

Ashfield District Council, Bassetlaw District Council, Broxtowe Borough Council, Gedling Borough Council, Mansfield District Council, Newark & Sherwood District Council, Nottingham City Council, Nottinghamshire County Council, Rushcliffe Borough Council

City of Nottingham and Nottinghamshire Joint Economic Prosperity Committee

Report of the Nottingham and Nottinghamshire Local Authorities' Statutory Governance Review

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

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1 Executive Summary

- 1.1 The D2N2 economy is under-performing. It lags behind national growth in many areas, critically productivity and employment density primarily due to the high concentrations of low-value sectors, low skills base and low business density and start-ups. There is significant scope to improve the pace and targeting of interventions to support further recovery and growth across the wider region.
- 1.2 Derbyshire and Nottinghamshire together form a large geographical area with a mixture of unitary and two tier local government. It is acknowledged that local authorities, working together through combined authorities could help to streamline and bring greater transparency and democratic accountability to governance across the LEP area. Addressing the deficit in democratic accountability and bringing coherence to the engagement of a wide range of economic stakeholders can be achieved through a two-combined authority approach working within the D2N2 LEP geography.

Nottingham and Nottinghamshire's challenges

- 1.3 Connectivity through transport infrastructure is at the heart of Nottinghamshire's historic economic importance and remains one of the key issues in ensuring that our strengths in manufacturing and knowledge are regionally, nationally and globally accessible. 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. This is a key challenge in sustaining our economic competitiveness.
- 1.4 The challenge for Nottingham and Nottinghamshire is to raise overall economic performance and productivity supported by the development of higher skills and higher earnings. With a population of over 1.11 million people and a GVA contribution of over £19 billion Nottingham and Nottinghamshire is evidently already an area of national economic significance. However, independent economic forecasts suggest that there is further potential to be developed. One forecast suggests that Nottingham alone *could* deliver an extra 10,000 jobs by 2020. If Nottinghamshire's GVA could match the current UK average, this would represent an additional £4.3 billion GVA per annum.
- 1.5 Our ambitions for Nottingham and Nottinghamshire are centred around:
 - **improving and integrating transport systems,**
 - **raising skill levels, connecting people to work and helping business grow so we create a high skill economy**
 - **creating the space to live which enables homes to be built and our quality of life to be maintained**

- **creating the space for industry and enterprise to flourish**
- **effective management of the environment and growing our stock of low carbon businesses.**

1.6 As with the wider D2N2 economy, the Nottingham and Nottinghamshire area is not currently realising its full economic potential. We believe we can do more. Through appropriate policies and interventions, supported by targeted investment, Nottingham and Nottinghamshire could make a significantly greater contribution to UK plc. If economic performance was improved to match the current national average. It is estimated we could deliver:

- **An additional £2.49 bn of GVA (by addressing productivity)**
- **84,180 more jobs (by addressing density gap)**

This would make a significant contribution to the priorities and targets in the SEP and overall performance of the LEP and would build on the strength we already have in terms of business density which is higher than the England average.

Strengthening Nottingham and Nottinghamshire's Governance

1.7 Senior politicians and chief executives have worked together for over thirty years which has created a legacy of collaboration and trust. More recently, the Nottingham and Nottinghamshire Joint Economic Prosperity Committee has been established to provide a formal means of taking shared decisions on strategic economic development and ensuring that aspirations for the Nottingham and Nottinghamshire area are properly understood. The pace and intensity of work required to realise the full potential of the Nottingham and Nottinghamshire economy will require greater capacity for strategic planning and decision-making. For example, we currently rely on agreements by or delegations from the constituent authorities. This can slow down the implementation of decisions and can create ambiguity about when decisions are or are not subject to further ratification.

1.8 Decision-making in relation to economic development (including inward investment, skills and business support), regeneration, transport and the relationship with strategic planning is not always effectively coordinated so that decisions affecting Nottingham and Nottinghamshire are not always aligned in a way that secures maximum economic and social benefit.

1.9 A stronger and clearer relationship with the D2N2 LEP would deliver greater transparency and accountability in local decision making and a stronger sense of cohesion with and support for the Strategic Economic Plan. A single, stable,

democratically accountable body established as a permanent feature of local governance would be able to take a strategic and long term view about economic growth, infrastructure and transport.

Proposals for a Nottingham and Nottinghamshire Combined Authority

- 1.10 Our consultation on proposals to form a Combined Authority resulted in an overall response that nearly six out of ten respondents (57%) are in favour of a Combined Authority. Fewer than one in three (31%) are not and 12% don't know. Six out of ten respondents agree that a more co-ordinated approach would help improve economic development and regeneration (61% agree, 27% disagree). 81% of business respondents were in favour of the Combined Authority and were, as a group, most supportive of the Combined Authority.
- 1.15 Strategic coherence at D2N2 level needs to be complemented by effective delivery at N2 and D2 level which can manage the overlapping complexities. Governance therefore needs to take this into consideration and provide the arrangements and capability to integrate with multiple overlapping agendas. There are good working relationships with D2 partners in our joint work to support the wider D2N2 LEP. We share a number of economic 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 and household income levels are well below the England average.
- 1.16 Despite common issues, the two economies are very different, have followed different growth paths in recent years and their future growth will depend upon distinct and differing drivers. The N2 economy is less dependent on the manufacturing sector than 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. The private 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, with the share of employment in the city of Nottingham even higher.
- 1.17 The N2 and D2 areas have clear but distinct challenges and priorities, joined by a common growth strategy for the LEP; they have diverse sub-regional economies with significant **untapped economic potential**. Distinct and separate interventions are required to address underperformance in both economies – there is strong consensus that 'one solution does not fit all'.

- 1.18 The proposal for two combined authorities provides the most secure foundation for ensuring effective and convenient government, with an appropriate number of constituent authorities represented on each combined authority. The proposed Combined Authority area also reflects the identities and interests of local communities and avoids the potential problems in losing sight of distinctive strengths and weaknesses which could result from aggregation at a higher level.
- 1.19 Current arrangements have supported the LEP-wide delivery programme, provided a means of assessing projects and proposals and providing recommendations to the LEP Board, provided advice on a range of activities around local priorities and programmes, begun to develop a ‘pipeline’ of delivery projects and programmes for future economic development. However, current arrangements *demonstrate ambiguity and inefficiency in decision-making and strategic alignment and are inefficient in terms of decision-making transparency and accountability.*
- 1.20 There are limits to what can be achieved through a less formal partnership. The exercising of statutory functions would not be more efficient or effective because of the need to ratify decisions at constituent authority level.
- 1.21 We have concluded that an Economic Prosperity Board would not secure an improvement in respect of the exercising of statutory powers in relation to transport and its contribution to wider economic growth.
- 1.22 A combined authority meets the statutory tests in that it facilitates the discharge of statutory economic growth and strategic transport duties, and does so to a greater extent than an EPB because its responsibilities can include transport issues. Our proposal to form a Combined Authority will:
- Strengthen the existing governance arrangements in Nottinghamshire and between Nottinghamshire and Derbyshire to strengthen the D2N2 LEP, and deliver the wider ambitions of the Strategic Economic Plan
 - Deliver economic development, transport and regeneration activity in a more effective and efficient manner through a single, formal combined authority rather than 9 individual local authorities operating in an informal environment
 - Provide significant scope for reducing duplication in the work of the nine individual authorities
 - Provide the greatest potential to achieve a significant improvement in the economic conditions across Nottingham and Nottinghamshire whilst working in collaboration with D2 authorities to strengthen outcomes across the D2N2 area.

1.23 Our Governance Review concludes that establishment of a Nottingham and Nottinghamshire Combined Authority **would improve the exercise of statutory functions in relation to economic development, regeneration and transport and would lead to an enhancement of the economic conditions and performance of the Nottingham and Nottinghamshire area.** The nine constituent authorities have considered this review and have each agreed that a submission should be made to the Secretary of State for Communities and Local Government for the establishment of a combined authority for Nottingham and Nottinghamshire, including Ashfield, Bassetlaw, Broxtowe, Gedling, Mansfield, Newark & Sherwood and Rushcliffe.

Nottingham Regeneration Ltd

“Without doubt there is a compelling case for the creation of a Combined Authority; indeed it should be said it is long overdue.

There is a real benefit in realising economies of scale in all aspects of administration and delivery across Nottingham and Nottinghamshire. By harnessing all available expertise under the Combined Authority decision-making will lead to real progress and cost savings.”

Mich Stevenson
Chairman

2 Proposal to create a Nottingham and Nottinghamshire Combined Authority - Governance Review

2.1 Introduction

This document has been prepared by the local authorities that form the City of Nottingham and Nottinghamshire Joint Economic Prosperity Committee (Ashfield District, Bassetlaw District, Broxtowe Borough, Gedling Borough, Mansfield District, Nottingham City, Nottinghamshire County, Newark & Sherwood District and Rushcliffe Borough Councils). It details the findings of a governance review that has been undertaken under Section 108 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDCA)¹ and Section 82 of the Local Transport Act 2008.

2.2 Section 108 of LDEDCA provides that relevant authorities may undertake a review of the effectiveness and efficiency of transport within the area covered by the review and of the effectiveness and efficiency of arrangements to promote economic development and regeneration within the area covered by the review.

2.3 A review may recommend that a new legal body should be established if the creation of one of these bodies would be likely to improve:

- the exercise of statutory functions relating to economic development, regeneration and transport in the area i.e. the area covered by N2 authorities
- (for combined authorities) the effectiveness and efficiency of transport in the area;
- and the economic conditions in the area.

2.4 The issues set out in this document have been the subject of consultation with all stakeholders including proposed members of the Combined Authority (henceforth referred to as the “Nottingham and Nottinghamshire Combined Authority”); neighbouring authorities; the D2N2 Local Enterprise Partnership and neighbouring LEPs; Nottingham and Nottinghamshire MPs; other public bodies; the Chamber of Commerce; other private sector bodies; regulatory bodies; third sector bodies; the public and relevant government departments.

2.5 The findings of this governance review and the ‘scheme’ for the Nottingham and Nottinghamshire Combined Authority has been considered by each of the constituent

¹ See draft statutory guidance

<http://www.communities.gov.uk/documents/regeneration/pdf/1457197.pdf>

local authorities. All of the proposed constituent authorities have approved the submission of proposals for a Nottingham and Nottinghamshire Combined Authority.

