

Report sponsor: Paul Simpson, Chief Executive
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Policy Insight and Communication

Devolution and Local Government Reform

Purpose

- 1.1 The context in which the city operates has never been more challenging. The impact of COVID-19 will be serious and long lasting in terms of our economic resilience and financial sustainability. The Council needs to look beyond short-term imperatives and organisational boundaries to collaborate effectively with partners and stakeholders to achieve the best possible outcomes for its citizens.
- 1.2 The local government landscape is also changing. We have seen regions such as London, the North West and West Midlands benefit from the introduction of directly elected mayors and combined authorities, with increased influence at Government level, opportunities to leverage funding and greater flexibilities. Within the East Midlands, joint strategic working has been explored informally within recent years but not come to fruition.
- 1.3 The Government is expected to publish a White Paper on Recovery and Devolution before the end of the calendar year. In recent weeks, Derbyshire, Nottinghamshire and Leicestershire County Councils have announced their intention to put forward county wide unitarisation proposals to the Secretary of State. In response, the Leader of the Council has also written to the Secretary of State to seek a meeting to discuss the city's local government arrangements.
- 1.4 With this context in mind and given the challenges faced by Derby, including the ongoing impact of COVID-19, the Council is looking to proactively explore all options, together with our partner local authorities, for devolution and local government reform. The aim is to work collaboratively to ensure we deliver high quality, value for money services for all our local communities and businesses.
- 1.5 This report seeks approval to develop an initial business case to explore the options for local government reform, and how this would fit within a framework of wider devolution for the East Midlands. The business case will outline a number of options with evidenced benefits and disbenefits and be subject to public consultation with the results being brought to Full Council for consideration.
- 1.6 Further to development of a final business case (with support from partner authorities, appropriate consultation and Council approval), the Council could request an invitation from the Secretary of State for Housing, Communities and Local Government to formally progress proposals for local government reform. The report suggests this could be achieved by early 2022 based on an indicative roadmap, albeit 2023 may be more realistic.

Recommendation

- 2.1 To approve the development of an initial options appraisal and subsequent business case for local government reform, to be subject to support from partner authorities and public consultation.

Reasons

- 3.1 With Derbyshire County Council actively progressing local government reform it is important that the City is not constrained by any future County local government reorganisation but instead seeks to develop its own proposals that best meets the needs of residents, communities and businesses in the city and surrounding area.
- 3.2 An options appraisal will quantify and evaluate the benefits to be derived from local government reform in the context of the Government's White Paper for devolution expected before the end of the year. This will enable development of a robust business case for consultation with all stakeholders and consideration by Full Council.

Supporting information

- 4.1 Derby City Council is a county borough created in 1997 as a unitary authority, now serving a population of 257,302 residents. Derby City is one of four unitaries in the East Midlands alongside Nottingham, Leicester and Rutland. The remainder of the region operates under a two-tier system of county and district councils. In recent years, there has been exploration of a combined authority for the East Midlands with a directly elected mayor, as well as a 'strategic alliance' across upper tier authorities to achieve common goals. These discussions have not come to fruition.
- 4.2 The Government recently announced its intention to publish a Recovery and Devolution White Paper before the end of 2020, setting out its plans for the devolution of powers, freedoms and flexibilities. The Government has been clear that to deliver devolution for local regions such as the East Midlands, and the additional powers and funding it would bring, requires the creation of new unitary authorities in existing "two tier areas". In light of this, Derbyshire, Nottinghamshire and Leicestershire County Councils have recently announced their intention to put forward county wide unitarisation proposals to the Secretary of State.
- 4.3 Whilst Derby is an existing unitary authority, the Government has stated that their preference is for new unitary authorities to serve a population of between 300,000 and 600,000, which is more than Derby's existing population. Wider evidence shows that larger unitary models are likely to improve services and outcomes by bringing together complimentary services and would support a more coordinated approach to driving local growth, attracting investment into the area and saving money for local taxpayers.
- 4.4 A recent report published by Centre for Cities entitled '*Levelling up local government in England*' strongly suggests that the sector must reorganise and simplify local government to align with the shape of local economies, and provide the full set of economic powers available to enable areas such as the East Midlands to 'level up' their devolved powers and funding in comparison to other areas such as London, the West Midlands and the North West. Given the COVID-19 context, supporting local

authorities such as Derby to address the economic and social needs of their communities, as well as ensuring financial sustainability, is paramount.

