

D E R B Y C I T Y R E G I O N

**LOCAL ENTERPRISE PARTNERSHIP FOR CITY OF DERBY,
DERBYSHIRE COUNTY & EAST STAFFORDSHIRE**

JULY 2010

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Foreword

The Coalition Government has announced the proposed dissolution of all existing regional structures, including the Regional Development Agencies and potentially Government Offices, and the pursuit of a new 'Localism' agenda. This involves the devolution of power and resource away from Whitehall. On 29 June 2010 the Secretaries of State for *Business Innovation and Skills* and *Communities and Local Government*, wrote to Local Authority Leaders and Chief Executives and to business leaders, inviting their submission of proposals about the establishment of Local Enterprise Partnerships (LEPs).

In parallel to this process, at the end of June, the Government announced that most departments will see their budgets reduced by at least a quarter over the next four years. Throughout Local Government plans are being made to find savings of 25% to 40% over this four year period. The Government is thus creating a new economic model for the UK based upon public sector fiscal stabilisation and ambitious private sector-driven economic growth.

This report outlines the Business Case for a LEP to be created for Derby, Derbyshire and East Staffordshire. Our proposition is that this new partnership between the private and public sectors will catalyse significant interventions that deliver economic growth and provide protection from the side-effects of public sector fiscal stabilisation.

1. Background

What do we know about LEPs?

The Government has invited submissions for Local Enterprise Partnerships, by 6 September. The LEPs will have the following characteristics:

- Strong partnership between private and public sector
- Business playing a leading role on the Board
- Covering 'functional economic areas'
- Thinking and acting strategically.

LEPs will take on responsibility for:

- Planning and Housing
- Local Transport and Infrastructure priorities
- Employment and Enterprise
- Measures to support the transition to the Low Carbon Economy.

LEPs will therefore become the body which create and oversee the realisation of strategies for planning, economic development, transport, housing and infrastructure development within their natural economic areas. They must provide at a local level the strategic context for economic growth previously provided by the Regional Spatial Strategy and Regional Economic Strategy. The Government is looking for LEPs that can offer opportunities to deliver sustainable economic growth - creating new private sector jobs and investment - supported by complementary housing and infrastructure developments. Neighbouring LEPs will be expected to work together on bigger strategic issues such as major transport infrastructure.

On 21 July, Vince Cable made it clear at his first appearance at the Business, Innovation and Skills select committee that, "*We are not being rigidly prescriptive about the functions these bodies [LEPs] should have. If a case is made for doing things through a LEP we will listen to that.*" Further details will be set out in a forthcoming White Paper; it seems likely that the functions of the LEPs could be broadened as the Government's dissolution of regional structures continues and their localism agenda is pursued.

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Government has also announced the establishment of a 'Regional Growth Fund' to devolve some former RDA budgets to local levels. Currently details remain sparse about potential allocation of this £1bn capital funding, but the CSR in October will clarify where the spending priorities rest and what level of resources will be devolved to help deliver the newfound responsibilities that will rest with LEPs.

It is certainly not known what level of financial support a LEP for Derby, Derbyshire and East Staffordshire might expect to receive. What is a given is that the Regional Growth Fund is intended to target those areas that have serious prospects of public sector job losses, and/or good potential for private sector investment and resultant job growth. Partners in this area may wish to make a joint submission alongside the private sector for any Regional Growth Fund resources.

What are the developing proposals in other areas?

Proposals to create LEPs are starting to take early shape in all regions across England. It seems likely that Yorkshire & the Humber will divide into four LEPs - West Yorkshire (including Leeds-Bradford), North Yorks (inc York), Hull & Humber, and South Yorks (the Sheffield City Region). Indications are that the West Midlands will do the same, with a LEP for Birmingham, the Black Country & Solihull, Coventry & Warwickshire, Staffordshire & Stoke, and Shropshire & Telford. The North East is understood to be the only region that is seriously considering a regional LEP, but it's possible that the Tees Valley may go its own way. It is understood that the LEP proposals being devised for Greater Manchester and Leeds-Bradford will include proposals for them to lead on inward investment, innovation and support for emerging business sectors. Similarly, in the north east, inward investment functions are considered vital to include within the LEP remit.

In the East Midlands the 7 other upper tier authorities are in discussions with neighbouring districts about the creation of LEPs as follows:

- Nottinghamshire County & Nottingham City are preparing a joint submission and have very recently expressed an interest in combining with Derby & Derbyshire; they are understood to be resisting any approaches by Sheffield City Region
- Rutland are waiting to see the position that Lincolnshire County take
- Lincolnshire County are interested in a Humber to Wash (inc P'boro) new geographical boundary
- Northamptonshire County are exploring a joint County & Chamber bid with scope for cross-boundary working outside County (e.g. with Leics/Warks/Rutland) on certain activities; an approach has also been made to Derby and Derbyshire about a potential 4Cs LEP
- Leics County & City are building on existing strong partnership working through their MAA and are preparing a joint bid with possible cross boundary collaboration on activities with Northants/Warks/Rutland.

A very recent independent report (Rocket Science / Rose Regeneration) indicates, amongst other things, that there is broad consensus about the importance of functional economic geographies as the common denominator for LEP boundaries.

What are the factors that have to be considered for our LEP proposal?

This document summarises the main factors that are felt to be most pertinent to any decision about the formation of a LEP for Derby and Derbyshire. These are:

- Economy & Geography – what size of area and what type of economic characteristics should be taken into account?
- Responsibility & Resources - what range of functions would the LEP take on and how might these be paid for?
- Governance & Business Engagement – how could the LEP be organised and how would business leaders be involved in the most meaningful ways?

2. Economy & Geography

“We have been concerned that some local and regional boundaries do not reflect functional economic areas. We wish to enable partnerships to better reflect the natural economic geography of the areas they serve and hence to cover real functional economic and travel to work areas.

To be sufficiently strategic, we would expect that partnerships would include groups of upper tier authorities. If it is clearly the wish of business and civic leaders to establish a local enterprise partnership for a functional economic area that matches existing regional boundaries, we will not object. We will welcome proposals that reflect the needs of every part of England, not least areas that are economically more vulnerable. Government is keen to work closely with and through capable local enterprise partnerships which meet these criteria.”

The RT Hon Dr Vince Cable MP
Secretary of State for Business, Innovation and Skills
and President of the Board of Trade

The RT Hon Eric Pickles MP
Secretary of State for
Communities and Local Government

It is clear that to address a functional economic area whilst also creating a structure which can create critical mass and clout, the size and boundaries of the LEP must be carefully conceived. The following section summarises key socio-economic data for a functional economic area encompassing Derby, Derbyshire and East Staffordshire. Appendix 1 provides further facts and figures that support the following statements. **Data awaited from the County Council and East Staffs to supplement this section**

○ Key Demographics

2009 Mid Year Estimates of population suggest that Derby city has a population of 244,100 and Derbyshire has a population of 760,200 - a combined city and county population of 1,004,300. The estimated Derby HMA population is 457,900. This includes an East Staffs population of 108,800. The more rural districts of Derbyshire tend to have older populations but population forecasts show that an ageing population will be a factor throughout the city region. House prices are generally higher in the surrounding districts of the city region whilst housing density is higher within the city and other urban areas.

○ **Employment Base**

Table 2 in Appendix 1 outlines the employment base for Derby, Derbyshire and East Staffs. This table demonstrates this economic area is characterised by high proportions of employment in the public sector and especially high proportions of employment in manufacturing - in some cases three times national averages. There is a significant presence of high tech engineering employment throughout the area in the southern part of Derbyshire and East Staffs. It is a well known fact that the presence of companies such as Rolls-Royce, Bombardier, Toyota, JCB, Citi/Egg benefits the wider supply chain located throughout the economic region. As an example, the presence of Toyota at Burnaston has led to the development of an extensive supply chain along the A50 and A38 corridors in East Staffs and into Derby city.

○ **Commuting Patterns & Transportation**

The city of Derby is one of the key economic drivers in the East Midlands and is an economic hub for the sub-region. This is evidenced by the relatively high proportion of employees from neighbouring districts who travel into the city to work, as shown in Table 3, Appendix 1. The main routes for car-borne commuters are the A50, A38 and A52 which serve the City Region. Around 25,000 residents from across Derbyshire commute into the city of Derby to work, representing 7% of the total employed residents of Derbyshire. Commuting relationships between the county and the cities of Sheffield and Nottingham (linked by the M1) are also significant but not as strong as those to Derby (16,400 and 11,800 respectively). Within our economic area the city and East Staffs are the only local authority areas that benefit from net in-commuting. There are actually significant commuter flows between Burton and Derby and to a lesser degree between Uttoxeter and Derby. All of the surrounding districts are net out-commuters, with large proportions of these employees commuting to the city of Derby. The City Region is served by East Midlands train services running north/south and Central Networks east/west. EMT also operates a small service from Derby to Matlock along the Derwent Valley. International passenger and freight services operate from East Midlands Airport, serving all the City Region.

○ **Potential Public Sector Job Losses**

In his first budget speech Chancellor George Osborne announced the deepest and fastest public sector cuts in recent memory. As a result, the Office for Budget Responsibility has forecast 600,000 job losses in the public sector nationally. The Local Futures Group have estimated that nearly 3,000 public sector jobs will be lost in Derby by 2016, an estimated 2.4% of the employment base, as shown in Table 5 Appendix 1. A further 6,371 public sector job losses have been estimated throughout the rest of Derbyshire. The strengths in manufacturing and service sectors within all districts in Derbyshire & East Staffordshire suggests that this area can collectively tackle public sector job losses in order to maintain a competitive sub-national economy.

- **Unemployment Change**

All districts within the Derby HMA area experienced an increase in unemployment between 2007 and 2009 that was comparable with or above the regional average. Current model based unemployment levels across Derby City, Derbyshire districts and East Staffordshire vary between 4.5% in Derbyshire Dales to 8.6% in Derby City. The unemployment rate in Derby City reflects prevailing levels of deprivation within the urban area, signifying that issues of redistribution of wealth and economic growth still require public sector intervention. At June 2010, Derby had a total of 7,600 people on Job Seekers Allowance (JSA), representing a JSA based unemployment level of 4.7% while Derbyshire had a total of 15,292, representing 3.3% unemployment. JSA based unemployment rates for the East Midlands and UK are 3.6% and 3.8% respectively (see Table 7, Appendix 1).

- **Economic Growth**

Continuing the growth seen by the private sector over the last 10 years will be necessary to counter the projected job losses in the public sector over the next 6 years (see Table 5, Appendix 1). The Derby economy has proved to be particularly resilient to macro-economic forces in the recent past and boasts a proud track record in creating new jobs, many of which have been higher paid jobs in knowledge-based industries. This is demonstrated by proportionally higher growth in private sector jobs and lower growth in public sector jobs than other parts of the East Midlands between 1998 and 2008 (*Source: Centre for Cities, June 2010*). Derby sits in the top 10% of all UK Local Authorities for workplace earnings and is the second highest outside London and the South East. This wealth creation potential at the heart of our economic area, coupled with the commuting patterns between Derby and its surrounding districts, leads us to believe that the growth of the economy in and around Derby will be crucial to the long term sustainability of the County's economy.

- **Advanced Manufacturing**

Predominantly due to the presence of Rolls-Royce, Derby City has a significant number of jobs in advanced manufacturing industries – almost 10% of all employment compared with a national average of less than 2% . In correlation with this high technology status, Derby sits in the top 10% of all UK Local Authorities for workplace earnings and is the second highest outside London and the South East for workplace earnings. Derby is also the UK's leading city outside London and the South East for exports per capita. The automotive sector plus its supply chain across Derbyshire County accounts for £3.1bn of economic output. These facts demonstrates that the Derby City Region economy punches above it's weight, generates proportionally more wealth than other cities and therefore holds significant opportunity for continued economic growth in the future. In recent research, National Endowment for Science, Technology and the Arts

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(Nesta), working with Oxford Economics, concluded that high technology rather than broad-based manufacturing, offered the best route to economic growth. The level of hi-tech manufacturing employment in and around Derby is shown in Table 11, Appendix 1.

- **GVA**

In 2007 the city of Derby alone produced £5.5 billion worth of added value to the national economy¹. This equates to £23,167 per head, compared to the national average of £20,458. Total Gross Value Added (GVA) increased year on year in Derby throughout the decade leading up to 2007. In 2007, Derbyshire's businesses contributed a total of £11.3bn to the UK's economy. GVA per resident head in the county was £14,873, 73% of the national average.

- **Contribution to Low Carbon Economy**

A broad range of companies thrive in the Derbyshire and East Staffs area, including world leaders such as Rolls-Royce, Bombardier and Toyota. All of these companies have evolved their methods to contribute significantly towards the low carbon economy. For example, Rolls-Royce's headquarters in Derby continue to lead the world in reducing the impact of air travel on the environment. The Derby plant has recently developed new engine components that operate at much higher temperatures, which reduce the fuel required for each individual engine by \$50,000 per year. The recent launch of the Toyota Auris from the Burnaston plant is another example of this areas impact on the low carbon agenda. This new hybrid produces some of the lowest emissions levels of any mass production car whilst maintaining performance levels. Manthorpe Engineering in Ripley are specialist manufacturers of engine components, including supplying to Rolls-Royce, and are a further example of local contribution to low carbon production.

- **Housing**

The City Region contains two Housing Market Areas (HMAs) - Derby and Burton - that are both designated Growth Point areas which will make a big contribution to the requirements for new housing within the City Region.

¹ ONS, December 2008. Next publication of data due Dec 2010

3. Responsibilities & Resources

“We anticipate that local enterprise partnerships will wish to provide the strategic leadership in their areas to set out local economic priorities. A clear vision is vital if local economic renewal is to be achieved. The Coalition Government is determined to rebalance the economy towards the private sector. We regard local enterprise partnerships as being central to this vision.

Partnerships will therefore want to create the right environment for business and growth in their areas, by tackling issues such as planning and housing, local transport and infrastructure priorities, employment and enterprise and the transition to the low carbon economy. Supporting small business start-ups will therefore be important. They will want to work closely with universities and further education colleges, in view of their importance to local economies, and with other relevant stakeholders. In some areas, tourism will also be an important economic driver. Further details will be set out in the forthcoming White Paper.”

The RT Hon Dr Vince Cable MP
Secretary of State for Business, Innovation and Skills
and President of the Board of Trade

The RT Hon Eric Pickles MP
Secretary of State for
Communities and Local Government

Responsibilities

We welcome LEPs being given strategic responsibilities for transport, housing and planning - where with this responsibility also come resources and democratic accountability - so they can make a real difference and help trigger new private sector growth.

The Government has suggested that certain functions may be undertaken nationally, such as major international inward investment promotions and enquiry handling, sector leadership and standardised business support programmes, national scale innovation projects, and access to finance including venture capital funds.

Our LEP submission is based on the premise that we would complement these centralised functions by:

1. Providing a **sub-national inward investment** promotional and account management function geared towards national scale relocations and supporting UKTi in their international functions. This would be delivered on a contract or undertaken in-house (subject to Government resources and further partner discussions). Our LEP would create the strategy, provide contract management and undertake longitudinal evaluation of impact. An initial priority would be to determine a strategy to promote the

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USPs of our three main opportunity zones (Derby and hinterland, M1 corridor and rural) and establish networks with existing businesses in the area to help champion these messages. This would of course be linked to delivery of strategic infrastructure improvements as required.

2. Providing a **sub-national tourism promotions and service delivery** function. This would either be delivered on a contract or undertaken in-house, subject to Government resources and further partner discussions. Our LEP would create the strategy, provide contract management and undertake evaluation of impact. An initial priority would be to attract & promote national and international events, create a Quality Standards programme and attract more business tourism.
3. Delivery of **enterprise (pre-start) and business start-up/early stage support programmes**. We also want to discuss with Government taking a leading role in the delivery of some innovation and sector support programmes that are most appropriate to our area. We intend to commission these services from external providers. Our LEP would create the strategy, provide contract management and undertake longitudinal evaluation of impact. Initial priorities would be to support a comprehensive Enterprise Coaching programme and seek to apply the “Big Society” model to create a comprehensive Mentoring programme.
4. Leading the **Employment Skills Board range of functions**. We would create the strategy (based on solid foundations created over the last two years), identify gaps, commission services and liaise between employers, sector specialists, and national skills funding agencies and training providers. We would provide contract management for commissioned services and undertake longitudinal evaluation of impact. An initial priority would be to extend and deepen engagement between business sectors and training providers and create a comprehensive ladder of opportunities for Apprenticeships across all NVQ levels.
5. Setting the strategic context for and co-ordinating the **delivery of planning, transportation and other major infrastructure** (inc ICT) improvements. We would take responsibility for co-ordinating the delivery by others of strategic transport, infrastructure and site development roles and undertake evaluation of impact. We will expect a role in influencing the prioritisation between neighbouring LEPs and Government Departments over, for instance, planning for airport expansions, major rail infrastructure investments and future road programmes.
6. Delivery of **former HMA functions** for housing growth. We would create a new strategic framework, oversee delivery within individual Local Planning Authorities and evaluate impacts and other trends. An initial priority would be to determine future housing growth nodes and associated infrastructure improvements.

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7. **Research, programme management and project monitoring functions.** We will take responsibility for the production and periodic review of a Local Economic Assessment, commission research and, where appropriate, manage the direct delivery of projects and programmes arising from the above.

We also expect to become heavily involved in establishing working arrangements with, and influencing delivery by, the following bodies:

- *UKTI* in connection with major Inward Investment opportunities
- *Highways Agency* for major road schemes
- *Universities* for major innovation projects
- *Skills Funding Agency* & any similar or successor bodies in respect of the whole skills agenda
- *BIS* for national scale business support and innovation programmes
- *HCA* for housing and strategic regeneration projects
- *EA* for flood risk management issues.

If our LEP submission is favourably received, we would want to immediately engage in a discussion with Government over the following crucial functions that we believe should survive the dissolution of regional bodies but might best be delivered at a pan-LEP level:

- Management of European structural funds (Programme period 2011-14 spans transition from RDA to LEP)
- Operating a Brussels office that has an awareness of and expertise in issues common to our areas
- Strategic economic & skills research that would be required to supplement national and local research
- Management of strategically important sub-national projects (e.g. China & India Business Bureaux)

We have already made an informal approach to other authorities in the East Midlands to establish their appetite for the joint sponsorship of a hub facility (perhaps called a “Joint Strategy Unit”) to complement & support individual LEPs in the region.

Resources

Although we understand that LEPs will have nothing like the combined programme budgets of RDAs, we firmly believe that it is essential that additional resources are made available by Government to assist with the projects and programmes of our LEP. Ideally there would also be an offer of support towards core costs (staffing and other operational costs) and a provision of some certainty about the potential scale and duration of support.

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New Growth Point funding was to have been incorporated into a Local Investment Plan for the HCA, but we would expect that this will now become part of the funding that could be made available to support our programmes and projects. LEPs will be able to bid for part of the £1bn Regional Growth Fund, but we are naturally concerned that this could be too heavily weighted towards the North & the West Midlands. If the scale of the problem or estimation of the opportunity is considered to be less significant in the East Midlands, we also fear that spreading the RGF over two years will further exacerbate the resources made available to us. A final concern is that Emda and AWM's existing commitments in 2011/12 & 12/13 might take up the majority of the remaining allocation of former Single Programme resources.

Our LEP submission therefore makes it clear that we would need the following components to become a credible vehicle to deliver economic growth:

- A core staff team and a small but effective operational budget to cover the 7 functions outlined above – we believe this staff team would comprise a chief officer and at least five senior managers with significant appropriate experience supported by a handful of junior and administrative posts (at a bare minimum); wherever possible local authority members will pool existing staff and accommodation resources to provide the foundation for this team
- An annual programme allocation that enables interventions that could have a lasting impact to be delivered over the mid to long term
- Programme management tools required to effectively inherit RDA functions and procedures (including access to emda / AWM & Government databases & CRM systems)
- Resources sufficient to fulfil obligations arising from all novated contracts & inherited liabilities (including any potential TUPE liabilities)
- Transfer of all emda & AWM land holdings within the area – these holdings will become an essential investment tool to help create self-sustainability for our LEP. Partner authorities will consider pooling some of their own assets and other resources under carefully conceived ring-fenced arrangements if Government can make this up-front investment.

We understand that Local Authority resources could eventually be bolstered if Government introduces a provision to make payments based on housing and economic growth. If our LEP submission is accepted, over the following months the member local authorities will determine whether and how we could devise a formula for sharing and re-cycling such incentive payments back into the projects and programmes of the LEP.

Executive Team

Precisely how this Team is structured and how small or large it is will be dependent upon the availability of additional Government resources, to be determined and through asset transfers. Some of the posts in the Executive Team could be secondments from partner organisations.

If this submission is accepted, our shadow working arrangements will be established *before* Sept 2011. This would set out how and when our Board would be formed (see section 4 below), when the key officer appointments would be made and broadly how any TUPE issues would be overseen.

4. Governance & Business Engagement

“To be effective partnerships, it is vital that business and civic leaders work together. We believe this would normally mean an equal representation on the boards of these partnerships and that a prominent business leader should chair the board. We would, however, be willing to consider variants from this, such as where there is an elected mayor responsible for the area, if that is the clear wish of business and council leaders in the partnership area. The governance structures will need to be sufficiently robust and clear to ensure proper accountability for delivery by partnerships.”

The RT Hon Dr Vince Cable MP
Secretary of State for Business, Innovation and Skills
and President of the Board of Trade

The RT Hon Eric Pickles MP
Secretary of State for
Communities and Local Government

Governance / Partnership Working

Our LEP Board will foremost be strategic, with a strong and consistent level of private sector input, alongside significant representatives from the constituent local authorities and one or more voluntary sector members. Due to the geographical scope and complexity of the operating area, it is proposed that the main Board would have two principal sub-Boards, each of which would be chaired by one of the private sector members of the main Board. Initial indications are that sub-Boards would be established as follows (this is subject to further partner discussion over the summer and our plans may change):

- Wider Derby – including the existing HMA area (see Appendix 2 & 3)
- Derbyshire – including the Peak District National Park and Derbyshire Coalfields.

Each sub-Board could be given sole responsibilities for the Enterprise, Employment & Skills, Housing and Infrastructure agendas pertinent to their areas. Inward investment, tourism, business innovation, strategy and research issues would be performed on a cross-cutting basis, reporting to the Board and sub-Boards as appropriate.

Board members would be initially drawn from the current sub regional partnerships operating within Derby (Derby Renaissance Board), Derbyshire (Derby Economic Partnership) and East Staffordshire. The Board would be a newly constituted group with a senior private sector chairperson and a 50:50 split between private sector members (some of whom would be from SMEs and all of whom should broadly

mirror the business profile and geography of the LEP) and public sector members drawn from all the constituent local authorities. Over time appointments for private sector places to the Board could be made through a Nolan compliant process.

Business Engagement

The Derby Renaissance Board, Leader and Chief Executive of East Staffordshire and Derbyshire Economic Partnership support this submission. Private sector representatives on these bodies include Eurostar, University of Derby, Nestle, QED Public Relations, Bolstertones, BRM Solicitors, Health and Safety Laboratories, Peakdale Molecular, Marketing Derby, Touch the Vision, Freeth Cartwright Solicitors and Smiths of Derby. Discussions have been held or are about to be held with other companies in East Staffs including JCB, and Molson Coors to explore their interest in becoming involved.

The views of other businesses and business membership organisations (the Chamber, Federation of Small Business, Business in the Community etc) are being sought in parallel with this submission. Business concerns and priorities have already been factored into our thinking and further discussions over the coming months will ensure we establish an organisation, create a vision and shared sense of purpose all with the private sector very much at the heart. We aim to maintain a focus on economic development.

5. Options & Conclusions

To reflect the proceeding analysis, the following four Options have been considered:

Our Preferred Option (1): All of Derby, Derbyshire and East Staffordshire

This option presents a justifiable scale (over 1m population) and a coherent “functional economic area” – based on travel to work patterns, company supply chains, road and rail networks, historical and cultural identity etc. All other counties appear to be preparing a single LEP proposal so this option would avoid splitting the principal urban area (Derby) from the rest of the county (unlike Option 4). This Option would be large enough to offer economies of scale. The functions of planning and housing, transport and infrastructure, employment and enterprise would all be best covered at this sub-regional level. It would be in a sufficiently strong position to influence Government and neighbouring LEPs and is supported by business representatives already involved in existing partnership groups.

The establishment of the main Board and other subordinate arrangements could be undertaken expediently by merging existing fully functional partnership groups that already comprise senior private sector representatives. This option is loosely based on the former sub-regional partnership area created by emda several years ago. Indeed these existing structures already perform the Employment & Skills Board functions in their areas. Lessons learnt in the establishment of this organisation have been factored into our thinking and these prior arrangements demonstrated the strength of partnership working at this scale.

This option is supported by all constituent local authorities, all Derbyshire’s MPs, the chairmen of the existing Economic Partnerships in both the city and County (both of whom are private sector), the University of Derby and Derbyshire NHS Trust. We believe that this option will provide a strategic context, private sector drive and delivery capacity that will powerfully facilitate a rebalancing of the economy towards the private sector, attract new investment and jobs and create the most favourable business environment for sustainable growth.

This Option is therefore considered the preferred Option upon which to base a LEP submission.

Option 2: Single LEP for all of Derby, Derbyshire, East Staffordshire and Nottinghamshire

Like Option 1, this option also presents a justifiable scale. It represents a significantly larger area and population than Option 1 and, assuming consensus could be reached on the bigger strategic issues, would be in an even stronger position to influence central Government and neighbouring LEPs. It should be large enough to offer economies of scale and it would potentially unite the HE sector in a powerful alliance to

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support business innovation and the growth agenda. It is clear that the existing Derbyshire & Nottingham Chamber firmly believes this is the right political and geographical basis for a LEP but it is not yet known how individual businesses and other membership networks might respond to this proposal.

If established, there would need to be careful inter-partner negotiation to determine priorities for investment. How would the relative merits of improvements to the A453 opposed to the A38 corridor be measured and appraised, for instance? This area does share an overlapping retail catchment for Westfield and Broadmarsh shopping centres and supply chains for Toyota, Rolls Royce and Bombardier also span the two counties. However, it is felt that this Option offers a less convincing case for being a “functional economic area” as aside from the examples mentioned above, there are few economic linkages that can be demonstrated between, for instance, the urban areas in and around Derby and the Nottinghamshire Coalfields; or between the rural communities in the west of Derbyshire and the east of Nottinghamshire. The commuting patterns between Derby and Nottingham are not especially convincing as an economic linkages argument. The two counties also contain three separate Housing Market Areas (Derby, Nottingham and Northern HMA (former coalfields communities), with only parts of Erewash in common between the first two of these.

Perhaps even more significantly it would be a weaker proposition in terms of delivering on the “localism” agenda. Delivery mechanisms for the types of functions inherent in our LEP submission would also have to reflect the geography and sheer distances between the points of delivery of key services like enterprise support for instance. This would inevitably require the establishment of local offices that can serve a share of the bigger operating area and this then begins to break down the economy of scale arguments for a two county solution.

On balance therefore the case for Option 2 seems weaker than that for Option 1 but it does have merit.

Option 3: Single Countywide LEP for all Derbyshire

All other counties in the East Midlands appear to be preparing a single LEP proposal which includes their principal urban area. A whole county option offers certainty about the boundary and could create sufficient scale to represent the economic and political interests of Derby and both tiers of local government in the rest of the County. It should also, but only just, meet the minimum size threshold (1m population) understood to be a prerequisite of a successful submission. However, parts of the Derby TTWA and actual economic boundary would be excluded.

It is believed that there would not be sufficient economies of scale in the size of budget to offset the cost of the Executive, which would need to be a similar size to that required to deliver Option 1.

This Option has therefore been discounted.

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Option 4: LEP loosely based on Derby's TTWA & existing HMA boundary

See Appendix 2 for a map demonstrating the area that this could cover. This option would be capable of demonstrating a “functional economic area” but would be smaller than any other LEP in the East Midlands. Current arrangements for planning, housing, and HCA Local Investment Plan seem to be working well in this scale of partnership and these arrangements could be further strengthened without difficulty by amending the existing partnership structure and membership as appropriate (Appendix 3 demonstrates the current partnership structure). It could offer a LEP that would be able to direct the economic and spatial strategies for Derby and the economic hinterland of the city in ways that maximise the benefits of our local economic strengths, particularly our position as one of the highest earning sub regions outside London. This area does also contain a significant number of international companies such as Rolls-Royce, Toyota, Bombardier, JCB, and Citibank (egg) that will undoubtedly all have a key role in the economic fortunes of the East Midlands if not the entire UK.

However, without the support for this proposal from the Derbyshire County Council, it would also fail to deliver a partnership containing more than 1 upper tier authority. The resident population of this area is below the required threshold. It may not have enough critical mass to secure Derby City Region's requirements against competing demands from Nottingham and Leicester.

This Option has therefore been discounted.

Conclusions

It is believed that Option 1 represents the best scenario that would provide a scale that could create impact and also represents a functional economic area. This option has already received support from the larger household name businesses whose fortunes are inextricably linked with the fortunes of the area.

This Option demonstrates need, i.e. vulnerability to public sector cuts, as well as an impressive track record in delivery of jobs & economic growth that is almost unrivalled outside the more affluent south east.

Finally, this Option has been based on our careful consideration of lessons learnt from the establishment of Emda's Sub Regional Partnerships.

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Appendix 1 – Supporting Facts & Figures

Table 1 - Key Demographics of Derby HMA Local Authority Areas

Local Authority	Population (2006)*	Households (2006)*	Number of Dwellings (2008)**	Land Area (Hectares)	Average Property Price***
Amber Valley	120,000	52,000	53,667	26,512	160,495
Derby City	236,300	100,000	104,437	7,803	142,028
South Derbyshire	89,800	37,000	38,480	33,000	170,847
Derby HMA	446,100	189,000	196,584	67,315	157,790

Source: * NS 2006 Mid-year Population estimates, rounded

** 2008 HSSA

*** Land Registry, Quarter 2, 2008

Table 2 - Derby City Region Employment Base

Area	Population (2009 MYEs)	Working Age Population (2008)	No. Businesses (2008 VAT reg)	Employment Base (Nomis, ABI 2008)	Key Businesses (employee numbers)	Additional info
Great Britain	60,003,100	39,957,084	2.16m	27% Public Admin, Education & Health 23% Distribution, Hotels and Restaurants 22% Finance 10% Manufacturing	-	-

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Area	Population (2009 MYEs)	Working Age Population (2008)	No. Businesses (2007 VAT reg)	Employment Base (Nomis, ABI 2008)	Key Businesses (employee numbers)	Additional info
Derby	243,000	148,800	5,240	29% Public Admin, Edu & Health 20% Distrib, Hotels & Restaurants 19% Finance, IT, Other business 19% Manufacturing	Rolls-Royce (10,000+) Bombardier (2,000) Citi Bank –Egg (1,600)	3 of Derby's largest employers are in the public sector, with Derby City Council, Derby NHS Trust and the University employing approximately 21,000 people between them.
Amber Valley	121,000	73,500	3,725	23% Public Admin, Education & Health 20% Distribution, Hotels & Restaurants 28% Manufacturing	Bowmer & Kirkland (1300) Derbyshire Building Society (600) Manthorpe Engineering (220) Easibind International (110) Collis Engineering (100)	The decline in the Borough's traditional industrial base has also led to former employment sites being redeveloped for housing, increasing patterns of out-commuting. The Borough also has significant public sector employees at Derbyshire Police HQ (3,700), Connexions and AVBC
South Derbyshire	92,800	57,600	2,955	21% Public Admin, Education & Health 20% Distribution, Hotels & Restaurants 27% Manufacturing	Toyota (4,500) East Midlands Airport (located in NW Leics)	Around 400 employees at SDDC.
Erewash	110,900	68,500	3,100	25% Public Admin, Education & Health 25% Distribution, Hotels & Restaurants 23% Manufacturing	Saint-Gobain UK (540) Marriot Breadsall Priory (250) Dri-Pak Ltd (100)	Above average youth unemployment.

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Area	Population (2009 MYEs)	Working Age Population (2008)	No. Businesses (2007 VAT reg)	Employment Base (Nomis, ABI 2008)	Key Businesses (employee numbers)	Additional info
Derbyshire Dales	70,100	40,900	4,145	32% Public Admin, Education & Health 25% Distribution, Hotels & Restaurants 14% Manufacturing	John Smedley Ltd (450) Servo Ltd (350) Derbyshire County Council (1,400) Derbyshire Dales District Council (325)	Other than Chesterfield, this is the district with lowest proportion of people employed in manufacturing sector within Derbyshire. It also has the highest proportion employed in agriculture (6.6%) & has the highest house prices in Derbyshire.
High Peak	92,400	57,700	3,285	29% Public Admin, Education & Health 24% Distribution, Hotels & Restaurants 20% Manufacturing		Within the public sector High Peak Borough Council, University of Derby Buxton campus, and New Mills School employ nearly 800 people in total
Derbyshire County (inc Chesterfield, NE Derbyshire & Bolsover)	760,200	462,900	24,670	27% Public Admin, Education & Health 23% Distribution, Hotels & Restaurants 20% Manufacturing		
East Staffordshire	108,800	66,100	3,835	23% Public Admin, Education & Health 23% Distribution, Hotels & restaurants 21% Manufacturing	JC Bamford Excavators Punch Taverns Molsen Coors Doncaster Precision Healthcare At Home	