3 Governance for Nottingham and Nottinghamshire

- 3.1 The 2008 global recession has changed the context for local and national government. Government policies have simultaneously sought to cut costs, lower national debt and boost economic growth. Within that context, continuing labour market inefficiencies, benefit dependency and wage disparity have created a context in which re-balancing the national economy is of increasing importance.
- 3.2 The 39 UK LEPs (Local Economic Partnerships) were created to bring together private and public sector skills to help address these 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 and highlighted the diverse opportunities and challenges faced by different local economies across the country. The report recommended that local places be 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.
- 3.3 More recently, the Peace Commission put forward seven recommendations for driving growth and devolution in non-metropolitan areas, arguing they are the 'spearhead of England's competitiveness' and that there is a clear need to build on the strengths of these areas and enhance their powers and governance.
- 3.4 This drive for greater powers and devolved decision-making has been embraced by local government in recent years and is exemplified by events since the recent referendum on Scottish devolution. The subsequent raising of the 'English question' has given new impetus to rethinking our own regional economic geographies and has helped set the pace and direction for governance reform.
- 3.5 Greater Manchester 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. Metropolitan and unitary areas have made early progress. However, new thinking and strong ambition are emerging from non-metropolitan areas where the long track record of multi-tier partnership working on planning, transport and regeneration is providing a firm platform for improvement.
- 3.6 Derby, Derbyshire, Nottingham and Nottinghamshire's Local Economic Partnership (D2N2 LEP) is also leading the way. As a two-tier, shire area constituted of 15 district,

two county and two unitary authorities (the core city of Nottingham and key city of Derby) it presents a unique opportunity for delivering improved governance and greater devolution to transform economic performance outside metropolitan areas.

- 3.7 The spectrum of delivery vehicles across parish, district, city and county councils is a key strength for the region and allows economic interventions to be scaled up or down, according to issue. Through close working with the D2N2 LEP Board and the Chamber of Commerce, and in embracing the findings of the Peace Commission, no other two-tier region in the country to date has risen to the governance and devolution challenge as meaningfully or convincingly.
- 3.8 With a population of more than 2 million residents the D2N2 economy has weathered the economic recession reasonably well and with some resilience. The area has good connectivity, being well served by national transport networks and there are strong connections to neighbouring economies in South Yorkshire, Greater Manchester and the wider East and West Midlands. Partner agencies have attracted healthy levels of investment to the area, including £174m through the recent Local Growth Fund.
- 3.9 However, despite these strengths, the economic conditions across D2N2 are challenging and likely to remain so for some time. Not all parts of the area have benefitted equally from recent improvements to the economy, or from the wellbeing and prosperity this brings and we know we are not realising our full economic potential. We are still a net spender of UK tax revenues and there is not enough local control over the policies and decisions which affect our economy.
- 3.10 There is now a significant opportunity for the D2N2 area to work towards a vision that builds on existing economic strengths and assets, maximises the latent economic potential, ensures everyone benefits from increased prosperity, and enables the area to regain its competitive advantage in the UK economy.
- 3.11 The D2N2 area has a diverse physical, social and economic landscape. Governance does not function on the same basis as a more compact urban area because significant geographical spread and a mix of urban and rural communities predominate. Our existing local authority governance arrangement through two separate D2 and N2 Joint Economic Prosperity Committees has therefore been a natural basis on which to undertake two statutory governance reviews.
- 3.12 **This report is concerned with the work and findings of the N2 Governance Review which has been carried out by the 9 local authorities of the Nottingham and Nottinghamshire area, but is complemented by a similar report for the D2 area.**

3.13 The Review Process

In setting the framework for this governance review, a process based on three fundamental questions has been used. The overarching objective of the review has been to ensure that any resulting proposals or arrangements strengthened the capacity and capability of the D2N2 LEP in delivering its strategic priorities (as set out in the Strategic Economic Plan) and moreover, that they secured seamless working across the LEP (and any revised D2 arrangements) to transform economic performance.

3.14 Specifically, the review process has sought to explore, assess and address the:

- Prevailing economic conditions of Nottingham and Nottinghamshire within the wider context of the D2N2 area;
- Functioning economic geographies of the area to secure good governance at the most appropriate scale;
- Importance of relationships with adjacent areas;
- Best option for supporting growth;
- Need for greater efficiency;
- Need for sustainable, medium term financial strategies; and
- Need for increasing the agility and responsiveness of local government to a fast paced and changing global economy.

3.15 The nine Nottingham and Nottinghamshire authorities understand the Secretary of State must be satisfied that any scheme for revised local governance prepared and published under section 109 of Local Democracy, Economic Development and Construction Act, 2009 (and the Local Transport Act, 2008) needs to demonstrate that it is likely to improve:

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

3.16 The requirement to have regard to the need to: **reflect the identities and interests of local communities and secure effective and convenient local government** is also fully understood and has been embedded in the process.

3.17 The challenge for the Nottingham and Nottinghamshire governance review has not just been to test whether governance arrangements are sufficient for today, but

whether they will be sufficient to deliver our medium and long-term economic ambitions.

3.18 A public engagement exercise held between 20 December 2014 and 30 January 2015 tested the work and findings of the review. Responses were received from a wide range of stakeholders and the level of response and support for the proposal has provided a strong mandate for going forward.

3.19 The three fundamental questions of the governance review were:

Where are we now?

How we currently perform economically and the key challenges we face across Nottingham and Nottinghamshire and within the wider D2N2 LEP area. This is set out in Section 4 below.

Where do we need to be?

Consideration of how we could maximise our economic potential including:

- 1) Reviewing current and emerging Government policies, the ambitions and targets of the Strategic Economic Plan (SEP), and the Nottinghamshire and Nottingham Growth Plans.
- 2) Reviewing D2N2 LEP arrangements and potential for strengthening local governance.

How are we going to get there?

Appraisal of different governance models to test their ability to improve economic performance and create the conditions for growth.

3.20 Work on the review has been undertaken by officers from Nottingham and Nottinghamshire local authorities under the direction of a district council Chief Executive and accountable to the Nottinghamshire Chief Executives' Group and the N2 Joint Economic Prosperity Committee.

4 Where are we now? The strategic economic and transport context

4.1 The D2N2 economy

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.

4.2 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.

4.3 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.

4.4 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.

4.5 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)

4.6 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
- Derby city, south Derbyshire and the M1 corridor
- North Nottinghamshire and north and east Derbyshire
- Wider Peak District

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

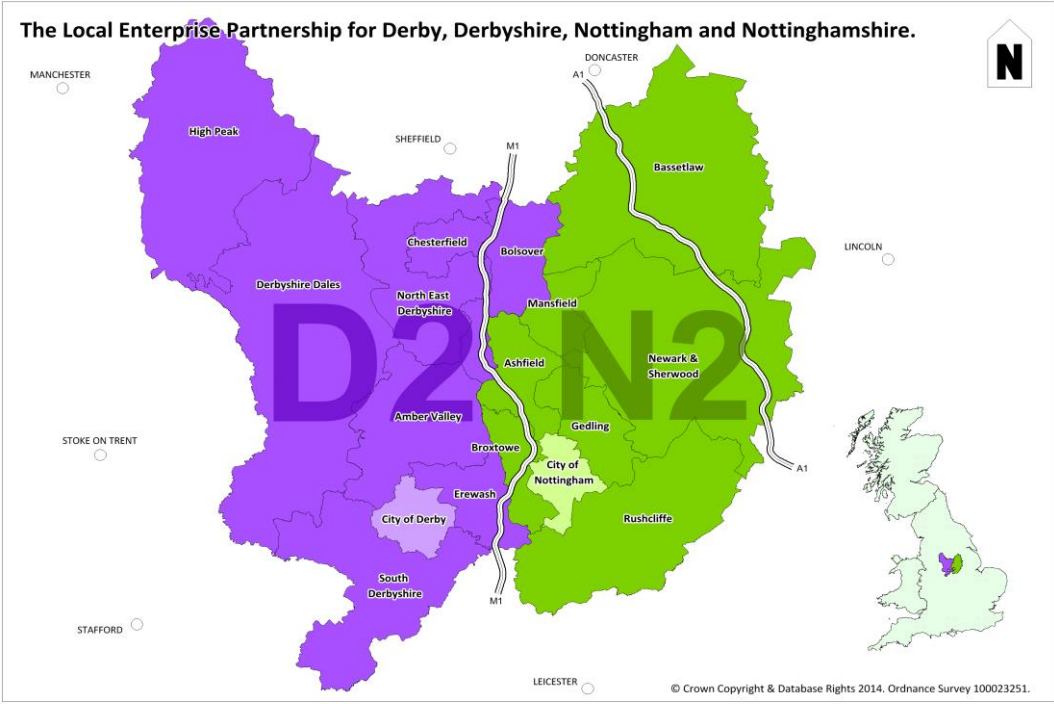


Figure 1: Regional Context of D2N2 Area

4.8 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.

4.9 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.

4.10 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. Connectivity through transport infrastructure is at the heart of the area's historic economic importance and remains one of the key issues in ensuring that our strengths in manufacturing and knowledge are regionally, nationally and globally accessible.

- 4.11 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. This is a key challenge in sustaining our economic competitiveness.
- 4.12 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.
- 4.13 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.
- 4.14 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. Global connectivity, along with mobility within the area, is of critical importance for our future economic growth and will be a key determining factor in whether we can raise our contribution to UK economic growth.

4.15 Skills and Universities

D2N2 has a strong further education (FE) and higher education (HE) offer, including three universities (one of which is in the top 1% globally) and a number of FE colleges. This provides the infrastructure so that local employers have access to a highly skilled workforce, critical for future growth, driving innovation and ensuring economic resilience. However, the quality of outcomes from FE provision varies across the region and retained skill levels in the local labour market are below national average; 400,000 people in the area are educated to degree level (30% of the population) compared to 35% nationally. Around 143,000 people of working age have no qualifications at all and fewer people than the English average have above Level 2 qualifications, meaning they are at risk of poorly paid, insecure jobs and unemployment.

4.16 To enable the D2N2 economy to reach its full potential, the quality, reach and integration of education and employment needs to be improved, so that it adequately prepares people for future work opportunities.

4.17 Investment

Figure 2 shows the key sources of finance that will support economic growth in the D2N2 area during 2015/16 to 2020/21. This illustrates that £2.4bn of public sector resources are planned to be invested in economic growth, made up of 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 businesses and ensure they are able to access the finance they need to grow and prosper.

| Investment in Strategic Priorities | | | | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| | 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 |
| Total | 424.2 | 410.5 | 381.4 | 380.3 | 377.7 | 376.3 | 2,400.4 |

Figure 2: Expected Level of Investment for D2N2

4.18 This resource complements that already being invested by the private sector. It is essential that any future delivery arrangements across D2N2 are focused on maximising access, allocation and spend of the available funding to drive growth and success.