- 4.5 The Leader of the Council has written to the Secretary of State for Housing, Communities and Local Government, Robert Jenrick MP, and new Minister of State for Regional Growth and Local Government, Luke Hall MP, to ask for a meeting to discuss Derby's perspective on the potential for Devolution, a new Combined Authority / Regional Elected Mayor, and local government reform. The Leader of the Council has also issued an open invite to all councils in Derbyshire to explore the possibility for local government review.
- 4.6 It is timely to review the evidence for local government reform by commissioning resource to prepare an initial business case which evaluates options, using financial and outcomes data, and seeks the views of stakeholders and partners. The initial business case would be subject to public consultation prior to consideration by Full Council.
- 4.7 Further to consultation, the Council could decide to prepare a final business case on the preferred option for approval by the Secretary of State. Any proposal for local government reorganisation would need to meet the Government's criteria (as currently known):
1. **Credible geography** - where the unitary area is a credible geography consisting of one or more existing local government areas and having a substantial population that as a minimum is substantially in excess of 300,000.
 2. **Value for money** – where evidence indicates that local government and service delivery across the area of the proposal gives greater value for money, improved outcomes, generating cost savings, providing stronger strategic and local leadership, and more sustainable structures in the medium to long term (showing the cost of change can be recovered over a fixed period).
 3. **Local support** – where it commands a good deal of local support as assessed in the round across the whole area of the proposal, including residents, businesses, MPs and partners.
- 4.8 A possible roadmap for local government reform is shown below:
- October to December 2020 – Commission work on initial business case, including options appraisal, and incorporating the Government devolution proposals if appropriate
 - January to March 2021 – Public consultation on initial business case
 - May 2021 – Decision by Full Council as to whether to pursue local government reorganisation
 - June to August 2021 – Review findings and prepare final business case
 - September to November 2021 – Public consultation on final business case
 - December 2021 – Ratification by Full Council
 - January 2022 – Submit proposal to Government
 - May 2023 – Elections for new local government authority.

Public/stakeholder engagement

- 5.1 Any initial business case for local government reform would contain a number of options for consideration. These options would be subject to public consultation for 12 weeks. It is expected this would take place from January to March 2021. Further to consultation, the findings would be presented to Full Council for consideration.

Other options

- 6.1 The Council could choose not to pursue local government reform however it appears that 'no change' is not an option in light of the changing context, not least the expected Government White Paper on devolution. Derbyshire County Council is also pursuing unitarisation in the event that its non-structural reform proposals do not align with updated Government policy. This could impact on Derby City's interests.

Financial and value for money issues

- 7.1 The budget proposals approved by Full Council in February 2020 included provision of £100,000 for local government review (£50,000 in 20/21 and £50,000 in 21/22). This budget will be used to fund additional resource to prepare the business case.

Legal implications

- 8.1 Section 2 of the Local Government and Public Involvement in Health Act 2007 enables the Secretary of State to invite any principal local authority such as Derby as a County Borough to make a proposal for developing a unitary authority. When examining the case for local government reorganisation in an area, the Secretary of State can invite all affected upper and lower tier authorities to come forward with proposals. All proposals received will be evaluated by the Secretary of State in light of the government's criteria for reorganisation and the aims and objectives of the forthcoming White Paper. Those that are acceptable will be subject public consultation before the final form of local government is decided.

Other significant implications

- 9.1 The business case would include an equality impact assessment as part of its evidence base, to ensure that the needs of all sections of our communities are fully reflected.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Emily Feenan	24/9/20
Finance	Simon Riley	24/9/20
Service Director(s)		
Report sponsor	Paul Simpson	28/9/20
Other(s)		

Background papers:
List of appendices: