

DERBYSHIRE COUNTY COUNCIL

CABINET MEETING

1 October 2013

Report of the Acting Strategic Director – Environmental Services

**SOUTH YORKSHIRE COMBINED AUTHORITY AND
GOVERNANCE ARRANGEMENTS FOR DERBY AND
DERBYSHIRE (JOBS, ECONOMY AND TRANSPORT)**

(1) **Purpose of the Report** To provide a response to consultation on the draft South Yorkshire Combined Authority Order and to advise Cabinet about the possible establishment of a Derby and Derbyshire Economic Prosperity Board.

(2) **Information and Analysis**

South Yorkshire Combined Authority

The Local Democracy, Economic Development and Construction Act 2009 makes provision for the creation of combined authorities (CAs) and economic prosperity boards (EPBs). Further clarity was provided through draft statutory guidance on EPBs and CAs published by DCLG in February 2010.

Both require secondary legislation in the form of an Order made by the Secretary of State, who must be satisfied that the new body will improve:

- (a) the exercise of statutory functions relating to economic development and regeneration in the area, and
- (b) economic conditions in the area.

In the case of a combined authority, additional conditions relate to the improvement of:

- (a) the exercise of statutory functions relating to transport in the area, and
- (b) the effectiveness and efficiency of transport in the area.

Transport functions therefore represent the distinction between the two types of body and the draft statutory guidance states (at paragraph 2.20) that “in a two tier area it will be possible for an EPB or CA to cover the area of one or more districts without including the whole of the county’s area. It is also

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possible that different districts within the same county could be part of different EPBs or CAs. In such cases the County Council would be a Constituent Authority of the EPB (or in the second case, both EPBs)".

The principle of Combined Authorities relates closely to the favoured Government policy initiative of "City Deals" whereby Government negotiate with local urban areas both financial and non-financial interventions to support key economic priorities within that area. In many ways this is part of the "localism" agenda with potential to restructure local government from the bottom up. However, the move towards city regions has the potential to create unbalanced economic development especially in relation to the needs of rural communities or areas of less urban concentration. Although city regions do often form a coherent economic geography, the socio-economic dynamic for many areas is more complex.

To date, the only body fully constituted under this legislation is the Greater Manchester Combined Authority. There have, though, been aspirations for some time for a Sheffield City Region Combined Authority. These have been raised and discussed with Government in association with the Sheffield City Deal. For the whole of the City Region to be covered, however, the consent of both Derbyshire and Nottinghamshire County Councils, as transport authorities, would be required and neither has been satisfied that this would be in the best interests of the area. Current proposals are, therefore, for a South Yorkshire Combined Authority rather than one for the whole of the Sheffield City Region. A draft Order has been published, and is subject to a consultation exercise which closes on 7 October 2013. There is no fixed format for responses and it is for any interested party to determine how (or whether) it wishes to respond. It is recommended that the County Council does offer a response, as discussed below.

The proposed measures are centred on replacing the South Yorkshire Integrated Transport Authority with a Combined Authority which will bring together responsibility for transport, economic development and regeneration. The South Yorkshire metropolitan authorities would remain in place and still serve as both highway and planning authorities. They would, though, exercise concurrently with the Combined Authority their:

- power to encourage visitors and provide conference and other facilities,
- duty to consider housing conditions with respect to the provision of further housing, and
- powers and duties relating to the provision of education and training for persons over the compulsory school age.

It is worth noting that this represents a less radical change than within Greater Manchester, where certain highway authority functions are centralised. Four Derbyshire district and borough councils, Bolsover, North East Derbyshire,

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Chesterfield and Derbyshire Dales, together with Bassetlaw District Council are referred to in the draft Order as "non-constituent" authorities. They would be members of the Combined Authority but in a non-voting capacity, and would not contribute to its set-up or administrative costs. The critical issue for Derbyshire and Nottinghamshire is that the provision in the legislation allowing membership of only one combined authority or economic prosperity board leaves the option of the district and borough councils to participate in proposed joint structures within each County (see below).

The proposal set out in the draft Order would not impact directly upon Derbyshire. However, the creation of a body able to take strategic decisions over transport and the economy for South Yorkshire, and to allocate resources in line with these, appears likely to be beneficial.

Sheffield City Region Response

The response from the Sheffield City Region itself, agreed by the City Region Chief Executives' Meeting on 2 September, not surprisingly welcomes the publication of the Order. It also, though, expresses surprise and disappointment that the Order refers to a South Yorkshire Combined Authority rather than a Sheffield City Region Combined Authority. It adds that the proposal from the City Region was for "a statutory body that, for the purposes of Economic Development and for some strategic transport issues, would have the power to act beyond the borders of South Yorkshire".

For this to be the case, powers and statutory duties currently resting with Derbyshire and Nottinghamshire County Councils would presumably have had to be involved. It is unhelpful that the City Region makes reference to these in its response to the Secretary of State and has not based this upon discussion with the two County Councils concerned. More importantly, though, there is no evidence presented that the tests set by the Local Democracy, Economic Development and Construction Act 2009 (as detailed above) would be met by a Combined Authority having powers to act beyond the borders of South Yorkshire. It would be of no clear benefit to economic development and regeneration, to transport or to public accountability for elements of these functions to be governed by the Combined Authority whilst related powers and duties (not least as education and highway authorities) rest with the County Councils.

With regard to the practicalities of working on strategic transport issues within the area covered by both the Sheffield City Region and D2N2, recent experience demonstrates the impediment which this places on infrastructure planning, and highlights the need for governance and resource allocations to be exclusive to each LEP area.

Whilst the working relationship between Sheffield City Region and D2N2 has been relatively strong, each is quite understandably taking a different

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approach to the selection of projects. Improvement of the A61 Whittington Moor roundabout, a key point on strategic links between Chesterfield and Sheffield, has attracted funding from the D2N2 LTB, reflecting its potential to improve journey times and reliability. It was not, though, carried forward to the modelling phase of scheme selection under the Sheffield City Region Investment Fund as it was unlikely to be competitive against the primary objective of uplift to GVA. The Seymour Link at Markham Vale, whilst it has performed well under the selection criteria of both areas, still represents a significant challenge because there is no guarantee that funding can be drawn down from each source at the appropriate time. It therefore remains possible that, whilst acknowledged to be a valuable investment, this could be held back by the division of resources. The overlap between financial allocations to the LEPs, therefore, demonstrably adds a layer of complexity to strategic planning which would be damaging if allowed to continue. Whilst continuing to align of its work with the Sheffield City Region, therefore, it is recommended that the County Council opposes any division of responsibilities which would reduce the ability of the D2N2 LEP and its partners to ensure the best outcomes for Derbyshire.

The City Region response also supports 'proposed changes' to the Local Democracy, Economic Development and Construction Act 2009 which would allow district councils to be constituent members of a combined authority for the purposes of economic development and regeneration. This potentially conflicts with moves towards establishing stronger governance arrangements within the D2N2 area. It also fails to acknowledge that economic development and regeneration are not exclusively district functions, with the counties carrying statutory roles.

Within this context, the status of the Derbyshire districts within any Combined Authority could have an impact upon future funding for economic growth and regeneration being channelled through Local Enterprise Partnerships (LEPs) and a mature dialogue is required between the two LEPs to ensure economic growth through the Single Growth Fund and EU Structural and Investment Funding is effectively delivered within the overlap areas. However, a more formal Combined Authority may provide a number of risks for the districts. An example of this relates to the EU Structural and Investment Funds 2014-20. As an overlap area, potential projects could have access to two separate allocations of EU funding through Sheffield City Region and D2N2 LEPs and it is important that governance arrangements are in place that do not disadvantage these districts. Formal guidance is likely to conclude that within overlap areas interventions will need to be funded on a 50/50 basis by the two LEPs.