4.19 Assessment of D2N2 Performance

An independent ‘State of the Economy’ report produced for the D2N2 LEP in 2014 (primarily assessing progress over the previous 12 months) confirmed that although the economy performs well against some indicators, the LEP’s overall performance remains behind national average on the majority of economic indicators.

| | |
|--------------------------|---|
| Gross Value Added | GVA/ fte is 85% of the national average - although productivity has increased, growth has slowed recently. There is potential for greater productivity. |
| Jobs and Business | The number of employees in D2N2 increased by over 6,000 in line with national growth – however, employment density (at 642 jobs/1,000 working age population) is below the national average of 677. There is potential to increase job density. |
| | Growth in private sector jobs increased faster than the national average – however, this has made up only for jobs lost in the recession. To keep pace with national growth and to counter balance the loss of public sector jobs, more and better jobs need to be created. |
| | Private sector job density is below average (50,000/100,000 population compared to 54,700 nationally). |
| Skills | Fewer working age residents have higher level skills – recent improvements have been below the national rate of improvement. The skills gap needs to be addressed to meet the needs of local employers. Targeted solutions need to be developed depending on business location, employment sector and availability/level of skills in local labour market. |
| | Fewer working age residents are qualified to Level 3 or above. For D2N2 to attract new investment the supply of appropriate skills is essential, linked to the employment base. |
| | Apprenticeships have doubled in the last 5 years – although the level remains lower than the national average. |
| Unemployment | Unemployment rates are decreasing in line with national trends and between 2013/14 fell by a greater percentage than nationally. |
| | Employment levels have increased greater than the national average. |

Figure 3 Summary of D2N2 Economic Performance

4.20 Whilst there are some signs of recovery with strong export levels and improving transport and digital connectivity etc. the D2N2 economy is under-performing. It lags behind national growth in many areas, critically productivity and employment density due to the high concentrations of low-value sectors, low skills and low business density. There is significant scope to improve the pace and targeting of interventions to support further recovery and growth across the wider region and to ensure the region as a whole makes a greater contribution to UK plc.

4.21 **The Nottingham and Nottinghamshire economy**

Morgan Tucker – Consulting Engineers
“...we would fully support the creation of a Combined Authority. A significant part of our business is with Nottinghamshire Authorities, particularly in the area of Transportation and Planning and we regularly see the results of disjointed localised planning and funding. I therefore believe the creation of a single overarching body to co-ordinate these issues across the County would be a huge benefit. The addition of devolved powers would also accelerate the decision making and funding processes”
Matthew Tucker
Managing Director

4.22 The economy of Nottingham and Nottinghamshire has undergone structural transformation over the last thirty years, moving from an economy reliant on large-scale, traditional heavy industries to one that is much more flexible and diverse. Service industries dominate the economic landscape and provide the bulk of employment opportunities in the city and conurbation. This is balanced out by resurgent manufacturing and energy sectors in the county that are building on the legacy of an area renowned for its ability to generate, make and innovate.

4.23 The economic crisis of 2008 and subsequent recession have created significant economic challenges which continue to impact on the ability of the Nottingham and Nottinghamshire area to fulfil its economic potential. The area has a significant manufacturing presence which operates within a global market place. Some sectors, such as construction, continue to operate well below the pre-2008 levels. Significant labour market challenges, including worklessness, low skills and low pay, are continuing features of sub-optimal economic performance.

4.24 The economic structure of Nottingham and Nottinghamshire is diverse and the spread of sectors reflects issues such as skills levels and type, commuting patterns, availability of land and connectivity to key markets. There is also strong evidence of sector growth on the back of supply chain opportunities, with global companies such as Boots, Rolls Royce and Capital One generating significant added value for the local

economy and driving growth in manufacturing, life sciences and the business and finance sectors.

- 4.25 The 'powerhouse' sectors in GVA terms (excluding public administration, education and health) are distribution, transport, accommodation and food (20.1% of GVA in 2011) and production (14.6%). 74% of production's contribution to GVA is generated by manufacturing. Notable companies and OEMs in these sectors that are based in N2 include Wilkinsons, Boots, Hillarys, British Sugar, Lindhurst Engineering, Brunton Shaw, Speedo, Changan and CenterParcs. These will continue to be important sources of growth and employment into the future, but are also now joined by a whole host of innovative companies in other priority sectors – creative/digital, life sciences/medical, low carbon and logistics.
- 4.26 The public sector is still a major employer in Nottingham and Nottinghamshire, with health and education alone providing 113,700 jobs (24%) in the area in 2012². Retail remains a significant sector for jobs, employing 55,000 people (or 12%) of the total workforce. These figures at N2 level mask intra-county discrepancies in terms of wage and skills levels, with the boroughs which border the city having higher skills and wage levels than the county average, and parts of the city and northern and western districts showing the opposite. The challenge for Nottingham and Nottinghamshire is therefore to raise overall economic performance and productivity which support the development of higher skills and higher earnings. The table below (Figure 5) sets out comparisons in terms of economic performance with the D2 area and England as a whole. This indicates that N2's challenges around worklessness and productivity are different in scale and character to those in the D2 area.

² ONS Business Register and Employment Survey 2012

Figure 4 Comparison of Economic Performance between D2, N2 and England Average

| D2 / N2 Performance on Key Economic Indicators | | | |
|---|--|---|---------|
| | D2 | N2 | England |
| GVA per FTE, £ | £51,803 | £49,855 | £59,581 |
| GVA per head, £ | £16,958 | £17,534 | £21,786 |
| Employment rate, % | 74.6% | 67.0% | 71.7% |
| Employees per 000 working age population | 627.5 | 665.5 | 677.0 |
| Unemployment rate, % of economically active | 5.4% | 8.6% | 7.6% |
| Youth unemployment, % of total unemployed | 26.8% | 26.7% | 23.7% |
| Long-term unemployment, % of total unemployed | 28.6% | 32.1% | 30.2% |
| Average earnings, £ / week, workers | Derby – £528.10 Derbyshire – £372.40 | Nottingham – £382.70 Notts. – £365.70 | £421.60 |
| Average earnings, £ / week, residents | Derby – £412.40 Derbyshire – £411.50 | Nottingham – £353.80 Notts.–£386.40 | £421.60 |
| Average household disposable income per head, £ | Derby – £13,047 E Derbys – £13,977 S&W Derbys - £16,329 | Nottingham – £11,411 N Notts – £14,570 S Notts - £17033 | £17,066 |
| Business density per 000 working age population | 52.3 | 45.4 | 60.3 |
| Business start up rate | 10.2% | 10.4% | 11.6% |
| Business 3 year survival rate | 60.6% | 60.8% | 59.7% |
| % of working age pop. L4+ | 29.5% | 30.0% | 35.0% |
| % of working age pop. L2 and below | 49.0% | 46.3% | 44.4% |
| <i>Sources: Annual Population Survey, Business Register and Employment Survey, Business Demography, Regional Accounts, Annual Business Inquiry, Census, The Data Service.</i> | | | |

- 4.27 The population of the Nottingham and Nottinghamshire area is 1.11 million, with a working age population of 715,700³. 68% of the working age population is in employment of whom 7% are classed as self-employed. 26% of the working age population are inactive, with the remaining 7% being 'active' in that they are out of work but looking for a job.⁴ These figures mask a significant amount of variation within the patch, for instance Newark and Sherwood's unemployment rate is 2.7%, whereas the unemployment rate in Mansfield is 13.8%.
- 4.28 Skills levels are broadly in line with the East Midlands average, but around 4 percentage points behind the England average at Nottingham and Nottinghamshire level. There are major differences between skills levels within Nottingham and Nottinghamshire. The % of people with no qualifications at all is higher than the national average in all areas except Gedling and Rushcliffe. The south of the area outperforms national averages in terms of the % of people with degree level qualifications, with over 54% of working age people educated to degree level or above in Rushcliffe and more than 36% in Broxtowe and Gedling.
- 4.29 Analysis by Nottingham City Council suggests that for the unemployed population to reach the same skill level as the employed population around 30,000 unemployed people would need to be up-skilled by the equivalent of at least one NVQ level. The proportion of 16-17 years olds in full time Education and Training is higher than the England average (82.3% - March 2014) in Nottinghamshire at 84.2%, but lower in Nottingham at 80.2%. The Nottingham and Nottinghamshire local authorities are focussed on tackling this gap between areas that rely on the same labour market and consider that the ability to support a more focussed and concerted effort across a wide range of providers would be a key advantage of a Combined Authority.
- 4.30 Nottingham and Nottinghamshire is home to two world class universities bringing over 60,000 students into the area each year⁵. The University of Nottingham is a world leading research university, one of the UK's Russell Group and Nottingham Trent University is the 13th largest university in the UK.
- 4.31 The Nottingham and Nottinghamshire economy functions in different spatial arrangements, depending on the nature of the local industrial base and the local labour force (see Fig 5 below). Some areas have significant in and out flows in terms of commuting patterns to sub-regional centres. Nottingham City remains a significant employment hub and provides jobs for nearly 90,000 people who commute in from surrounding areas⁶ (this includes cross-border movement from Derbyshire and Leicestershire). Over 55% of this commuter movement is from the borough council

³ ONS 2013 Mid Year Population Estimates

⁴ ONS Annual Population Survey April 2013- March 2014

⁵ HESA student enrollments 2012/13

⁶ 2011 Census ONS

areas that immediately adjoin Nottingham, where transport connections are much better (and where the skills of the local population are more likely to match those required by the key sectors in Nottingham). 36% of Gedling residents in work, work in Nottingham City as do similarly high percentages of Broxtowe (29%) and Rushcliffe (27%) residents. There is an 'outflow' of commuting from Nottingham of over 38,500 people with most people travelling to the surrounding districts.

4.32 Transport and Infrastructure in Nottingham and Nottinghamshire

Nottingham and Nottinghamshire's location and connectivity has been highlighted as a critical strength for the local economy. The national road and rail networks which serve the area, together with East Midlands Airport and the proposed HS2 development with the East Midlands HS2 station at Toton, provide a strong foundation for future economic success. As well as these strengths, mobility within the Nottingham and Nottinghamshire area has been improved over many years with the development of park and ride initiatives and the introduction of the Nottingham Tram. However, there are weaknesses in terms of the east-west connectivity and the connection between settlements outside the Nottingham conurbation which continue to create economic inefficiencies.

4.33 Travel-to-work patterns vary and, as would be expected, the level of commuting into Nottingham reduces with distance from Nottingham (see Figure 6). Bassetlaw has an outflow of commuters to neighbouring South Yorkshire (19%). Mansfield (9%) and Ashfield (12%) have outflows to Derbyshire and Newark and Sherwood has an outflow to Lincolnshire (6%). Nevertheless, each of these districts is much more self-supporting in terms of the employment base and significant majorities of people work in the district itself or in neighbouring Nottinghamshire districts.

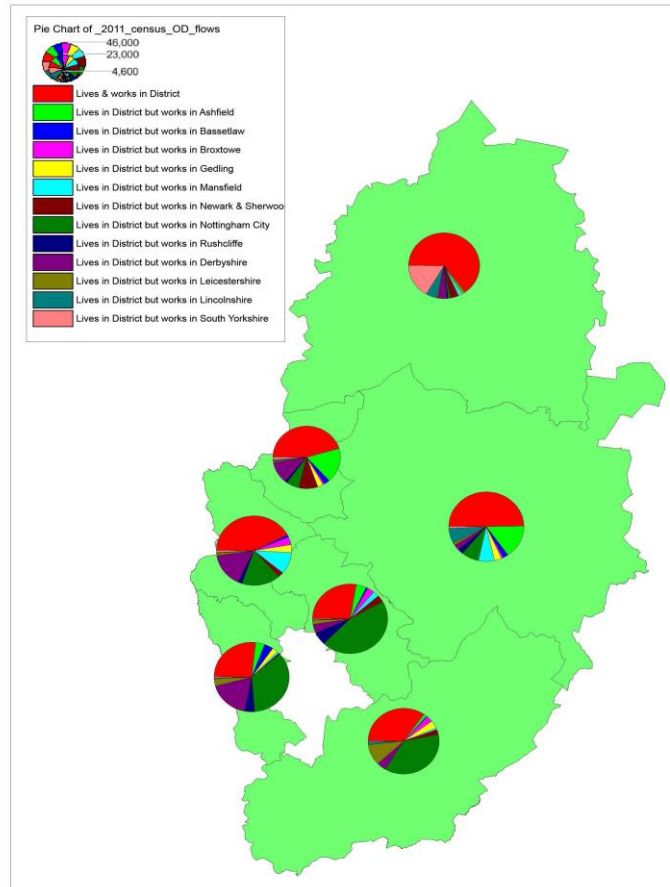


Figure 5 Travel to work patterns

- 4.34 It is important for the area that while recognising the economic coherence across Nottinghamshire we also recognise the cross boundary flows that strengthen our area. Our central location as a hub is critical. There is a varying but significant level of functional economic coherence within the Nottingham and Nottinghamshire area with the communities lying further from Nottingham demonstrating a degree of self-sufficiency and links with overlapping economic areas. The area connects with many overlapping functional economic areas and this position must be recognised through a strong governance structure. Establishing a Combined Authority would ensure that the complexities around overlapping economic areas could be effectively managed through clear strategic arrangements with the overlap areas.
- 4.35 Strong transportation links help to demonstrate the interconnected nature of the area, at the same time as identifying the need for governance arrangements which are agile enough to face multiple directions simultaneously. Rail travel is one illustration with the East of the Nottingham and Nottinghamshire area looking to the East Coast Mainline, the central areas looking to the Midland Mainline and provision of the new HS2 line station. Airports also illustrate the point with the southern area looking to

East Midlands Airport, the north-west towards Manchester and north-east to Doncaster Robin Hood Airport.

- 4.36 Transport has a direct impact on local economic productivity and this is an increasingly important issue for Nottingham and Nottinghamshire. Connectivity nationally and internationally helps drive business and connectivity internally and with our immediate neighbours helps create an efficient labour market. Growing transport and logistics sectors are significant for Nottingham, Bassetlaw and Newark & Sherwood and business growth in this area is strongly linked to the development of internet based sales.

Figure 6 transport and Logistics

Transport and Logistics – a key sector

KnowHow (the Curry's and PC World group) have consolidated their UK logistics operations into a single base in Newark, Nottinghamshire. Activities go beyond warehousing and distribution and include a repair laboratory for all UK flat-screen repairs.

Clipper Logistics operate from Boughton in Nottinghamshire on behalf of key clients ASDA, Wilkinsons and John Lewis. An estimated 12% of John Lewis clothing sales are online and are distributed from Boughton by Clipper.

PA Freight in Newark are a specialist packing and logistics company operating in Newark and working with their key client Siemens whose turbine equipment is exported across the world.

5 Where do we need to be? Growing Nottingham and Nottinghamshire's economy

- 5.1 With a population of over 1.11 million people and a GVA contribution of over £19 billion Nottingham and Nottinghamshire is evidently already an area of national economic significance. However, independent economic forecasts suggest that there is further potential to be developed. One forecast suggests that Nottingham alone *could* deliver an extra 10,000 jobs by 2020.⁷
- 5.2 The two Growth Plans that cover the Nottingham and Nottinghamshire area were drafted concurrently in order to align priorities and investment where possible across the area. There are shared priorities around infrastructure investment (i.e. the widening of the A453; superfast broadband; Nottingham Enterprise Zone; Newark

⁷ Oxford Economics Economic Projections for Core Cities (November 2013)

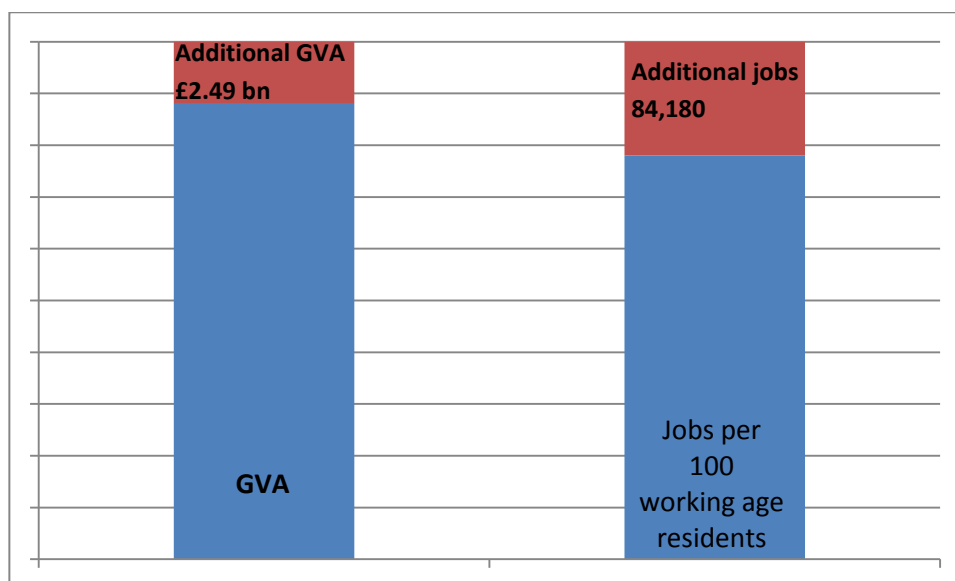
Southern Link Road and Rolls Royce Hucknall) which the area's civic and business leaders promote into the D2N2 Local Enterprise Partnership and to Government. Significant resources (over £66 million) have been secured to support infrastructure activity across the area in the first round of Growth Deals. Both Growth Plans also feature employment and skills and business growth as core priorities, and Nottingham and Nottinghamshire partners are working closely together to align this with D2N2 proposals and funding plans. Thus the newly established Nottingham and Nottinghamshire Skills and Employment Board is developing a framework that will drive future investment in upskilling the local labour force and re-engaging the long-term unemployed in key growth sectors, and the wider Nottingham and Nottinghamshire partnership is working with D2N2 on plans for a Growth Hub and new business support and access to finance initiatives.

5.3 We believe we can do more. As with the wider D2N2 economy, the Nottingham and Nottinghamshire area is not currently realising its full economic potential. Through appropriate policies and interventions, supported by targeted investment, Nottingham and Nottinghamshire could make a significantly greater contribution to UK plc. Figure 7, below, demonstrates the economic potential and how much more GVA and how many more additional jobs the N2 economy could generate if economic performance was improved to match the current national average. It is estimated we could deliver:

- **An additional £2.49 bn of GVA (by addressing productivity)**
- **84,180 more jobs (by addressing density gap)**

This would make a significant contribution to the priorities and targets in the SEP and overall performance of the LEP and would build on the strength we already have in terms of business density which is higher than the England average.

Figure 7 Closing the gap on GVA and jobs



- 5.4 Action within the Nottingham and Nottinghamshire area to target employment could result in financial benefit to the public purse. Based on the DWP model of £10,025 pa per JSA claimant, if a 10% reduction in JSA claimant numbers could be secured this would result in an equivalent £188m saving over the next decade (at 2012/13 rates) and lifespan of the SEP⁸. If we combine both JSA and ESA claimants (47,290 in August 2014) and then assume a 10% reduction in unemployment and that these workers earned an average £20,000 pa, the additional tax revenue would equate to £16.3m pa, or £163m over ten years (4,729 x 20,000)/ 5.8). **The total fiscal benefit to the Exchequer of a 10% fall in N2 unemployment would be in the order of £351m over ten years (at 2012/13 prices).**
- 5.5 The above analysis demonstrates the need and opportunity to improve performance across key economic indicators. Simply raising employment levels alone will not be enough, as both new and existing employees need to be more productive. Connecting higher skill levels with competitive businesses will provide the backbone of sustainable growth.

⁸ N2 had 18,800 JSA claimants in August 2014, so a 10% fall in claimant unemployment (of 1,880) would result in a saving of £18.8m pa to the Exchequer, equating to £188m over ten years (at 2012/13 prices).

5.6 The economic data set out in Figure 8 (below) demonstrates the key challenges and potential that Nottingham and Nottinghamshire local authorities believe could be addressed through the formation of a Combined Authority.

Figure 8

| ECONOMIC INDICATOR | NOTTINGHAM & NOTTINGHAMSHIRE PERFORMANCE | POTENTIAL IMPACT OF A COMBINED AUTHORITY |
|--------------------|---|--|
| GVA | <p>GVA per FTE in Nottingham and Nottinghamshire was £51,825 in 2012 – 88% of the UK average GVA per person.</p> <p>Nottingham and Nottinghamshire’s growth in GVA since 1997 has been 62.15%, exceeding the UK average growth of just under 60%</p> <p>Nottingham and Nottinghamshire’s GVA output of £19.6 billion in 2012 was approximately 1.3% of the UK’s GVA</p> <p>Office for National Statistics</p> | <p>Potential to raise GVA, exceed growth in UK average of GVA to close the current gap, and increase Nottinghamshire’s contribution to UK GVA by £2.5 billion</p> |
| EMPLOYMENT | <p>Employment levels in Nottingham and Nottinghamshire are below the UK level with levels in Nottingham (61.9%) and Ashfield (67%) significantly below the UK average of 71.9%</p> <p>Economic inactivity levels are higher than the UK with Nottingham (29.3%), Ashfield (28%) and Bassetlaw (26%) significantly above the UK average of 22.7%</p> <p>ONS Local indicators for county, local and unitary authorities December 2014</p> | <p>Potential to increase employment levels, reduce economic inactivity levels, contribute more to GVA by adding to the productive workforce and create an additional 84,000 jobs</p> |

| | | |
|---------------------|--|---|
| <p>UNEMPLOYMENT</p> | <p>Unemployment in the Nottingham and Nottinghamshire area fell between October 2010 and October 2014 from 3.6% to 2.6% but remains above the UK rate of 2.2%.</p> <p>Nottinghamshire County Council Local Employment Bulletin Oct 2014</p> <p>Nottingham has the highest level of workless households in the UK at 30.1% of households with at least one workless person between 16 and 64. Three of Nottinghamshire's seven districts also had higher workless households than the 17.2% UK average.</p> <p>Office for National Statistics: Workless Households for Regions across the UK 2013 Published 6 November 2014</p> | <p>Potential to reduce the impact on public spending by £351 million over ten years and reducing benefit dependency.</p> |
| <p>EARNINGS</p> | <p>Average earnings in Nottingham and Nottinghamshire are 86% of the UK average with average earnings in Mansfield at only 79% of the UK average.</p> <p>ONS Annual Survey of hours and earnings 2014</p> | <p>Potential to increase earnings levels which has a positive impact on local economies and reduces public spending on in-work benefits</p> |
| <p>SKILLS</p> | <p>In Nottingham and Nottinghamshire 25.5% of the population aged 16 or over have no qualifications which is higher than the national average of 23.2%</p> <p>The area also has lower levels of more highly qualified people (23.4%) compared to the UK figure of 27%</p> <p>Census UK highest level of qualification</p> | <p>Tackling the level of 'no qualifications' has a direct relationship with earnings potential and long term benefit dependency.</p> |

5.7 So how can we address these key challenges and realise the full economic potential which Nottingham and Nottinghamshire has? Local Government Leaders, working through the Joint Economic Prosperity Committee, have recognised that the potential for improved economic performance must be under-pinned by a vision which harnesses the potential around our location, strengths, knowledge and connections so that Nottingham and Nottinghamshire are a key part of the Midlands, UK and global economy. Our ambitions are centred around:

- **Improving and integrating transport systems**
- **Raising skill levels, connecting people to work and helping business grow so we create a high skill economy**
- **Creating the space to live which enables homes to be built and our quality of life to be maintained**
- **Creating the space for industry and enterprise to flourish**
- **Effective management of the environment and growing our stock of low carbon businesses**

Details of our developing plans for each of these ambitions are set out below.

| |
|--|
| <p><u>Improving and integrating transport systems</u></p> <p>Improving productivity and jobs depends to an extent on the effective connections which exist within and between the main urban areas in Nottingham and Nottinghamshire. Stronger internal connectivity can help to release economic potential. The economic strengths of Nottingham and Nottinghamshire are under-pinned by location and connectivity. We want to improve on current arrangements which are based on fragmented funding which does not allow a clear alignment between priorities. Furthermore, priorities around transportation need coherence with priorities being considered by national agencies including the Highways Agency, Network Rail and train and bus operating companies.</p> <p>Delivery of transport priorities currently requires alignment of priorities at local level with decisions at LEP / Local Transport Board and national levels. This layered decision-making adds time and complexity and ultimately impacts on the deliverability of schemes. Nottingham and Nottinghamshire partners have already begun to work on a common appraisal framework for major schemes, including transport schemes, alongside partners in Derby and Derbyshire. This is the first step in an approach which could lead to greater opportunities for pooled funding and shared delivery responsibility for major schemes.</p> <p>Local Government in Nottingham and Nottinghamshire recognises that our future economic prosperity is dependent on our ability to harness the potential around our</p> |
|--|

location, strengths, knowledge and connections so that we continue to play a strong role as part of the Midlands economy, and make a strong contribution to the UK and Global economy. A Combined Authority would enable us to bring strategic planning and decision-making around key connectivity issues into a single forum with formal status and the ability to plan in the long-term.

We want to work towards the creation of an *integrated transport system* to better manage and rebalance our bus network, make full use of traffic management powers and allow more efficient operation of local roads. We want to create certainty and stability through long term planning. Providing better connectivity, especially in our rural and hard-to-reach areas, will ensure better and more affordable access to employment and training for all our communities.

We want to ensure there is a long-term and strategic commitment to maximise the economic potential arising from HS2 and the development of the HS2 station at Toton. This includes ensuring that there is a strong integrated transport network which links into HS2 and that we can maximise the development and jobs potential of sites around the HS2 station.

Raising skill levels, connecting people to work and helping business grow so we create a high skill economy

We want to raise our game on skills that will connect people to work and improve the productivity of our businesses. By taking an overview of skills programmes and guidance we believe that more effective interventions can be made using existing resources. We want to improve the impact of the FE system and co-commission activity from FE colleges and private training providers to meet the immediate and long term requirements of the labour market. Focus will be on our priority sectors to ensure the needs of economy and our employers are met. This will include filling the skills gaps in those priority and growing sectors and delivering enhanced apprenticeships that will make a real difference to our economy.

We recognise that our two Universities are a key strength for the economy and we want to ensure that we retain more of the high-level skills developed through the Universities in good quality roles within our expanding economy. We want to build on our successful experience in spinning-out growth businesses from the research strengths that lie within the Universities and ensure that the local economy can access their knowledge and potential.

We believe that we can develop a more effective range of employability support, particularly to those with the highest needs, and reduce the level of NEET across the N2 area. We will build on our work to develop integrated support to families through

our Early Intervention and Priority Families strategies, bringing coherence to these interventions across the Nottingham and Nottinghamshire area. We will also develop further our existing integrated service provision with DWP through the roll out of the Employer Hub model established as part of the City Deal process.

We believe that we can develop a more effective relationship between national and local resources, programmes and interventions that maximise the benefits from the productivity gains of our unique and globally competitive companies. We want to bring about significant productivity and innovation gains through added value business growth. Our challenge is to unlock the potential of our geographic cluster of internationally significant companies by enhancing productivity and driving the growth and development of the indigenous micros and SMEs in our supply chains.

Creating the space to live which enables homes to be built and our quality of life to be maintained

We have the potential to grow further, creating a good quality of built environment unlocking housing developments that have stalled and bringing forward brownfield sites for re-use. We can begin to address the need for more social and affordable housing needed by working together to meet the changing demands of our citizens across our diverse rural and urban areas.

We can believe that savings on Housing Benefit spending can be achieved by delivering affordable, good quality and well managed housing at below Local Housing Allowance rates.

Crucially, we will unlock the housing market by facilitating the development of stalled, smaller sites by bringing vacant properties back into use, by generating affordable homes and by working collaboratively and strategically on housing land supply.

We will build on our collaborative approach to ensure that future plans are complementary by harnessing the planning expertise and experience we have across the nine councils. We understand the importance that quality of life plays in our current strengths and will share our extensive knowledge across our councils to ensure that we have a high quality built environment and conserve our heritage and rural communities.

Creating the space for industry and enterprise to flourish

We aim to make an economic step change, bringing about significant productivity and innovation gains through added value business growth. Our challenge is to unlock the

potential of our geographic cluster of growing and internationally significant companies by enhancing productivity and driving the growth and development of the indigenous micros and SMEs in our supply chains. We want to develop existing financial support schemes so that we create a Local Investment Vehicle to channel resources and investment to businesses and projects that need it by looking at the opportunity to pool local and national funds

We want to ensure that the resources used by national government (its network of embassies, supply chain programmes, funding for growth and for collaborative research, enabling legislation) can be effectively integrated with the planning powers, skills development and understanding of local supply chains. This will drive up the productivity and competitiveness of supply chain firms.

We have an established list of priorities around the development of key employment sites and supporting infrastructure and our investment plans will ensure that they are brought forward to support enterprise growth. We have a range of growth hubs for specific sectors with the highest growth potential including bio-science, engineering technology and creative industries and logistics. We have a network of incubation and small business space around the N2 area with strong connections to Higher Education and Business support services and we will seek to develop this strength further.

Our two world-class Universities already have established links into local industry, supporting it through research, teaching and spin-out enterprises. We have potential to develop these links further, for example, by exploring the potential of University international links and their relationships with local business.

We believe that our regulatory functions (such as Planning, Environmental Health and Licensing) are already structured to provide an effective balance between being business-friendly and protecting the quality of our environment and public safety. However, our aspiration is that these functions are consistently excellent across Nottingham and Nottinghamshire and notable for their positive impact in supporting growth.

Effective management of the environment and growing our stock of low carbon businesses

We want to ensure that our ability to grow and prosper for is as future-proof as it can be. We recognise that environmental sustainability is critical and that alongside the nurturing of our current environmental quality, we need to ensure that Nottingham and Nottinghamshire develops its capacity to engage in low carbon research and business growth. We will develop our engagement with our Universities and existing

stock of low carbon and renewable energy businesses to exploit existing knowledge and capacity and ensure that targeted use of our business support mechanisms will aid growth in this sector..

We also recognise that the rapid pace of technological change has the potential to impact positively on environmental sustainability. The delivery of Superfast Broadband is a high profile issue across the UK and is being addressed through several separate programmes. We want to ensure that there is continued investment in this critical “fourth utility” if our communities are to be fully inclusive, our businesses are to maintain a competitive advantage, and if we are to achieve our ambitions to reduce travel and target transport investment more effectively. We want to achieve 100% connectivity in terms of broadband and mobile telecommunications coverage.

Creating a long-term plan for energy security, reduction and generation will be a key activity for any future Government, with new models for meeting the energy needs of local businesses and communities being a central part of this. The D2N2 area has a broad base of stakeholders involved in this agenda, including world leading university departments; energy producers and suppliers; high-energy-users; large stock-holding local authorities and other landlords; leading businesses in the burgeoning low-carbon sector. N2 is home to the UK’s largest District Heating Network, has a growing international reputation in the green-agenda and has ecological strengths such as access to local renewable energy, and existing power stations. We will develop a localised energy strategy, taking a joined-up approach to energy usage, security, affordability, and the development of the low-carbon sector.

Boots (Walgreen Boots Alliance)

“This feels like a step forward and will help Nottinghamshire become more effective as a region to attract inward investment and to make sure the infrastructure is there to support it.

Ken Murphy

Executive Vice President of Walgreens Boots Alliance, Inc. and President of Global Brands

6 How do we get there? Governance and Strategic Delivery

6.1 Strong, stable, visible, accountable.

The public and private sectors in Nottingham and Nottinghamshire have worked in strong, progressive partnerships focused on the economic transformation of the area. Greater decentralisation and autonomy or “earned devolution” is central to our future success. Public and private sector leaders have a detailed understanding of the Nottingham and Nottinghamshire economy, where it is strong and sustainable and where there are challenges that hold the economy back. Stronger governance offers us the opportunity to build on that partnership record, for example, by developing a single coherent growth strategy for the area. This will bring together current aspirations and programmes into a single plan which integrates with and supports the delivery of the Strategic Economic Plan outcomes at D2N2 level.

6.2 Nottingham and Nottinghamshire leaders recognise that - in order to deliver a Nottingham and Nottinghamshire economic strategy and to secure greater influence over decisions which impact on the area, strong, stable, visible and accountable governance will be essential. The aim of the Nottingham and Nottinghamshire governance review is therefore not just to establish governance arrangements that are sufficient today, but also have the potential to deliver the area’s medium to long-term ambitions.

6.3 The D2N2 LEP.

Strong local governance is not only critical for Nottingham and Nottinghamshire – it matters for the whole D2N2 area. Ensuring strong partnership working across the public, private and third sectors to facilitate the conditions that underpin economic success will be essential and our governance review has sought to identify and address the areas for improved joint working and delivery across D2N2.

6.4 The D2N2 Local Enterprise Partnership (LEP) provides the means through which strategic priorities for the D2N2 area’s economy are determined by a range of stakeholders. The LEP is made up of a leadership [Board](#), and various delivery groups, and advisory arrangements.

6.5 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.

6.6 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.

6.7 Supporting the Board are three strategic groups covering:

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

6.8 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.

6.9 The D2N2 arrangements do not encompass representation for all nineteen councils in the D2N2 area resulting in a democratic deficit. Therefore, in addition to the core D2N2 LEP arrangements, two Joint Committees (one for each of the D2 and N2 areas) complement the work of the Board by providing strategic co-ordination and delivery of relevant local government interests. For Nottingham and Nottinghamshire, these arrangements include work with the private sector via the Nottingham Growth Board, the Nottinghamshire Business Engagement Group, a wide range of business clubs and groups in localities as well as the established business representative organisations such as the Chamber of Commerce, the CBI, the Federation of Small Businesses and the Institute of Directors. These organisations and networks have evolved over time, operating at different levels and in different geographies. Stakeholder voices are therefore working across different geographies with the consequence that engagement is not always efficient or effective.

6.10 Figure 9 overleaf illustrates how the LEP's existing governance arrangements (shown in green) link with the existing D2 Joint Committee arrangements shown in orange and N2 arrangements shown in blue.

6.11 In addition to those arrangements identified in Figure 3, Bassetlaw District Council (an 'overlap' authority within the N2 Joint Committee) also has a strong relationship with the LEP in South Yorkshire (Sheffield City Region). Derbyshire Dales, Bolsover, North East Derbyshire and Chesterfield councils in Derbyshire have a similar relationship with the Sheffield City Region LEP.

6.12 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 by having a single agreed set of processes to assess proposals, business cases, decision-making and monitoring arrangements

6.13 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. Derbyshire and Nottinghamshire together form a large geographical area with a mixture of unitary and two tier local government. It is

acknowledged that local authorities, working together through a combined authority could help to streamline and bring greater transparency and democratic accountability to governance across the LEP area.

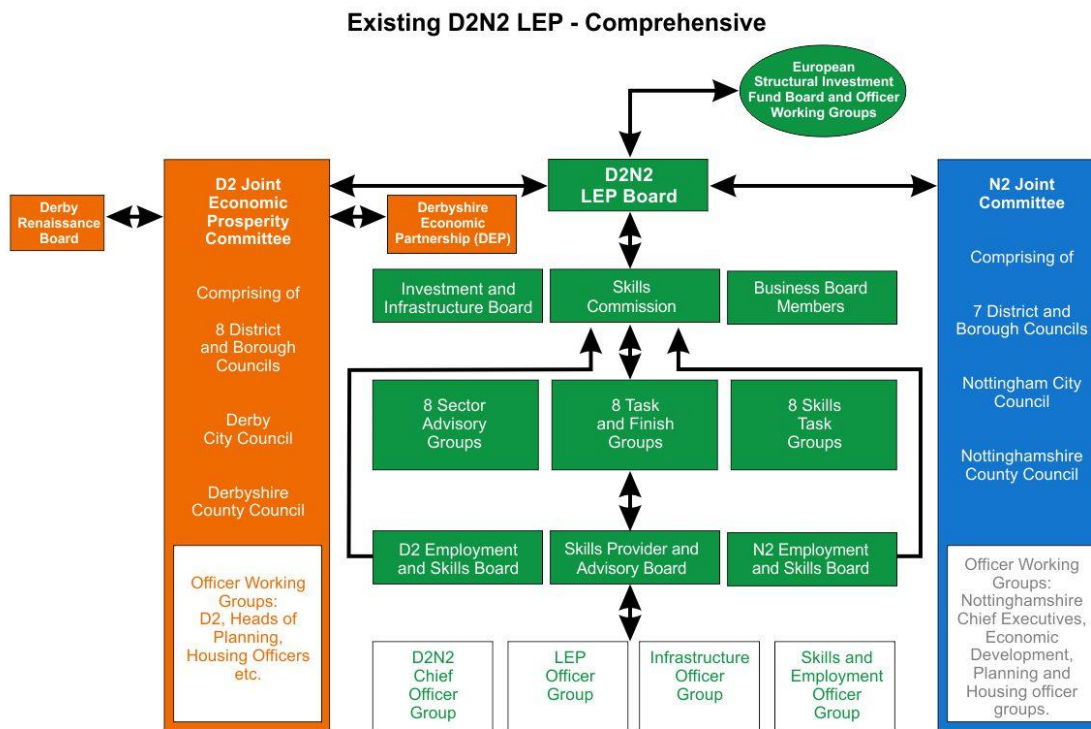


Figure 9: Current D2N2 LEP Comprehensive Governance Arrangements

6.14 Strategic Delivery and Performance

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”.

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

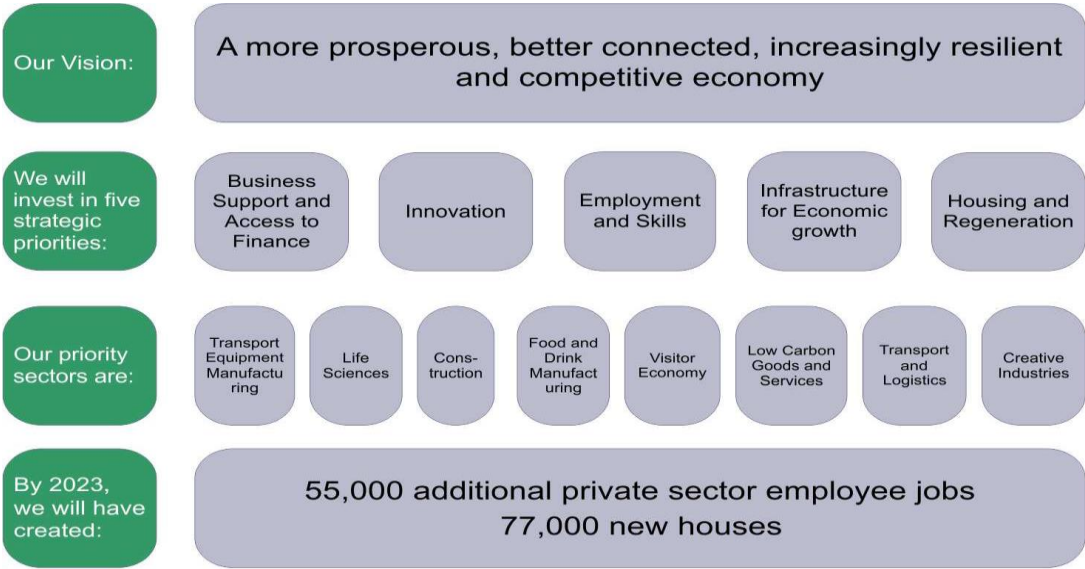


Figure 10: The Vision, Priorities, Sectors and Targets of the Strategic Economic Plan

6.16 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.

6.17 Addressing the deficit in democratic accountability and bringing coherence to the engagement of a wide range of economic stakeholders can be achieved through a two-combined authority approach working within the D2N2 LEP geography. Although the D2N2 economy has much strength, significant challenges remain and more has to be done to drive growth, employment and prosperity if the region is to regain competitive advantage.

6.18 The table (figure 11) provides an estimate of the level of investment expected to be made across of the thematic priorities of the SEP over the period 2015/16 to 2020/21.

| Investment in Strategic Priorities | | | | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
| | 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 |
| Total | 424.2 | 410.5 | 381.4 | 380.3 | 377.7 | 376.3 | 2,400.4 |

Figure 11 Investment in Strategic Priorities – Local Growth Fund (£m)

- 6.19 This illustrates that £2.4bn of public sector resources will be invested in economic growth activities across the LEP area, made up of 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 businesses and ensure they are able to access the finance they need to grow and prosper.
- 6.20 This resource complements that already being invested by the private sector. It is essential that any future delivery arrangements across D2N2 are focused on maximising access, allocation and spend of the available funding to drive growth and success.
- 6.21 Whilst there are some signs of recovery with strong export levels and improving transport and digital connectivity etc, the D2N2 economy is under-performing. It lags behind national growth in many areas, critically productivity and employment density primarily due to the high concentrations of low-value sectors, low skills base and low business density and start-ups. Future governance arrangements therefore need to be able to improve the pace and targeting of interventions to support further recovery and growth across the wider region.

6.22 The potential to strengthen Nottingham and Nottinghamshire governance.

The Nottinghamshire Local Authority Leaders have a long-established collaborative relationship through a regular informal meeting which has maintained a strong focus on economic and transport issues. This commitment to work together has been in place since the 1980's. Over thirty years a commitment to bring the senior politicians and chief executives together in a number of different formats has created a legacy of collaboration and trust. More recently, the Nottingham and Nottinghamshire Joint Economic Prosperity Committee has been established to provide a formal means of taking shared decisions on strategic economic development and ensuring that aspirations for the Nottingham and Nottinghamshire area are properly understood and reflected in the priorities of the D2N2 LEP.

- 6.23 The Leaders of Nottingham City Council, Nottinghamshire County Council and Newark & Sherwood District Council (representing the Nottinghamshire Districts) are members of the D2N2 LEP Board and work with the Board to connect Nottinghamshire authorities to the vision for a more prosperous, better connected and increasingly resilient and competitive economy. Renowned and well-established businesses like Alliance Boots, Capital One, Speedo, DSG Retail (Currys PC World), DHL, Wilkinson's, Laing O'Rourke and British Sugar together with an array of innovative small and medium-sized businesses demonstrate the strength of private sector business in Nottingham and Nottinghamshire.
- 6.24 Nottinghamshire County Council and Nottingham City Council are responsible for the strategic direction of transport planning and delivery in the N2 area and are the bodies responsible for the [Nottinghamshire Local Transport Plan](#) and the [Nottingham City Local Transport Plan](#). Collaboration in this area is well-established on transport overlaps but the potential to take this to a more formal level through the

establishment of a Combined authority would enable the partners to develop a long-term, inclusive and comprehensive strategy around the development of the Nottingham and Nottinghamshire's transport infrastructure and explore aspirations for a more integrated transport system by providing a single voice to engage with bus and rail operators.

6.25 Nottingham and Nottinghamshire local authorities have been able to secure significant improvements for economic growth through its collaborative approach including:

- *Securing the Nottingham Enterprise Zone which will grow health and wellness businesses as part of Nottingham's growing cluster of healthcare, bio technology and pharmaceuticals businesses*
- *Developing a shared view on the development of clusters of key business sectors across the Nottingham and Nottinghamshire area.*
- *Working collaboratively to develop a strong pipeline of projects that can unlock economic growth and enterprise. For example, as a result of our experience through Growth Deal One, we understand the wide range of potential projects which exist but recognise that we need to invest in their development to bring clear, well-justified projects forward. We are already using our experience in unlocking housing projects to address schemes that have stalled.*
- *Securing the potential for investment in key projects through the D2N2 Growth Deal, ESIF programme, Nottingham City Deal, partnership working through cross City and County organisations such as destination management organisation Experience Nottinghamshire, and delivering employment support for young people through (Nottingham and Nottinghamshire) Futures.*

6.26 The ability to secure devolved funding for major transport schemes and to play an active and strongly influential role in shaping major national infrastructure projects including HS2; the development of the East Coast mainline; the delivery of universal superfast broadband, and governance and oversight of delivery bodies which span authorities such as Nottingham Means Business, Experience Nottinghamshire and Futures are all dependent on improved Nottingham and Nottinghamshire governance. It is recognised that more formal and robust arrangements will lead to a process of "earned devolution" – where greater local autonomy will follow strengthened governance and a track record of local competence. The constituent authorities recognise this important opportunity to secure significant devolution of powers and resources from central government in view of the strong governance model of a Combined Authority.

6.27 To support public engagement with these proposals, a consultation exercise was run between 24 December 2014 to 6 February 2015 – providing over six weeks of public

consultation. The consultation included:

- An online survey asking for feedback from stakeholders and the general public on the draft proposals, promoted via the internet and other methods
- A joint event with Derby and Derbyshire authorities at Westminster Hall to engage with the D2N2 area's MPs
- Emails inviting a fuller response from key stakeholders such as Non-Departmental Public Bodies, other local authorities, key businesses and business representative organisations and leading stakeholders from local organisations such as Universities and Colleges.

6.28 A total of 685 responses to the online survey were received. Overall, just under six out of ten respondents (57%) are in favour of a Nottingham and Nottinghamshire combined authority fewer than one in three (31%) are not (12% don't know). Six out of ten respondents agree that a more co-ordinated approach would help improve economic development and regeneration (61% agree, 27% disagree). 66% of respondents agree that a more coordinated approach would help improve the effectiveness and efficiency of transport.

6.29 81% of business respondents were in favour of the Nottingham and Nottinghamshire combined authority and were, as a group, most supportive of the Combined Authority. Letters and emails were received direct from key stakeholders in response to an email inviting their opinions on the Nottingham and Nottinghamshire Combined Authority proposals. 38 responses were received from businesses and business organisations which were overwhelmingly supportive of the combined authority proposals. Quotes from some of these responses have been incorporated in this report.

Highways Agency

"We welcome the proposals for a N2 Combined Authority which will help with delivering long-term strategic decisions on major issues such as economic development, regeneration and transport which are key to the economic prosperity of the County.

The proposal will help to simplify and focus those working relationships and allow a more strategic approach to effectively manage both the network as a whole and the complex interface issues between the SRN and local highway network in the Country."

Victoria Lazenby

Network Delivery and Development (Midlands)

6.30 However, it is recognised that the pace and intensity of work required to realise the full potential of the Nottingham and Nottinghamshire economy will require greater capacity for strategic planning and decision-making and that therefore the current arrangements through the Nottinghamshire Leader’s Group and the Nottinghamshire Joint Economic Prosperity Committee are insufficient for the following reasons:

- As an informal body, the Nottinghamshire Leader’s Group is dependent on agreements by or delegations from the constituent authorities. This can slow down the implementation of decisions and can create ambiguity about when decisions are or are not subject to further ratification
- Decision-making in relation to economic development (including inward investment, skills and business support), regeneration, transport and the relationship with strategic Planning is not always effectively coordinated so that decisions affecting Nottingham and Nottinghamshire are not always aligned in a way that secures maximum economic and social benefit
- A stronger and clearer relationship with the D2N2 LEP would deliver greater transparency and accountability in local decision making and a stronger sense of cohesion with and support for the Strategic Economic Plan
- A single, stable, democratically accountable body established as a permanent feature of local governance would be able to take a strategic and long term view about economic growth, infrastructure and transport.

6.31 **One LEP – two Combined Authorities: strengthening governance and delivery**

There are clear distinctions within the D2N2 area between the D2 and N2 economies. There is a shared strength in manufacturing but with clear differences in the focus and strengths of manufacturing industries. For example, in Nottingham and Nottinghamshire bioscience and medicine are important whereas in the D2 area transport manufacturing is key. Similarly, in transportation, the challenges of rural connectivity and accessibility in the D2 area differ from the focus in Nottinghamshire on the interplay between national transport corridors and local networks. The nature of some specific challenges and the focus of solutions is therefore different, notwithstanding the shared transport interests such as HS2, the Midland Mainline improvements and the M1 corridor.

6.32 The D2N2 LEP is a key strategic partner for all Nottinghamshire Authorities. However, it has to be recognised that other LEPs and functional economic areas overlap with the area. Sheffield Combined Authority is an example of how these overlapping functional economic areas will be a key consideration in the development of an appropriate governance framework. In particular, the overlap of Bassetlaw District Council with the Sheffield City Region Combined Authority is important. Bassetlaw District Council is a

non-constituent member of the SCR Combined Authority and benefits from a strong relationship both with the other four South Yorkshire authorities.

- 6.33 Bassetlaw District Council is 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 currently means a 50/50 split between the two LEP areas.
- 6.34 We need to maintain relationships with the D2 area, paying particular attention to issues across our shared boundary. For example, this is of significance for Erewash where the housing market area is part of Greater Nottingham. Economic relationships also exist with Lincolnshire 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 Nottingham and Nottinghamshire, future Nottingham and Nottinghamshire Combined Authority arrangements will nurture and develop these existing relationships.
- 6.35 Taking into account the way Nottingham and Nottinghamshire's economy functions, the complexity of overlap areas, travel to work patterns, housing market areas, and economic patterns, the administrative boundaries of the nine N2 authorities seem to provide the most appropriate geographical area for combined authority governance.
- 6.36 Whereas some combined authorities have worked primarily within defined urban areas with a single LEP the same solution cannot easily apply to the Nottingham and Nottinghamshire area. Strategic coherence at D2N2 level needs to be complemented by effective delivery at N2 and D2 level which can manage the overlap complexities. Governance arrangements therefore need to take this into consideration and provide the capability to integrate with multiple overlapping agendas. This is the key to harnessing the resources available across the D2N2 area to greatest effect.
- 6.37 Ensuring that the relationship with D2N2 LEP is maintained and strengthened so that there is cohesion around common economic features and challenges across Derbyshire and Nottinghamshire will be central to ensuring robust governance. There are good working relationships with D2 partners in our joint work to support the wider D2N2 LEP. We share a number of economic challenges: we want to grow our number of businesses; 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 and household income levels are well below the England average.

- 6.38 However, despite these common issues, the two economies are very different, have followed different growth paths in recent years and their future growth will depend upon distinct and differing drivers. The N2 economy is less dependent on the manufacturing sector than 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. The private 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, with the share of employment in the city of Nottingham even higher.
- 6.39 It is essential in any consideration of the governance arrangements that consideration is given as to how the arrangements considered will feed into and strengthen our key partnerships. The N2 and D2 areas have clear but distinct challenges and priorities, joined by a common growth strategy for the LEP; they have diverse sub-regional economies with significant **untapped economic potential**. Distinct and separate interventions are required to address underperformance in both economies – there is strong consensus that ‘one solution does not fit all’.
- 6.40 Our proposals for two combined authorities provide the most secure foundation for ensuring effective and convenient government, with an appropriate number of constituent authorities represented on each – anything significantly larger than the authorities of the Nottingham and Nottinghamshire Combined Authority could be cumbersome and could slow down decision making or compromise solutions to the point of being ineffective.
- 6.41 The proposed Nottingham and Nottinghamshire Combined Authority area also reflects the identities and interests of local communities and avoids the potential problems in losing sight of distinctive strengths and weaknesses which could result from aggregation at a higher level. It will be easier to ensure economic development and regeneration functions are targeted appropriately and integrated effectively with transport to support improved outcomes. Stakeholders can more easily identify and engage with arrangements at the proposed combined authority level.
- 6.42 Nevertheless, it is important to stress that the proposal for two combined authorities does not preclude opportunities for exploring D2N2 solutions for pan-LEP issues and priorities and such considerations will be facilitated through a Joint Leaders Forum, made up of all 19 local authority leaders across the D2N2 area.
- 6.43 The two proposals also help collectively strengthen LEP governance and attract more flexible programme funding from Government – critical for ensuring growth and competing effectively with adjacent combined authority areas.
- 6.44 D2N2 LEP is presently seeking to strengthen its own governance arrangements in order to ensure that it is best placed to deliver for both areas. The authorities involved in this review recognise the key importance in having a LEP that has the capacity and

the credibility to facilitate work between the public and the private sector in order to deliver growth. Any arrangements for future governance will need to assist in the process and proposals for two combined authorities will achieve this by creating legal entities with strong accountability which work within established geographies and bring together those interests at D2N2 level.

Vision West Nottinghamshire College

“I believe that the creation of a Combined Authority will create a framework for faster and more efficient decision making that will allow for a quicker and more effective response to address local issues and to enable further growth in the local economy.”

Dame Asha Khemka
Principal and Chief Executive

7 Options Appraisal

7.1 The context

Good governance matters for two reasons. The first relates to the need to manage and support economic development in an effective way. Collaboration across boundaries helps to ensure that maximum return on investment is being achieved, and that public policy has a keen impact (OECD 2009). The second reason relates to questions of transparency and accountability for decisions taken. This includes having the mechanisms in place to make tough, binding decisions at a level that reflects the most pragmatic representation of the functional economic geography of an area.

7.2 Nottingham and Nottinghamshire can begin a new phase in cooperative development to benefit local people and local business. Working with the wider D2N2 partnership, the scope for transformation is significant.

7.3 Nottingham and Nottinghamshire’s governance arrangements will have to operate in challenging conditions such as:

- Significant reductions (37%) in public sector finance – and a local authority funding shortfall of £12.4 billion by 2020;
- Increasing demands and needs from service users –particularly social care;
- The need to secure sustainable medium term financial strategies

- A global economy that changes pace and direction with increasing speed;
 - A need to be agile and responsive to change.
- 7.4 The Government's Office for Budget Responsibility (OBR) has revised its forecast for UK growth upwards in 2014 and 2015 from 2.7% to 3.0% and from 2.3% to 2.4% respectively; thereafter, growth is expected to decline to 2.2% in 2016, 2.4% in 2017, 2.3% in 2018 and 2.3% in 2019. The OBR also has revised down its forecast for unemployment in all years to 2018, and expects a rate of 6.2% in 2014, falling to 5.3% at the end of the forecast period.
- 7.5 The Government is intending to carry out a wide-ranging review of the structure of the business rates system, but this will be "be fiscally neutral and consistent with Government's agreed financing of local authorities," to be published by the 2016 budget. There is a strong and growing demand from local communities 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 fundamentally reform public services.
- 7.6 This context led us to the view that a stronger governance model for Nottingham and Nottinghamshire would support stronger economic growth. An appraisal of the governance models was undertaken by officers of Nottingham and Nottinghamshire Local Authorities with subsequent oversight, challenge and refinement through the Economic Prosperity Committee (made up of all Leaders, with input from the LEP Chair and LEP Chief Executive) and more latterly, by Government departments such as BIS, DCLG and DfT.
- 7.7 Further consultation on and challenge to the conclusions has been provided through public consultation and media scrutiny undertaken as part of the review process.
- 7.8 We have considered four possible options that could be implemented in Nottingham and Nottinghamshire:
- 1. Maintain the current Joint Committee arrangements**
 - 2. Improve the existing Joint Committee arrangements (for example, by extending its remit, scope and resources)**
 - 3. Establish an Economic Prosperity Board**
 - 4. Establish a Combined Authority**
- 7.9 To ensure compliance with the relevant LDEDC and Transport Act legislation, consideration of the available delivery options seeks to establish and evidence which model would bring about an improvement in the area in the following:

*The **exercise of statutory functions** relating to economic development, regeneration and transport in the area;*

*The **effectiveness and efficiency** of economic development and transport and;*

The economic conditions in the area.

