in agreement with major proposals and a 'mutuality of views' between business sector and local government will be sought at all times.

The relationships of the D2 and N2 Combined Authorities with the D2N2 LEP Board are set out in the diagrams below.



**Figure 8: Overarching Governance Arrangements for the D2N2 LEP and the Combined Authorities**



**Figure 9: Proposed Structure for the Derby and Derbyshire Combined Authority Showing Relationship with LEP**

## **Role of the D2N2 LEP Board**

The LEP Board will continue to be responsible for developing and maintaining the Strategic Economic Plan and determining key funding priorities to which the Local Growth Fund and other resources should be directed, ensuring there is capacity to deliver against those priorities.

Democratic accountability of the LEP will still be secured through local authority leader representation; accountability to business community flows through business leaders on the Board.

The continuing roles and responsibilities of the LEP's Infrastructure and Investment Group will be a key relationship of the wider governance arrangements as the Group will sign off infrastructure proposals in the form of deal sheets for submission to Government and any will be one of the signatories to the Single Appraisal Framework (SAF) through which some future D2 funding priorities are determined.

## **Role of the D2 Combined Authority**

The detailed arrangements for the D2 Combined Authority are set out in the accompanying Scheme but in summary, will be constituted of all ten local authorities within Derby and Derbyshire and will invite a representative of the D2N2 LEP to be a non-constituent member of the CA Board.

Observer status on the Board is proposed to be offered to private and voluntary sector representatives and a Peak District National Park representative who will be encouraged to play an important role in the overall arrangements. Given the strength of relationship with neighbouring areas, observer status will also be offered to representatives from Sheffield City Region, Greater Manchester and N2 and will be supported by protocols or memoranda of understanding as appropriate to help facilitate strong relationship management.

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

Prioritisation of key projects reliant on LEP-related funding will be undertaken using the D2N2 Single Appraisal Framework to secure consistency and certainty

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

- **Jobs and employment:** work on this ambition will retain/ develop strong links to any existing (and future) sector advisory groups/ task and finish groups of the LEP.
- **Skills:** it is proposed this will incorporate the work and activity of the D2 ESB. Key links will be developed and maintained with training and education providers,

- Housing: work will include development of strong links with housing providers, developers and the HCA at strategic level.
- Transport: will link closely with the Investment and infrastructure Board of the LEP.
- Finance and investment – this area of work will enable the other four ambitions and the nature, role and shape of activity will develop over time.

The work of the D2 Combined Authority will be undertaken by appropriate groups or committees framed around the five headline ambitions, namely: transport, housing, jobs, skills and investment. This work will be supported by the Derbyshire Economic Partnership (DEP) whose role will be reshaped to ensure the experience and skills of the private and third sectors are used to challenge and shape the work of the Combined Authority.

Achievements will be reviewed and scrutinised through a new Joint Scrutiny Committee which will be made up of elected member representatives of all D2 authorities and will be politically balanced.

The D2 Combined Authority will also consider the need for a separate Audit Committee to ensure probity and transparency in its activities.

### **Functions of the Combined Authority**

Based on the economic challenges within the D2 area and considering the ambitions and priorities of the SEP and the Draft D2 Economic Framework, the key functions proposed to be taken on concurrently by the local authority are listed in the draft scheme but in summary, are around transport strategy development and integrated transport funding; public transport network and facilities supported by a long term (10 year) funding commitment from Government; economic development including co-ordination and commissioning of skills and training and support to inward investment/ jobs growth; regeneration including major regeneration project and programme delivery.

A draft Scheme has been prepared to accompany this governance review and sets out the scope of powers and responsibilities it is proposed the D2 Combined Authority holds concurrently with the ten local authorities.

### **3.3 Resourcing the Combined Authority**

**It is proposed 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**
- 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 recent agreement to provide funding in recognition of the importance of activity).
- 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 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 of £550,120 per annum.**

**Total value of existing financial and in-kind contribution is £875,120/ 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 section 151 (finance) officer

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.

To confirm therefore, the D2 Combined Authority 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.

It is fully anticipated that as governance and delivery models for the Combined Authority are firmed up, then the alignment of available resources will be targeted appropriately, shifting from LEP-wide work to more targeted activity within the D2 area to ensure our plans for economic growth are delivered. The benefit of access to collective D2 resources within the combined authority arrangements means support to D2N2 LEP working groups/ activity etc can be maintained through single, nominated

D2 CA representatives rather than multiple representation from all 10 local authorities; this will be a clear area for increased efficiency and reduction in duplication.

This will be further supported through a nominated 'D2 co-ordinator' who will undertake responsibility for ensuring strong relationship management with N2 and the wider D2N2 LEP; a similar co-ordinator role is proposed by the N2 Combined Authority.

### 3.4 The Proposal

The D2 Joint Committee is ambitious for the prosperity of its residents and the wider region. It is proposing four key areas (ambitions) where targeted intervention at local level will secure significant improvement in either economic development terms, regeneration or transport in the area.

The four key ambitions are:

- **Supporting our People:** Skills – creating a 21<sup>st</sup> Century Guildhall
- **Shaping our Place:** Routes to Work – delivering improvements to public transport networks and transport infrastructure
- **Shaping our Place:** Homes – more homes in the right place to meet local needs and create sustainable communities
- **Supporting our Business:** securing more and better paid jobs for local people

A fifth area of activity, **Financing our Future**, is being developed to facilitate/ enable these interventions and improvements. It is focused on securing increased investment and local flexibility to support our wider growth and prosperity ambitions.

The tables which follow set out the four key delivery ambitions of the D2 Combined Authority and the rationale behind each proposal. Through targeted interventions such as these, it is considered the CA will be able to fundamentally address the economic challenges and barriers that are holding back growth and prosperity in the area.

#### Supporting our People: Skills – the 21st Century Guildhall

##### Rationale:

Local employers are clear that recruiting appropriately skilled people is the challenge to their sustainable growth. There is evidence of skills needs at all levels – ranging from entry level and employability requirements, to the availability of higher level skills in the areas relevant to our business base, (STEM-related skills at all levels).

The ability of our businesses to move up the value chain and increase productivity is dependent on their ability to access appropriately skilled workers.

Furthermore our efforts to tackle unemployment and achieve our ambition to become NEET-free will be undermined if appropriate skills and training, together with high quality careers advice and guidance, is not available and not accessible to all our residents, particularly young people.

### **Why a D2 Approach is Required:**

Having regard to evidence and working with local employers, residents and Government funding agencies we have identified there is a plethora of services [resourced by substantial amounts of government funding] delivered by multiple agencies and organisations.

The size and shape of the current skills and training environment is therefore complex, fragmented and difficult for employers, workers and residents, particularly young people, to navigate. A local response is needed that disaggregates national programmes to ensure local needs are met.

The labour market across the D2 area is not bound by the administrative boundaries of individual Derbyshire local authorities. For example, a substantial proportion of Derby's jobs are held by Derbyshire residents, whilst others commute out of the city to work in the surrounding districts and further afield. Chesterfield has a net in-migration of workers from other local authority areas (Bolsover, North East, Derbyshire Dales) in the north of the county to support its economic base. There is much interdependency, including relationships with other LEP areas such as the Sheffield City Region and Greater Manchester.

Strong and positive partnership relationships already exist between the Joint Committee and key partners such as our local colleges, local business leaders and major employers. These relationships have the potential for being further strengthened and focused on clear, shared objectives.

The complex environment of employer need, skills/ training provision and labour supply needs to be simplified as much as possible and a strategic approach taken to understanding the longer term opportunities of the D2 economy so that entrepreneurship can be encouraged, new skills can be learned and businesses can take advantage of future growth markets.

Our businesses need to know they can recruit appropriately skilled workers, and access relevant training provision, wherever in D2 they are located. Working together, we can influence the provision of education/ training and better shape it to the needs of our economy.

### **The Proposal:**

The D2 Economy needs a comprehensive and co-ordinated approach to working across the identified three strands:

- With schools, HE/FE and training organisations (providers)
- With employers (demand)
- With the active, inactive and potential labour market ( supply)

Our proposal is to develop a 21<sup>st</sup> Century Guildhall which will provide a co-ordinated and integrated approach across these three strands and address, simplifying access to information, ensuring provision is targeted at local need and maximising the effectiveness of available funding coming into the D2 area.

The Guildhall approach will provide a coherent and understood 'marketplace' for employment, skills and learning opportunities to all stakeholders. We understand this is a step change in the way such services are co-ordinated at present and our approach will be one that recognises the significant journey needed by all key stakeholders to fully reach our ambition.

The journey will be:

- Initially to use the brand of the guildhall as the vehicle to raise the profile of all existing services and improve the shared understanding of activity and the impact this has on the local economy. This will provide a clearer, more coherent, more high-profile and

more compelling 'offer' to the employers and young people in the D2 geography.

- But it is just not enough to just co-ordinate existing activity, we want our D2 Combined Authority to work with Government to make real changes to the employment and skills agenda which is currently letting down our businesses and residents./.

#### **Data Sharing:**

Evidence suggests that meaningful data and intelligence sharing across the key partners is often difficult. To enable the D2 CA to fulfil its statutory duty on Economic Development there is a requirement to plan for immediate and future skills needs. This will only be achieved if a reliable and consistent approach to data sharing between the D2 CA, its partners and Government is developed.

#### **Supply**

- **Careers Advice and Guidance:** nationally, the duty placed on schools via the Education Act 2011 to secure independent, impartial careers guidance for students has led to ambiguity and an incoherent approach to the provision of Careers Advice and Guidance offered to young people (Ofsted 2013); this is no different in the D2 area.
- **Workability/Employability Skills:** all evidence from employers, training providers and DWP Job Centre Plus suggests that even when employment opportunities are available, many of our residents are not "work ready" or in a position to secure and remain in meaningful employment (via the recruitment process) or training.

#### **Demand**

- **Support to employers:** there is a need to support employers better by helping secure a ready supply of skilled labour, encourage more opportunities for apprenticeships around our key growth sectors or vulnerable market areas.
- **Joined up thinking:** ensure the provision of co-ordinated advice and guidance on funding streams to support growth - and ultimately create/ manage devolved funding, so that local business/ employer needs can be met.

#### **Provider**

- **Employment and Skills:** the D2 local authorities have a number of statutory duties in relation to residents. These include raising the participation age, securing suitable education and training provision for all young people, and reducing youth disengagement among 16-19 year olds, including tracking young people. There is also a legal power to ensure we promote the social and economic wellbeing of residents which could, and should, include encouraging routes to prosperity.
- At present, the D2 partners have limited or no influence or involvement in the funding strategic of central government,, commissioning/contracting activity, or delivery and scrutiny of employment and skills funding activities in the D2 area.
- **DWP Work Programme:** the Work Programme model was designed, commissioned, implemented and delivered in isolation, preventing councils and local partners from offering localised knowledge and expertise. Although there has been improvement since the work programme inception, providers still often operate in isolation from each other and local partners which has led to inefficiencies in terms of Value for Money (VFM) and the actual number of participants finding employment.

**The Offer:**

The greater alignment of labour market, skills and education provision and work with employers will enable D2 to:

- Reduce the number of NEET young people, with an ambition to become NEET-free by 2021
- Bring about a substantial reduction in youth and long-term unemployment
- Ensure D2 businesses are able to access the skills they need to grow and increase productivity
- Ensure publicly funded employment and skills budgets provide better value for money
- Improve outputs across the range of 'destination' measures for young people and those seeking employment

**The Ask, Freedom and Flexibilities**

- Government endorses and supports 21<sup>st</sup> Century Guildhall proposal, and subject to a relevant business case and match funding commit £500k to the Guildhall development (D2 Transformation Challenge Fund)
- Government commits to working with the D2 Combined Authority to strengthen and shape the duty placed on schools regarding careers guidance. For example, Government works with the CA to create a relevant framework of Careers Guidance, along with innovative solutions to be inspected under the Ofsted Regime in D2 Schools.
- Government commits to the creation of a standardised D2 employability accredited qualification that will be developed in partnership with employers, training providers and DWP Job Centre Plus and allocates/ devolves suitable levels of funding from appropriate budgets for its delivery.
- Government commits to working with the D2 CA to agree a stronger approach to the joint collection and sharing of data on employment and skills and reinforces this commitment by entering into relevant data sharing agreements.
- Government commits to working with the D2 CA to identify how we can immediately become part of the commissioning process of central government funded employment and skills budgets.
- Government commits to working with the D2 CA to identify and implement suitable approaches to devolve appropriate Employment and Skills budgets and responsibilities for with an aim to devolved funding being in place 2017 – 2018.
- That the D2 Combined Authority provides Government with a scrutiny role on the Work Programme delivery in the D2 CA until the first round of Work Programme expires in March 2016 and has the opportunity to recommend and enforce changes to current delivery.
- That the D2 Combined Authority acts as the commissioning body for the next phase of the Work Programme in our area and works with Government to compile and commissions locally designed specifications, select and approve providers, and scrutinise local performance and hold providers to account.

## **Shaping our Place: Transport– Improving Routes to Work**

### **Rationale:**

D2 is a large area and has a distributed settlement and employment pattern. The majority of the population is concentrated in our city and urban centres and numerous market towns; however, many residents live in sparsely populated rural communities where access to public transport networks is extremely limited.

Many residents travel considerable distances to access employment, and some communities have seen much of the local employment they once relied upon decline or move elsewhere.

Large parts of D2 are rural and relatively sparsely populated, placing pressure on our public transport system.

Our housing and employment ambitions for the D2 economy will create additional demands for travel, putting further strain on our already stretched public transport network with congested roads. Unless action is taken to address current bottlenecks and facilitate access to key development sites the full potential of economic growth will not be realised.

### **Why a D2 Approach is Required:**

The Joint Committee is ambitious to improve the provision of public transport over the medium to long term but recognises that further investment into bus and rail services will be necessary to achieve this. Tackling road congestion will require a joined up approach between the upper tier authorities and the support/ co-operation of districts and boroughs. The journey for improving the effectiveness and efficiency of transport therefore is:

Our approach to improving public transport networks and the capacity of local roads needs to be fully integrated with our ambitions for increasing skills and employment across the county – and aligned to land use planning - if we are to secure sustainable growth.

Working together at D2 level on these issues means that for the first time, we will provide the joined-up plan that our businesses and residents need to make it easier for people to move around the county and access jobs and skills.

Developing a shared approach to transport improvement that involves all the D2 authorities, unconstrained by the administrative boundaries.

### **The Proposal:**

Our key priority is a transport system that supports our employment and skills strategy and will enable, rather than constrain, our economic growth ambitions. In order to achieve this, we will:

- Develop and deliver a joint Local Transport Plan for D2 for the first time ever
- Combine the two existing Integrated Transport Capital Grants (Derbyshire County and City) into one shared funding resource (approx. £5m each year) to tackle priorities that will have benefits across the whole of the D2 area cycle lanes
- Develop integrated smarter ticketing arrangements across all transport modes
- Work with Government to secure the designation of D2 as a Better Bus Area.
- Ask for the Combined Authority to be given a range of duties, powers and responsibilities for supporting further public transport improvement – alongside those

- powers held by Derbyshire County Council and Derby City Council.
- Work with the Department of Transport to agree more certainty over longer term funding (10 years) to improve transport infrastructure such as bus passenger facilities, tackling congestion, cycle lanes etc
- Maximise potential of blue and green infrastructure into regeneration proposals.

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- Develop integrated smarter ticketing arrangements across all transport modes
- Work with Government to secure the designation of D2 as a Better Bus Area.
- Ask Government for a range of duties, powers and responsibilities to support further public transport improvement – alongside those powers held by Derbyshire County Council and Derby City Council.
- Work with the Department of Transport to agree more certainty over longer term funding (10 years) to improve transport infrastructure such as bus passenger facilities, tackling congestion, cycle lanes etc
- Maximise the potential of existing blue (waterways) and green {cycling and walking} infrastructure into regeneration proposals

#### **The Offer:**

- Improved road network management and road user information
- Improved reliability and accessibility of public transport – bus and rail
- Increase in sustainable travel - number of cycling trips as part of our broader ambition to improve sustainable routes to work

#### **The Ask:**

We are ambitious to create a more strategic and integrated approach between transport, economic development and regeneration. The greater freedoms and flexibilities we are seeking to secure as part of our move to a combined authority are:

- Government support to move from a three year programme of funding certainty to a ten year financial settlement.
- Continued, active and strategic dialogue with Government on how best to secure a sustainable model for bus provision across the D2 area.
- To designate D2 as a Better Bus Area.
- To secure Government funding to develop multi-operator, smarter ticketing arrangements for D2
- Government to apply an individual exemption should the Public Transport Block Exemption not be applicable to the D2 ticketing scheme
- To further develop and share public transport information.
- To develop and share a travel concessions scheme for the combined authority area.
- To facilitate stronger local influence over the work of the Highways Agency and Network Rail

- To use all grant and capital funding as part of a combined authority approach to programme funding to enable greater flexibility of funding allocation to support project delivery
- To use capital and revenue resources in the most appropriate way at local level



## **Shaping our Places : Homes**

### **Rationale:**

D2 is home to a population of over 1 million residents and significant population growth is expected over the next 25 years. As a Combined Authority, it is vital we plan and prepare for this growth to accommodate it in a sustainable way, preserving our excellent environment and quality of life whilst encouraging the economic and employment growth needed to support a growing population.

Accommodating housing and business growth is challenging in an area that incorporates both high quality and cherished green belt and open spaces, as well as a large number of former industrial sites which present re-development challenges.

A stronger and more cohesive approach is needed across all D2 authorities to jointly address these challenges.

### **Why a D2 Approach is Required:**

Many of our local areas faces similar challenges in terms of accommodating expected population growth, bringing brownfield sites back into use and coping with demand to develop greenfield sites.

Working collectively will result in a more integrated way that joins up economic development, transport and major regeneration delivery across both tiers of local government will help ensure D2's housing and employment land needs can be addressed.

To support this, there is a need for stronger strategic and operational intelligence and understanding which will facilitate shared objectives in the need for, and provision of, housing.

### **The Proposal:**

We will develop a strategic approach to identifying and meeting our housing and employment land requirements, balancing our economic development ambitions with our desire for successful and sustainable communities. This will include the delivery of new and affordable housing to support employment growth, and stimulating our weaker housing markets to ensure much-needed development can take place. We will:

- Prioritise work jointly to accelerate delivery of allocated/priority regeneration sites (Big List)
- Enable and provide more of the right types of dwellings to come forward, recognising that the market alone will not always meet our current and future housing needs.
- Package together stalled housing sites across D2 (through reviewing existing local infrastructure plans and from interventions with HCA), creating a more viable intervention proposition than many separate projects
- Explore the options for developing a joint approach to commissioning the assessment of housing need and private sector stock condition in order to achieve economies of

scale whilst recognising distinctive local market areas.

- Jointly commission affordable housing programmes, such as rural housing, as a county partnership to support the work of individual districts.
- Improve access to affordable homes, including consideration of an integrated D2-wide on-line choice based lettings scheme .
- Complement the development of housing schemes through a more formal partnership of public agencies that are essential to housing delivery, e.g. Highways Authority and work with the HCA at D2 area level to better compete for resources within the Midlands
- As a county partnership, develop closer links with housing associations (e.g. for s106 schemes, affordable housing schemes, rural and supported housing developments) to achieve greater certainty in the development process and ensure D2 benefits from working with housing associations with the greatest resources to invest in the county
- Improve efficiency and effectiveness in the use of resources by utilising staff and other resources to build up strong 'virtual' teams with specialist knowledge of niche issues. This will help develop improved and consistent relationships between housing teams across D2 and will secure a more integrated approach to meeting housing need e.g. through a cohesive approach with adult care, learning disabilities and mental health to ensure the housing needs of vulnerable people are addressed.
- Assess skills sets of strategic housing and enabling officers across the county to promote sharing resources, best practice and allow capabilities in one authority to be used to support needs in another authority.

**The Offer:**

- 5 year housing supply evident within local plans
- A new model for delivering more and affordable housing to meet local needs
- Combined authority to lead on the joint commissioning and delivery of resource
- Key procurement activity

**The Ask:**

- A new approach to working with HCA to unlock stalled sites
- Recognition of the agreed local joint approach to housing provision

## Supporting our Businesses: Jobs

### Rationale:

Nearly 90% businesses in D2 are micro businesses (fewer than 10 employees). Along with small and medium enterprises (SMEs) they are the lifeblood of the local economy. However, apart from signposting businesses towards commercial advisors, the D2N2 Growth Hub is planning little in the way of ongoing support for these businesses.

Micro and small/medium enterprises with growth potential have the capacity to generate new and better jobs, take on more employees, drive up skills and help the local economy prosper. The Combined Authority has the ability to fill a gap left by LEPs concentrating support on large firms and large employment sites.

Parts of D2 continue to have a high dependency on public sector employment. Providing sustainable private sector jobs is required to reduce the reliance on a shrinking public sector in order to prevent unemployment and underemployment problems in these areas.

Lower wage, lower skilled jobs dominate parts of Derby and Derbyshire (including the Peak District). In these areas, the need is less for more jobs and instead for better quality jobs.

### Why a D2 Approach is Required:

Support for growing micro, small and medium (MSM) enterprises is needed to unlock the significant jobs growth potential in this business segment.

Government and LEP support often gravitates towards the larger firms and employment sites, leaving a gap for D2 to fill. Better quality jobs are required and the support for businesses identified as key growth sectors in the D2 economy will be critical to future success.

### The Proposal:

We will

- Provide financial support to grow micro, small and medium sized (MSM) enterprises and start-ups – growing our business base by supporting firms with growth potential
- Unlock smaller stalled employment sites with planning consent by funding necessary infrastructure and remediation – enabling business and employment growth
- Seek better quality (higher wage) jobs to better retain local people in local jobs in the Derby and Derbyshire economy
- Reduce the heavy dependency on public sector jobs

### The Offer:

- Creating 800 new private sector jobs in firms with growth potential by providing financial support tailored to micro, small and medium sized businesses
- Target skills funding to intelligence-led initiatives (rather than provider-led initiatives) with an emphasis on higher-waged, higher-skilled roles; and use local knowledge to spot innovative opportunities
- Enabling new private sector jobs in those parts of Derby and Derbyshire most heavily dependent on public sector employment through focused initiatives including developing new jobs markets
-

**The Ask:**

- Regional Growth Fund finance to create a new Global Derbyshire support fund tailored to micro, small and medium sized businesses with solid growth plans
- Engagement from HCA on smaller scheme packages
- Transition funding for areas that suffer significant public sector job losses

**Enabling Delivery of Our Ambitions**

Despite some improvement in economic conditions, parts of the D2 area continue to face significant challenge. Poor financial viability means the development potential of some sites is difficult to achieve, constraining economic growth.

Over and above Government-funded programmes, additional investment is needed to pump prime regeneration and support the required infrastructure improvements that could unleash higher levels of economic growth in D2.

There is significant scope in the Localism Act and related Power of Competency for the D2 local authorities to create a range of innovative investment vehicles that could help generate funds by maximising the available assets within the public sector estate, increasing access to other public and private funding, providing opportunities for borrowing and re-investment and creating wealth in the local economy.

We will explore and develop a suite of appropriate mechanisms, including joint venture companies. Our approach will be supported by the creation of a list of priority projects and schemes developed using the D2N2 LEP single appraisal framework and related spatial map showing key sites and transport proposals to create a 'strategic plan' for driving our shared comprehensive regeneration programme

**3.5 Consultation on the Proposal to Create a D2 Combined Authority**

The D2 Joint Committee has undertaken a strong process of engagement with key stakeholders from across, and outside the area. A major consultation exercise has been undertaken between 2 January 2015 and 23 January 2015 to test local support on the proposal to create a D2 Combined Authority 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 ten local authorities has participated in sending out information to specific agencies and organisations in their area. All council employees, elected members, parish councils etc have also been canvassed for views via an on-line questionnaire. Information published to support the consultation exercise had different sections designed for different stakeholder groups and provided the reader options for how much detail to access. The site was advertised through magazines and social media and members of the two citizens' panels, one for Derbyshire and one for Derby city, were individually invited to participate.

The full list of the consulted groups is provided at Appendix 2; but in summary they include:

- Local residents
- Council employees
- Elected members
- Members of key partnerships
- Organisations with an interest in rural concerns
- Chamber of Commerce
- Federation of Small Business
- Private sector organisations and business/ economic networks including the creative industries
- Transport providers and users
- Tourist organisations
- Housing providers and developers
- Further and higher education providers, secondary schools and academies, Job Centre 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, specific face to face sessions and workshops were held to add more qualitative content to the consultation processes. This has included: direct discussion with the Chamber of Commerce; workshops with 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)

At the time of writing, almost 600 responses to the on-line questionnaire have been received showing overwhelming support (strongly agree or tend to agree') with the proposals to create a combined authority based on the Derbyshire and Derby city geography, tackling the five ambitions outlined above. An additional 180 qualitative comments have also been received raising a number of additional queries or comments (many of which have misunderstood the proposal as 'merger' of the ten local authorities, which is clearly not the case)

Once consultation has closed on the 23 January, more detailed analysis will be undertaken of the responses and reported verbally to Cabinet/ Council meetings. This analysis will be included as Appendix 2 to this review report.

## **4.0 Next Steps**

Following completion of the public consultation exercise, the results will be analysed and used to inform any refinements or final amendments to this review report, the proposal to create a D2 Combined Authority and the draft Scheme as appropriate.

It is anticipated that a submission will be made to Government in mid-February 2015, alongside an accompanying and complementary submission by the N2 Joint Economic Prosperity Committee to create a N2 Combined Authority.

Government will then consider the proposals and undertake work to prepare a statutory, legislative order prior to conducting a formal, statutory consultation exercise.

During this time, and until such time as the D2 Combined Authority is enacted. It is proposed the D2 Joint Economic Prosperity Committee will continue to meet and undertake work around its shared priorities, in particular, any necessary preparation for the delivery of the five ambitions of the CA.

# Summary of Option Appraisal

## 1.0 Approach

Following the Joint Committee meeting in March 2014, D2 Leaders agreed to pursue a governance review to:

- Evaluate the effectiveness and efficiency of existing arrangements for economic development, regeneration and transport;
- Consider the options available for making changes to these governance structures;
- Recommending which option is likely to be most beneficial to the D2 area.

This work was strongly supported by the D2N2 LEP which encouraged the Joint Committee to consider all the possible options – including combined authority – for strengthening local governance.

The key driver for reviewing D2's governance arrangements was to consider whether there were more appropriate arrangements for delivering improvements to the economic wellbeing across Derbyshire and also to ensure the significant powers and funding potentially available for more local control and devolution could be drawn down in full.

The range of non-local authority funding available to the wider D2N2 area was recognised as substantial and noted to include (although not exclusively):

- **Funding to HE/FE** to support innovation (eg. Technology Strategy Board)
- **Skills funding** delivered through agencies such as UKCES (UK Commission for Employment & Skills) and the Skills Funding Agency (SFA).
- **HCA** has a number of funding programmes and tools responsible for the delivery of the Affordable Homes Programme, Get Britain Building and the competitive Local Investment Fund (LIF).
- **Regional Growth Fund**: part of Government's "Plan for Growth". RGF is part of Government's 'Plan for Growth' programme; it is a national £3.2bn fund established to help create private sector jobs throughout England. Derbyshire projects currently include: the Global Derbyshire Small Business Support Programme (£3m DEP programme); Unlocking Investment for Growth (UI4G) (£5m D2N2 scheme) aimed at unlocking £20m of direct investment creating over 200 jobs; Derby Enterprise Growth Fund (DEGF) part of the £40m award received as part of RGF2; Unlocking Business Investment" (£25m programme from SCR available in the northern overlap districts).
- **Single Local Growth Fund** - single pot of £1.6bn over the next spending round made up from: local Major Transport funding; local Sustainable Transport Fund;

Integrated Transport Block; FE Capital; HRA borrowing; ESF & RGF revenue match

- **Community Led Local Development (CLLD)** - £10m, model allows local communities to develop programmes to tackle specific issues.
- **Growing Places Fund (GPF)** - revolving £25m fund for D2N2) used to kick starting major physical regeneration projects.

## 2.0 Option Appraisal Methodology

An appraisal of the governance models was undertaken initially by the D2 Officer Working Group, with subsequent challenge to the results being provided by the Derbyshire Economic Partnership (including third and private sector partners); the Joint Committee (made up of all Leaders, the LEP Chair and LEP Chief Executive); Ekosgen (in terms of ability of the preferred option to drive economic improvement) and more latterly, by Government departments such as BIS and DCLG.

Three distinct governance models were considered as part of the option appraisal exercise and these are outlined below:

- **Joint Committee**
- **Economic Prosperity Board**
- **Combined Authority**

It was considered there were two variations for the first model (Joint Committee) and so a total of four options were appraised:

- **Status quo: retaining the current scope and remit of the D2 Joint Committee**
- **Extending the remit and scope of the current Joint Committee to include additional areas of work**
- **Economic Prosperity Board (economic development and regeneration functions)**
- **Combined Authority (economic development, regeneration and transport functions)**

Considerations employed as part of the appraisal methodology ensured compliance with the relevant LDEDC Act 2009 (and Local Transport Acts) therefore, specific attention was given to establishing and evidencing which model would bring about an improvement in the D2 area in relation to:

1. The **exercise of statutory functions** relating to economic development, regeneration and transport in the area;
2. The **effectiveness and efficiency** of transport and economic development and;
3. The **economic conditions** in the area.



The option appraisal exercise considered the above statutory tests against each of the options, noting that no clear definition has been provided of 'economic development and regeneration'.

*NB: Government guidance on undertaking governance reviews under the Local Transport Act has been available for some time. DfT has confirmed it is looking for the following headline issues to be addressed in the formulation of governance arrangements in order to be accountable for devolved major transport scheme funding:*

- *Effective alignment between decision making on transport and decisions on other areas of policy such as land use, economic development and wider regeneration*
- *Robust and streamlined decision making arrangements which allow necessary decisions to be taken on complex and difficult issues in a timely and transparent manner*
- *A real enhancement of delivery capability and capacity by taking a coherent and integrated approach to managing currently fragmented transport planning and delivery skills and capacity*

The approach also tested whether the following principles could be achieved:

- Add value to delivery of the wider D2N2 LEP economic outcomes contained in the SEP and specifically, those included in the DESS, DES – and more latterly in the draft D2 Economic Framework.
- Add value to, and strengthen, the working relationships between local government and the LEP – making them clearer and more transparent;
- Enable stronger local control over funding and powers which would otherwise be managed from Government;
- Enable more effective working with key partners and agencies – in the public sector, the private sector and the voluntary sector;
- Identify and consider opportunities to better manage infrastructure funding – specifically transport – but also digital;
- Enable strategic decisions on economic investment and business growth (and transport) to be made at the most appropriate administrative and geographic level;
- Create capacity for clear agreement to be reached on the most challenging strategic issues;
- Enable, where appropriate, efficiency savings to be realised, either financial savings from improved service delivery and co-ordination or time and transaction cost savings through reduced fragmentation of decision making and strategic planning; and
- Create the appropriate arena for strategic debate, thereby securing confidence in the scope for greater devolution and increased powers/ responsibility in the medium and longer term.

### **3.0 Governance Models**

The following paragraphs provide an outline of the three governance models considered as part of the option appraisal exercise. These definitions were shared with the D2 Working Group, and in subsequent arenas such as the Joint Committee and DEP Board to ensure there sound understanding of the purpose, function and potential of each of the options.

#### Joint Committee

A joint committee is not a 'body corporate' but is an arrangement for less formal, collaborative working; as such, they are not set up on a permanent nor binding basis but are primarily a voluntary partnership of organisations focused around common objectives.

A joint committee cannot hold funding or functions in its' own right, nor can it take on devolved powers from Government.

It is not an accountable body within the definitions of the LDEDC Act, 2009 and as a result, all decisions need to be taken through the individual, constituent local authorities. Government has advised that joint committees are unlikely to provide a convincing delivery model or not be 'strong enough' to respond to the potential freedoms and flexibilities offered through devolution.

#### Economic Prosperity Board

An economic prosperity board (EPB) is a legal entity and 'body corporate' created for the express purpose of promoting the sustainable economic development and regeneration of its area. There is no legal definition of 'economic development and regeneration', nor the functions that relate to these activities.

An economic prosperity board **is an accountable body** and therefore can have devolved powers and hold funding. However, there is no provision in the LDEDC Act, 2009 for EPBs to be given borrowing or tax raising powers, nor to have the power to issue a levy to constituent authorities, nor to retain business rates.

Legislation permits any function of the participating local authorities to be granted to an EPB but any proposals to create such a board must make the case for how those functions will enable it to fulfil its purpose.