This relationship is made more complex by the South Yorkshire being a 'transition region' whereas the overlap districts fall within the 'more developed region' designation. Through this designation, the Sheffield City Region

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funding allocation has been “partitioned” with £23.7m available within the “more developed” overlap districts. However, this is likely to be a ceiling for investment and would therefore suggest that it would be possible to spend these partitioned funds in the transition area therefore reducing the funds available to the districts. Clearly within a structure whereby the district local authorities do not have voting rights, this poses potential risks to the ability to secure funding for growth and regeneration especially as Sheffield City Region LEP continue to lobby central government for 100% of future European structural funds being channelled through that organisation as a single LEP.

It is recommended that the County Council's response to the draft Order is that:

- it offers its support in principle to the Order;
- welcomes Government's decision to restrict this to South Yorkshire
- stresses the importance attached to the full range of economic development and transport services and projects across Derbyshire being delivered through governance agreed by the D2N2 LEP and its partners;
- highlights the potential risks to future economic growth funding streams being delivered in the overlap areas via the two LEPs especially in relation to the EU Structural & Investment Funds 2014-20 and
- makes clear its absolute opposition to any potential changes in governance which would undermine the ability of the County Council to coordinate across the whole County its statutory functions for economic development, highways and transport.

Governance Arrangements in Derby and Derbyshire

There will be a radical change from April 2015 onwards in the administration of resources relating to economic growth, with the creation of the Local Growth Fund and the inclusion within this of resources which would otherwise have been received directly by local authorities. The strength of Growth Plans submitted by each Local Enterprise Partnership (LEP) will determine the settlement which it receives through the Growth Deal process which will be negotiated and agreed with Government by mid-2014. In order to secure resources through the Growth Deal, LEPs must demonstrate robust governance structures. Informal discussions between the Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2) LEP and Government are suggesting that economic prosperity boards are the minimum requirement and would provide a robust yet flexible arrangement for ensuring effective strategic delivery of future resources in one of the largest LEP areas. Discussions have therefore been initiated over how these might be put in place which include input from existing sub-area partnerships, Derbyshire Economic Partnership and Derby Renaissance Board.

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An immediate consideration is that the Growth Plan that will form the basis for the Growth Deal must be submitted to Government during March 2014, which would not allow sufficient time for the establishment of economic prosperity boards, and it is proposed that joint committees be established as interim arrangements. The number of local authorities within the D2N2 area would, however, make a single joint committee, combined authority or economic prosperity board difficult to administer.

It is proposed, therefore, that arrangements be made for a Derby and Derbyshire Economic Prosperity Board (EPB) and separately, for Nottingham and Nottinghamshire. These would allow direct representation and greater involvement for each district and borough council. It is considered possible at this stage that Nottingham and Nottinghamshire may seek to form a combined authority rather than EPB, so would combine some of their transport functions. Initial discussions with Derby City Council indicate that an EPB is the more likely outcome for the Derbyshire area. There is no doubt, though, that further collaboration on transport could take place outside the formal structures of the EPB and the potential closer sharing of resources in relation to economic development could prove advantageous.

Draft terms of reference for a Derby and Derbyshire Joint Committee are currently being drawn up for initial liaison with Derby City Council and with districts and borough councils who have already agreed in principle to be members of D2N2 joint committee and in the longer term, constituent member status of D2 economic prosperity board. The primary function of the Joint Committee would be to review governance, potentially leading to the formation of an EPB to take over from the Committee. A report will be brought to Cabinet in due course with recommendations over the County Council's participation in this.

(3) **Financial Considerations** There are no financial considerations associated with this report.

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

(4) **Key Decision** Yes.

(5) **Call-In** Is it required that call-in be waived in respect of the decisions proposed in the report? No.

(6) **Background Papers** The South Yorkshire Combined Authority Order can be accessed through the Sheffield City Region website. Officer contact details – Jim Seymour, extension 38557.

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(7) OFFICER'S RECOMMENDATIONS That Cabinet:

- 7.1 Approves that the County Council's response to consultation on the draft South Yorkshire Combined Authority Order shall be based on the contents of this report.
- 7.2 Agrees to receive further reports on the establishment of a Derby and Derbyshire Joint Committee and Economic Prosperity Board.

Mike Ashworth
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