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Table 3 - Commuting Patterns

Percentage of district workforce who commute to work in Derby		Percentage of Derby workforce commuting to districts
Amber Valley	11%	2.5%
South Derbyshire	23%	3.0%
Erewash	12%	2.4%
Derbyshire Dales	no data	1%
East Staffordshire	7%	3%

Source: ONS, Annual Population Survey 2008

Table 4 - Net Commuting Flows Working Age (16-74 years)

Area	Working time Population	% of total 'Greater Derby' working population	Resident Population	Resident – Daytime count	Resident – Daytime %
Amber Valley	78,804	19%	84,359	-5,555	-7.0
Derbyshire Dales	49,104	12%	50,435	-1,331	-2.7
Erewash	66,551	16%	79,295	-12,744	-19.1
South Derbyshire	46,509	11%	59,311	-12,802	-27.5
Derby	173,518	42%	158,156	15,362	8.9
Total 'Greater Derby'	414,486	(14% of total E.Mids)	431,556	-17,070	-4.1
East Midlands	2,928,220		3,020,752	-92,532	-3.2
England	35,466,713		35,532,091	-65,378	-0.2

Source: 2001 Census, ONS ©
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Table 5 - Potential Public Sector Jobs Losses

District	Estimated public sector job losses by 2016	Estimated job losses as a % of the employment base
Derby City	2897	2.4
Chesterfield	1374	2.8
Amber Valley	984	2.0
Derbyshire Dales	908	2.7
Erewash	777	2.1
High Peak	737	2.5
North East Derbyshire	546	2.1
Bolsover	534	2.0
South Derbyshire	511	1.8

Source: Local Futures - forecasts from the Office for Budget Responsibility where estimates are modelled into other local data sources

Table 6 - Unemployment Change in Derby City Region

Area	Rate Oct 07 - Sept 08 (%)	Rate Oct 08 - Sept 09 (%)	% Increase
Derby	6.0	8.6	2.6
East Staffordshire	4.3	6.9	2.6
Erewash	5.4	7.8	2.4
South Derbyshire	3.7	5.7	2.0
Amber Valley	4.7	6.3	1.6
Derbyshire Dales	3.2	4.5	1.3
High Peak	4.8	5.9	1.1
East Midlands	5.4	7.2	1.8

Source: ONS, NOMIS model based estimates from APS

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Table 7 – JSA Rates

	June 2010	May 2010	Mthly Change	Year on Year change	Current UE Rate
Derby City LA	7060	7345	-285 (- 3.9 %)	- 4.50%	4.7%
Derbyshire LA	15292	16094	-802 (- 5.0%)	- 11.75%	3.3%

Source: Job Centre Plus, JSA unemployment figures July 2010.

Table 8 - Economic Growth

Indicator	Derby	Amber Valley	South Derbyshire	Derbyshire County	GB	Derby Ranking
% of working age pop in employment, 2009	72.8%	77.9	79.8	78.1%	73.9%	31/64
Rate at which the no. of jobs increased 2006-08	-0.6%	*	*	*	1.2%	39/64
Private sector employment growth, 1998-2008 as % of 2008 jobs	3.7%	*	*	*	4.9%	31/63
Business births per 10,000 pop, 2008	32.6	*	*	*	44.4	41/64
Business churn per 10,000 pop, 2008	1.1	*	*	*	2.2	47/64
Average weekly earnings, 2009 (resident based)	£466	£454	£475	£462	£484	16/64
% of working age pop with no quals	14.4%	13.7%	8.9%	10.7%	12.4%	39/63
% of working age pop with NVQ4+, 2008	26.7%	21.4%	32.6%	26.5%	29.0%	28/64
Increase in JSA, Feb 2008-Nov 09	2.3%				1.9%	41/64

* Gaps in statistics need further time to research

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Table 9 & 10 - Advanced Manufacturing in Derby

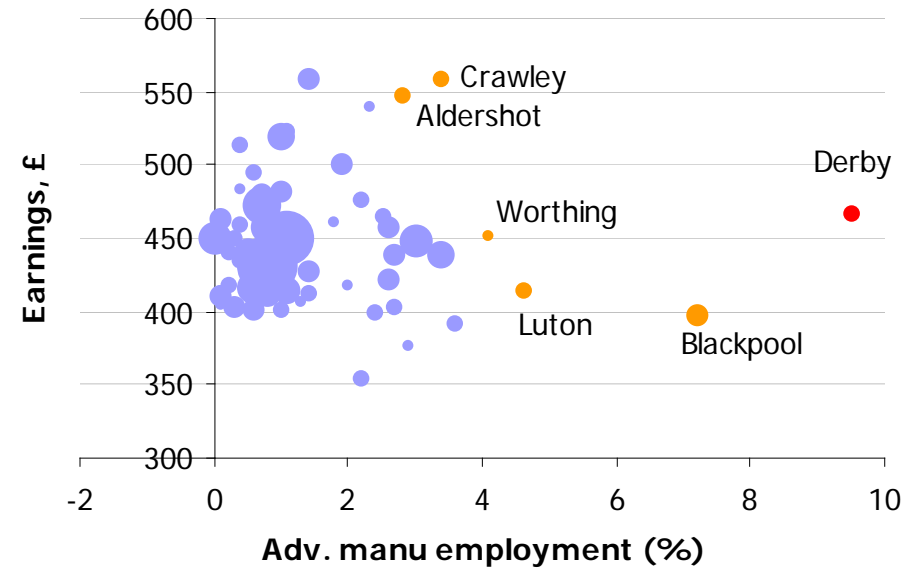
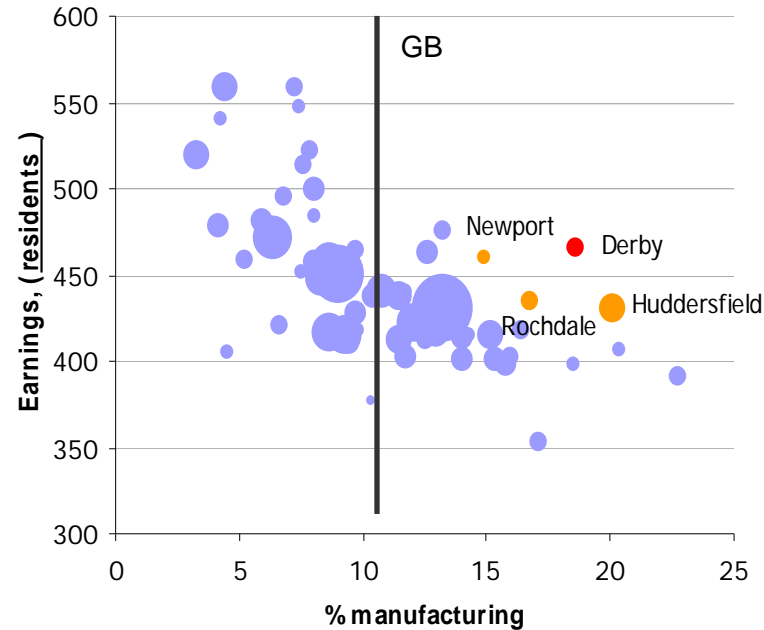
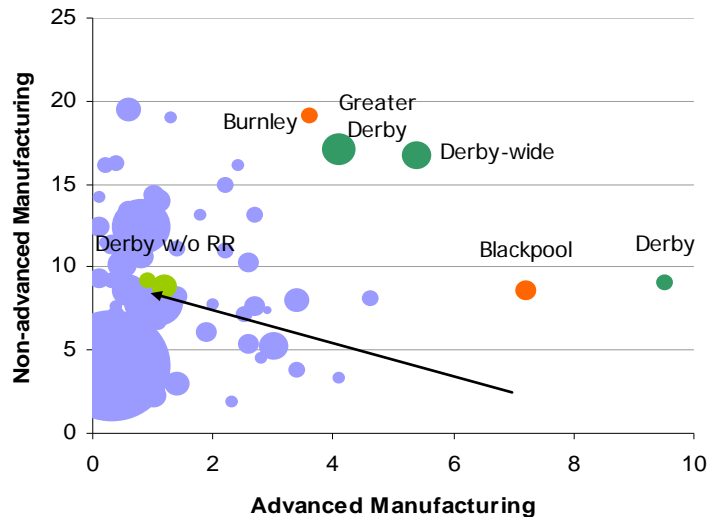


Table 11 – Proportion of Derby Employment in Hi Tech Manufacturing

Hi Tech Employment in and around Derby



Key:

Derby = city boundary

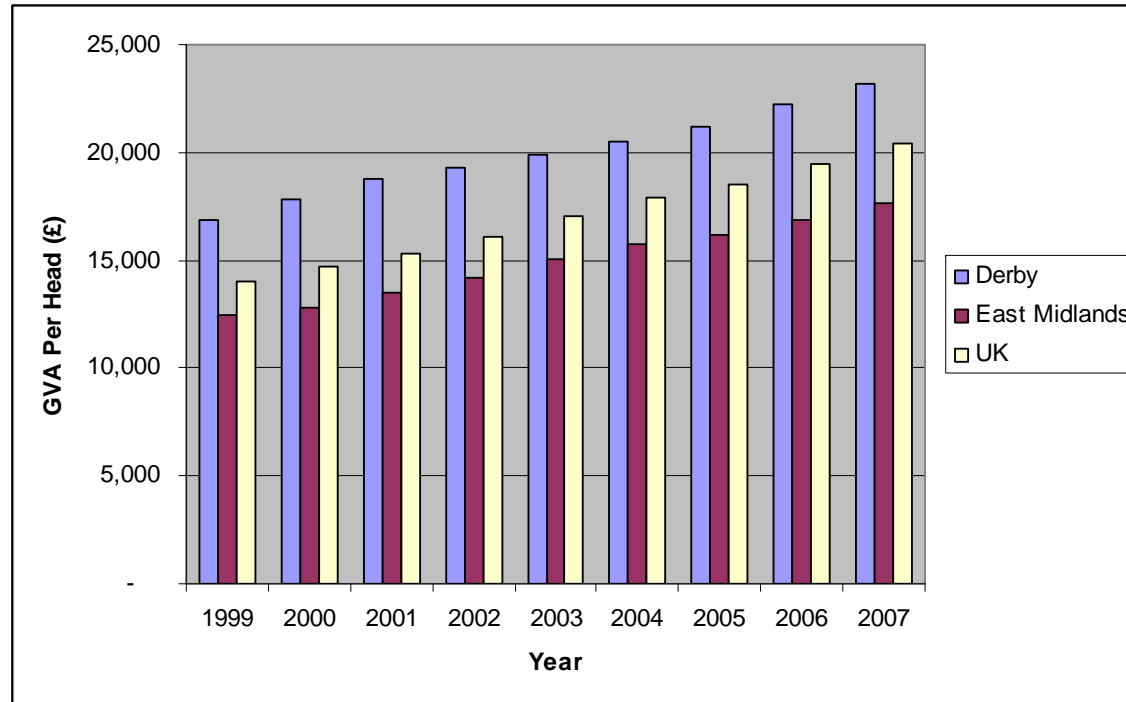
Derby Wide = Derby City,
Amber Valley, Erewash,
South Derbyshire

Greater Derby = Derby wide +
Derbyshire Dales and East
Staffordshire

Source: ABI, Nomis.

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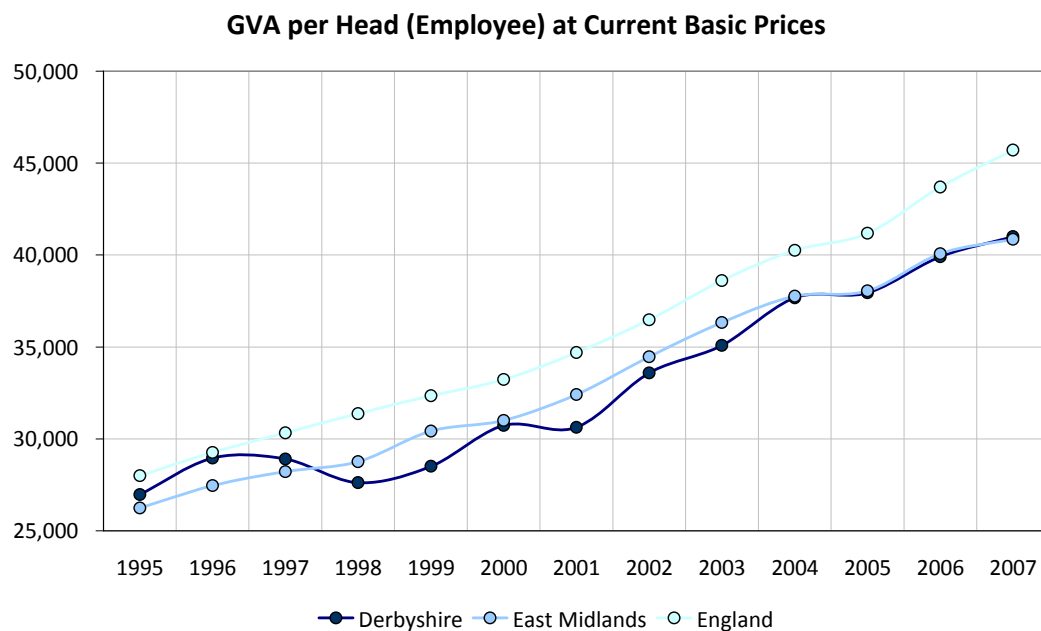
Table 12 – GVA in Derby & E Mids



Source: ONS, 2009

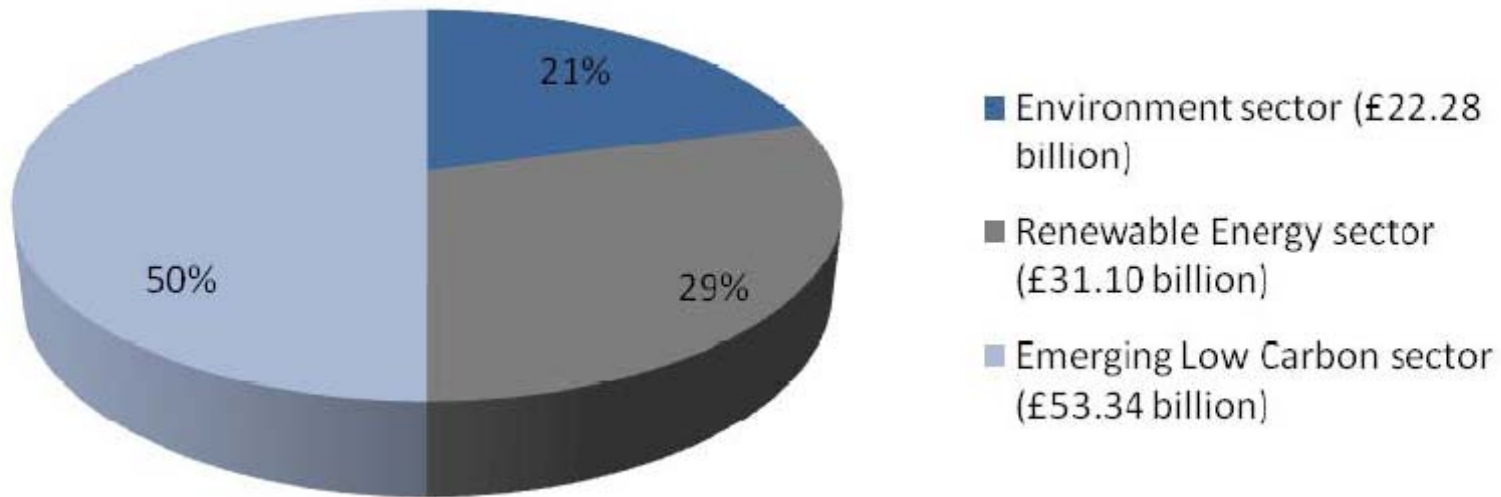
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Table 13 - Derbyshire Headline GVA per head



Source: ONS, 2009

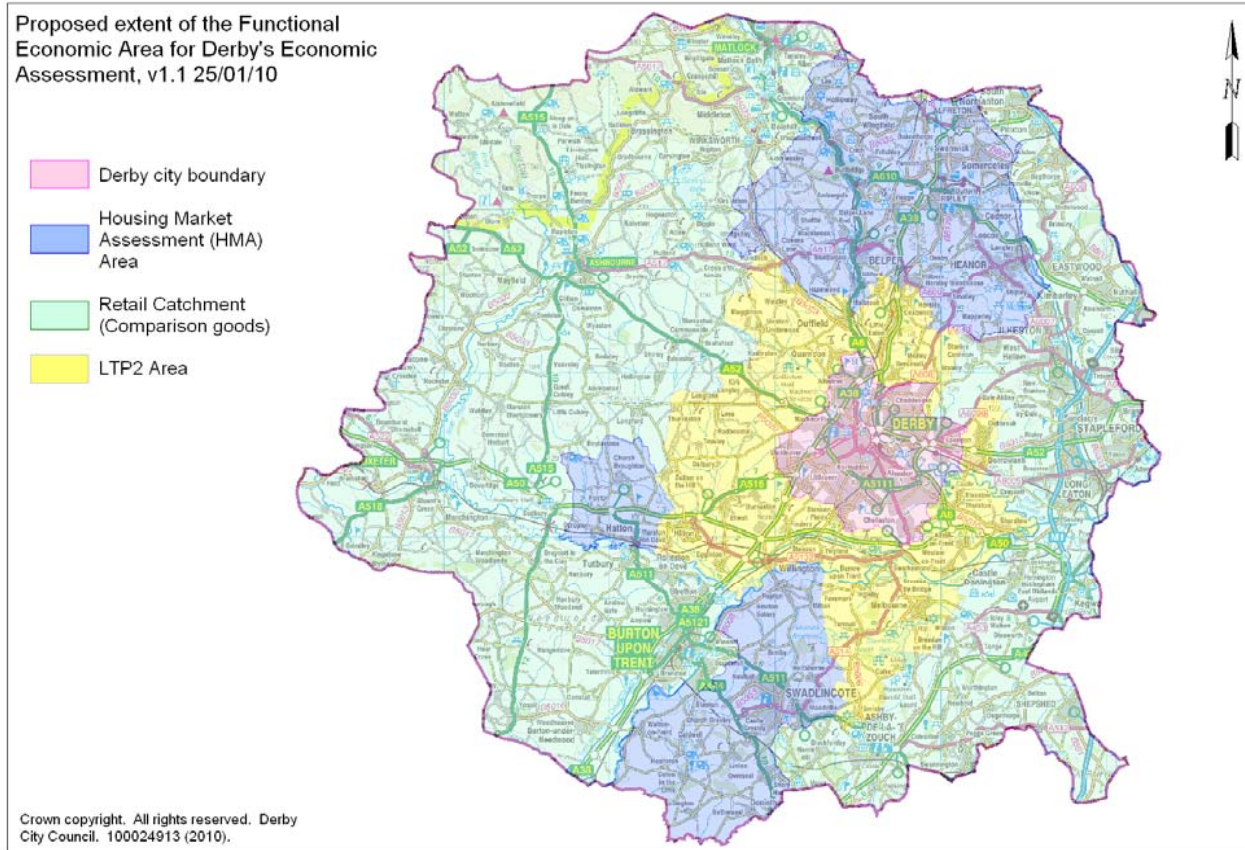
Table 14 - UK Market Value of the Low Carbon and Environmental Goods Sector



Source: INNOVAS Low Carbon and Environmental Goods and Services: An Industry Analysis

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Appendix 2: Economic Geography of Derby and hinterland



Note: The outer boundary represents Derby's retail catchment area (source: CACI, 2008). The Housing Market Area (HMA) includes all of Local Transport Plan 2 (LTP2) area plus all of the city of Derby. LTP2 Area is the indicative Travel To Work Area (TTWA). The emerging LTP3 will be contained to the city boundary.

Appendix 3: Derby HMA Joint Advisory Board