The LDEDC Act 2009 provides for an EPB's functions to be made exercisable 'generally' or 'subject to conditions'. It also enables functions to be made exercisable only by the EPB (i.e. the function to be transferred to the EPB) or by both the EPB and the local authorities (i.e. the function is shared).

Notably, an EPB **does not** include the transport function undertaken by upper tier/ unitary authorities and consideration must be given as to whether an EPB can be fully effective in securing the stated outcomes and demonstrating the statutory tests that will be applied by Government (if transport is not included).

Economic prosperity boards are funded by the constituent councils. The basis on which the contribution of each participating council is determined is not specified in the Act and is agreed locally when drawing up detailed proposals.

The Secretary of State may give funding to EPBs under section 31 of the Local Government Act 2003, although it is unlikely that Government will provide any additional funds to EPBs over and above those which would already be provided to the area for the activities being carried out.

Feedback from Government suggests that EPBs are considered to be stronger models of governance than joint committees. It should be noted that adjacent local authority areas in Sheffield City Region and Greater Manchester have combined authorities and consideration should be given to whether an EPB would be 'strong enough' to compete effectively with neighbouring areas.

### Combined Authorities

As with economic prosperity boards, combined authorities are legal entities ('body corporate') and may be given functions of the constituent local authorities in the same way as EPBs. It is for local authorities to propose the functions the new body will need and to justify this decision.

In addition, combined authorities may be delegated functions of local authorities and the Secretary of State and have powers and transport functions transferred to it under the provisions of the Local Transport Act 2008.

A clear advantage of combined authorities is that they attract certain, additional functions and powers in their own right, such as the general power of competence which allows them to do anything they believe will help achieve their stated objective; these powers are not available to an EPB.

The Localism Act, 2011 also allows ministers to transfer any other public function to combined authorities which could include, for example, responsibility for skills, support for jobseekers or the ability to set variable business rates. Although the Government could, in theory, devolve these responsibilities to individual local councils, ministers have made it clear they prefer to deal with combined authorities because the type of powers councils want would affect whole regions.

The LDEDC Act, 2009 provides combined authorities with similar financial powers to those available to Integrated Transport Authorities, including the power to borrow and the power to levy constituent authorities to meet costs that are attributable to transport activities and to fund transport projects. A combined authority can also borrow for transport purposes but can't fund any activity whose overarching purpose is not to deliver transport objectives or functions by means of the levy or through borrowing. These other costs would need to be met by constituent councils according to an agreed formula, as is the case for EPBs.

The Secretary of State has the power to give section 31 funding to a combined authority but does not expect to use this power to provide a level of funding over and above the level previously awarded to the constituent local authorities for the activities that the combined authority carries out.

## 4.0 Appraising the Options

Analysis of the four governance options was undertaken ‘without fear or favour’ and within the context of existing national, regional and local economic and delivery challenges. The range of potential opportunities around enhanced freedoms, flexibilities and powers – and the scope for further devolution in the medium/ long term were inherent considerations.

### 1) **Status quo: Retaining Current D2 Joint Committee**

It was noted the current D2 Joint Committee had been set up to undertake the following activities:

- To act as the local public sector decision making body for strategic economic development at the D2 level (Derbyshire and Derby City)
- To develop and subsequently monitor investment plans utilising Government and EU funds for Derby and Derbyshire
- To own, monitor and review the Derby and Derbyshire Growth Plans and associated investment plans
- To maintain an on-going dialogue with the Derby and Derbyshire business community through the relevant economic advisory boards (ie DEP and DRB)
- To oversee the planning, alignment and performance of delivery partners and organisations in order to achieve more effective and efficient commissioning and ultimately better outcomes
- To hold to account relevant bodies whose work impacts on the economic wellbeing of Derby and Derbyshire

The remit of the Committee falls within the broader governance structure of the LEP and is required to work closely with the current N2 Joint Committee for Economic Prosperity and neighbouring authorities in the Sheffield City Region Combined Authority (SCRCA) and Manchester City Region Combined Authority (MCRCA) to ensure fully effective arrangements for the purpose of progressing economic development, regeneration and transport. There is no formal, statutory mandate for this partnership approach and much is undertaken on the basis of goodwill and a commitment to collaborate.

By and large, the existing D2 Joint Committee arrangement was considered fit for purpose as a strategic, but informal, partnership. The continuing maturity of the arrangements was recognised and it was noted that good progress had been made on key issues such as collaboration around Growth Deal, developing broad thinking on HS2 and delivering digital infrastructure.

The Joint Committee was recognised as a key part of D2N2 LEP governance and delivery and in fulfilling a key role in activity such as Growth Deal around:

- Demonstrating wider commitment to growth;
- Aligning and pooling local authority capital and revenue spending on growth;
- Effective collaboration on economic development activities;

- Ensuring synergy with local growth programmes.

However, the option appraisal process also fully recognised that ‘firmer and stronger local governance arrangements’ – particularly in relation to accountability and transparency brought through the involvement of local government; this was considered critical if the D2N2 LEP is to improve governance and secure the greater confidence of Government for delivery and devolution of powers and funding.

In addition, it was recognised that to achieve the vision and priorities set out in the DESS and DES, stronger and more formal delivery arrangements would be needed to address current levels of fragmentation. For example, in providing advice and support to businesses; supporting inward investment and marketing; preparation, prioritisation and delivery of major regeneration programmes such as The Avenue.

Furthermore, it was acknowledged that the areas covered by functional economic markets (e.g. travel to work patterns) are typically significantly larger than individual local authority boundaries and through the option appraisal discussion, it was acknowledged there was scope for improvement to joint decision making and stronger co-ordination of activity to address such issues.

The need for more streamlined and accountable arrangements to make decisions, manage risk, delivery and performance was agreed to be essential to addressing the economic conditions of the D2 area.

It was considered that a joint committee arrangement would not fulfil this challenge and it was concluded the ‘status quo’ option was sub-optimal because relevant transport and economic development roles were currently fragmented and with the Joint Committee, there would be no single, accountable body to take strategic decisions. It would be likely therefore, that opportunities could/ would be missed for:

- Investment in major transport and other economic infrastructure
- Securing business investment
- Drawing down funding and devolved powers to support growth which would otherwise be controlled by Government

## **2) Improving the Existing Joint Committee**

The option to extend the scope and functions of the current Joint Committee was also considered.

The potential to include additional functions such as strategic planning, transport and housing and to extend the working arrangements of the Committee itself – perhaps through discussion with the LEP around matters of delegation and delivery – was noted.

However, it was considered the underlying issues and limitations of the Joint Committee would remain the same (see above) – with inherent advantages and disadvantages.

The issues around strategic fragmentation identified above would not be addressed and it was noted the functions, duties and powers which constituent members would be able to delegate – even to an extended Joint Committee – would remain limited. Where key decisions were needed, the Joint Committee would still need to refer decisions back to the individual district authorities to authorise.

It was also recognised that remaining as a Joint Committee would not enable D2 to compete effectively against other economic geographies and city regions for the Single Local Growth Fund for which Government will expect strong local governance to be in place *“manage and account for localised funds through binding and long lived decision making structures such as a joint leaders committee as a minimum, or combined authority (preferable), or other similar arrangement”*.

For similar reasons to those outlined above, it was considered that extending the joint committee arrangement remained a sub-optimal option; fragmentation because relevant transport and economic development roles were currently fragmented and with the Joint Committee, there would be no single, accountable body to take strategic decisions and opportunities to improve the overall economic conditions of the area would be missed.

### **3) Economic Prosperity Board**

As part of the wider discussion, it was noted there is no legal definition of ‘economic development and regeneration’, nor the functions that relate to these activities. Legislation allows for any function of the participating local authorities to be granted to an EPB and it is for local authorities to put forward which functions should be included.

In the overall ‘hierarchy’ of options, it was noted as being the first of the more formal vehicles for strengthening governance, improving confidence and credibility and providing a single arena for strategic decision-making.

It was also noted that as a statutory body, an EPB and shares many of the features of a combined authority in that it has legal status and would provide a strong basis for taking on devolved powers and funding around economic development and regeneration, e.g. accountable body for a Single Local Growth Fund etc.

Because an EPB does not include the transport function however, it was acknowledged that its ability to fully address to the prevailing traffic and transport conditions of the D2 area would be limited. Neither would it be able to address the DfT’s requirements around ensuring: effective policy alignment in areas such as land use, economic development and wider regeneration; robust, streamlined and timely decision making; enhancement of delivery capability by integrating fragmented transport planning and delivery skills and capacity.

More specifically, because an EPB could not raise a levy, nor have borrowing powers to fund investment, it was not considered an appropriate governance model for the creation and management of the integrated transport fund.

Overall, it was felt there were obvious benefits to be gained from a more serious and coordinated approach to economic development, regeneration and transport and would avoid the need to create different decision making arrangements within D2 for economic development and transport.

In conclusion, it was considered that an economic prosperity board would go some way to addressing the governance deficit within the D2N2 and would provide the necessary strategic arena for economic development and regeneration. However, it would fail to integrate transport in any meaningful way and therefore, would not provide the best vehicle for addressing economic conditions.

Moreover, it would require some duplication of effort to facilitate separate transport discussions and decision making, failing to provide effective and convenient government.

#### **4) Combined Authority**

Of all the options, it was considered a combined authority presents the most comprehensive vehicle for supporting economic growth. Combined authorities may be given functions of the constituent local authorities in the same way as EPBs and it is for local authorities to propose the functions the new body will need and to justify this decision.

The three previous options all have considerable weaknesses, in particular in their fitness for purpose going forward; taking advantage of the growing devolution agenda; and facilitating parity of governance with adjacent areas.

It was acknowledged that a combined authority would provide visible, stable and streamlined arrangements in which Government can have considerable confidence for delivery and devolution. For example, it would be ideally placed to act as the accountable body for the integrated transport fund, and any agreed share of fiscal uplift created by locally driven economic growth. It would also significantly reduce any ambiguity, complexity and duplication in relation to aligning strategic transport regeneration and economic development.

Fostering stronger, shared objectives linked to the DESS and DES – and in delivering the SEP's ambitions – would bring clearer focus on regionally important issues such as Markham Vale and other Enterprise Zones, Midlands Connect and HS2. In providing a common governance platform with N2 and Sheffield City Region, a D2 Combined Authority would also support a strong counter-balance to any adverse impacts of the Leeds/ Manchester 'northern powerhouse' and moreover, would support a strong north Midlands economy.

Although the legislation does not suggest CAs are primarily aimed at producing efficiency, it is recognised that they need to operate in an environment of reducing public sector budgets. That is the financial reality in which any D2 governance body would be established.

In conclusion, the above analysis from the option appraisal exercise strongly suggests that a CA would present the optimal governance option for delivering more effective and efficient transport, regeneration and economic development functions, subject to the key issues being addressed around relationships with adjacent and overlapping areas (SCR, Greater Manchester and Nottinghamshire); finalisation of ambitions, offers and asks to Government; appropriate support/ secretariat structures being put in place; any other aspects of detailed design and constitution.