- 7.10 Our appraisal of different governance options was set against the need to ensure that a governance model for Nottingham and Nottinghamshire would be able to:

Create the capacity for clear agreement to be reached on the most challenging strategic issues;

Align decision-making, resources and delivery on transport with economic development and regeneration policies; and

Create the space for debate on the biggest challenges for our economy - thereby demonstrating the confidence in the scope for greater devolution of responsibility in future.

- 7.11 **Option One: Maintain the current Joint Committee arrangements.**

The N2 Joint Economic Prosperity Committee works closely with the D2 Joint Committee for Economic Prosperity to ensure fully effective arrangements for the purpose of progressing economic development, regeneration and transport. These arrangements coordinate efforts with the D2N2 LEP.

- 7.12 Progress made over the last two years suggests that creating the Nottingham and Nottinghamshire Economic Prosperity Committee arrangement has been appropriate for the current Nottingham and Nottinghamshire operating environment. However, current arrangements do not have the coherence or agility demanded by ambitions to accelerate economic growth, close the gap with UK GVA levels and improve skills and levels of economic activity.

- 7.13 The relationship with the Nottingham and Nottinghamshire Joint Committee is recognised as a key part of the D2N2 LEP governance and delivery framework, in its aspiration to maximise local strategic engagement in decision-making.

- 7.14 In practice, this system of governance in which the N2 Joint Committee and the D2N2 LEP co-exist has exposed some ambiguities in terms of:

- *the extent to which the Nottingham and Nottinghamshire Joint Committee plays a role of advisor, influencer or co-decision-maker in any key decision;*
- *the extent to which Nottingham and Nottinghamshire strategic aspirations can be fully reflected in decision-making by the D2N2 LEP the need to ensure that decision-making by the D2N2 LEP is transparent and accountable.*

- 7.15 Securing investment, whether that is through ‘growth deals’ with Government or by encouraging private investment, requires local authority partners in the Nottingham and Nottinghamshire area to be able to act with agility and pace, to coordinate efforts with D2 partners and to engage positively with the D2N2 LEP. Current arrangements

have proved to be sub-optimal in these respects because of timing delays and a lack of clarity in the decision-making relationships.

7.16 **Option Assessment: the current Joint Committee arrangement.**

Current arrangements have supported the LEP-wide delivery programme as a strategic and informal partnership and as a means of assessing projects and proposals and providing recommendations to the LEP Board. Advice has been provided on a range of activities around local priorities and programmes, and a 'pipeline' of delivery projects and programmes for future economic development has been agreed. The range of powers and contributions across the nine local authorities is understood and ensures local interests are well served in a flexible and demonstrable way.

7.17 However, the ability of the N2 Economic Prosperity Committee 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 power beyond the informal agreement of the nine local authorities.

7.18 Fragmentation of strategic development and lack of integration between transport and regeneration are significant challenges. Examples of key areas of disconnect, fragmentation and duplication within the Economic Prosperity Committee model include:

- *There are two local transport authorities producing separate transport plans and managing separate transport capital funds;*
- *The seven district authorities have little input or influence over transport strategy, preventing a more joined up approach to land use planning, strategic infrastructure plans, CIL policies and development of regeneration proposals;*
- *All nine local authorities undertake some economic development, business support, business engagement and skills development to a larger or lesser extent – resulting in duplication of effort and inefficient use of resources;*
- *Development and implementation of policy and related projects requires the approval of nine local authorities – resulting in complex, bureaucratic, cumbersome and slow decision-making;*
- *All nine local authorities are competing for limited Growth Deal and infrastructure funding frustrating the best use of available resources and potentially resulting in piecemeal development;*
- *Travel to work patterns extend beyond any individual local authority boundary and there is scope to improve co-ordination and joint decision-making to address complex issues;*
- *The N2 area shares a boundary with the Sheffield City Region combined authority which has the benefit of integrated strategic development, speedier decision-making, and the confidence of Government in ability to deliver – Nottingham and*

Nottinghamshire need to be well placed to compete for investment and growth; and

- *In the absence of a formal mandate for joint working and agreed/ shared delivery objectives, representatives from all nine authorities are attending and servicing the working groups of the wider LEP architecture – resulting in duplication of effort, wasted resources and potentially conflicting/ confusing views.*

7.19 To address all the above, there is a clear need for more streamlined, formal arrangements to strategically plan, make decisions and manage risk and delivery if the priorities of the Derbyshire Economic Framework and the SEP are to be achieved and the level of economic under-performance is to be tackled.

7.20 Current arrangements *demonstrate ambiguity and inefficiency in decision-making and strategic alignment and are inefficient in terms of decision-making transparency and accountability* as only six of the local authorities in D2 and N2 (3 from each geographical county) are represented on the LEP Board.

7.21 The **current Joint Committee arrangement** is not the optimum choice for the future because:

Failure to strengthen Nottingham and Nottinghamshire governance will compromise the medium to long-term ambitions of the area and therefore be detrimental to the future economic performance leading to a failure to improve the economic conditions in the area.

Failure to formalise Nottingham and Nottinghamshire's governance will not address current weaknesses and ambiguities in decision-making and transparency in discharging statutory functions including those relating to transport and housing.

An opportunity would be missed to better align decision-making and the deployment of resources around strategic economic development, transport and regeneration.

7.22 **Option Assessment: Improve the existing Joint Committee arrangements.**

This option would involve extending the scope and functions of the current Joint Committee. Additional oversight of the strategic elements of functions currently within the constituent councils could be added to the Joint Committee. For example, strategic planning, transport and housing as well as some strategic and operational aspects of economic development, transport and infrastructure work.

7.23 A clear agreement on how the Joint Committee's governance systems would dovetail with the LEP and the implications for the ways in which decisions would be taken and influenced would be critical.

7.24 The underlying principles of the operation of the Joint Committee would, however, remain the same (see above) with its inherent disadvantages, including a lack of direct

budgetary autonomy and control, ambiguity and inefficiency in decision-making and strategic alignment and deficiencies in terms of decision-making transparency and accountability. Decision-making on key issues would remain slow and would still require the approval of the nine individual authorities; N2 would not be able to compete effectively for investment.

7.25 Therefore, the second option of **improving the existing Joint Committee arrangements** can also be discounted on the grounds that there are limits to what can be achieved through a less formal partnership. The exercising of statutory functions would not be more efficient or effective because of the need to ratify decisions at constituent authority level. Therefore this does not represent improved governance. Whilst there might be some improvement in the efficiency with which some economic development and transport functions could be discharged, it is unlikely that this alone would have more than a marginal impact on economic conditions in the area.

7.26 **Option Assessment: Establish an Economic Prosperity Board (EPB).**

An EPB is a legal entity and statutory body – created for purpose of promoting the sustainable economic development and regeneration of its area. Its functions should be those that allow it to fulfil this role and should be responsive to local conditions.

7.27 An EPB can be an ‘accountable body’ and therefore can have devolved powers and hold funding with all nine constituent authorities represented on the Board.

7.28 An EPB has additional potential in terms of funding (the basis by which the contribution of each participating council will be determined is not specified in the Act and needs to be agreed locally). The Secretary of State may give funding to EPBs under section 31 of the Local Government Act 2003, although it is not likely that Government will provide any additional funds to EPBs over and above what would already be provided to their area for the activities they will be carrying out. EPBs do not have any tax raising powers or powers to issue a levy to constituent authorities.

7.29 An EPB addresses some of the weaknesses identified with the current Joint Committee arrangements because 1) it provides more effective and efficient decision-making through a formal legal entity and 2) can align strategy and resources more effectively with potential benefits for the economic conditions in the area and 3) it could help improve transparency and democratic accountability. However, the option of creating an EPB was discounted because it does not encompass strategic transport and connectivity which, in Nottingham and Nottinghamshire, is critical for our aspirations. Additionally, there is no provision in the LDEDC Act 2009 for EPBs to be given borrowing or tax raising powers to raise investment, nor to have the power to issue a levy to constituent authorities, nor to retain business rates. An EPB would not secure an improvement in respect of the exercising of statutory powers in relation to transport and its contribution to wider economic growth.

7.30 **Option Assessment: Establish a Combined Authority.**

A combined authority is the most comprehensive vehicle for delivering economic regeneration and transport strategies through a single organisation. 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.

7.31 In addition, combined authorities may be delegated functions of local authorities and the Secretary of State. They also have certain functions and powers in their own right, such as a general power of competence.

7.32 Like EPBs, combined authorities provide strong governance arrangements.

7.33 The costs will 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.

7.34 A combined authority meets the first test set out in paragraph 7.9 in that it facilitates the discharge of statutory economic growth and strategic transport duties, and does so to a greater extent than an EPB because its responsibilities can include transport issues. A combined authority provides a governance mechanism through which strategic issues and challenges can be coordinated and decisions can be taken.

7.35 Currently, key strategic decisions around transport, economic development, housing and strategic planning are taken at the appropriate level by each individual authority. However, given the inter-connected nature of decisions which impact on the area, a number of informal and formal joint arrangements have been developed including the Joint Economic Prosperity Committee, the Joint Committee on Strategic Transport and Planning and the Greater Nottingham Light Rapid Transit Advisory Committee. A combined authority provides the scope to bring these strategic decisions into a single governance framework. Our option appraisal concluded that this would maximise efficiency and effectiveness in exercising statutory powers relating to Economic Development, Transport and Regeneration by:

- *Providing a single decision-making forum*
- *Focussing on the specific challenges within Nottingham and Nottinghamshire, enabling us to connect delivery and outcomes in a timely way to the SEP and which leverages the maximum synergy between transport provision, infrastructure and economic growth*
- *Strengthening the effective working relationships with the private and voluntary sectors by embedding relevant expertise in the governance arrangements,*

improving co-ordination of strategic dialogue and reducing duplication of effort in engagement with the private sector so that decisions about where to focus efforts and interventions are made close to home

7.36 The second test is around improvements to the effectiveness and efficiency of economic development and transport. It is anticipated that existing resources could be deployed to support these activities more effectively through a combined authority. There are currently a number of partnership arrangements around visitor/destination management, growth, inward investment and skills and training. These voluntary arrangements have the potential to benefit from greater coordination and coherence through a combined authority by:

- Addressing the weaknesses in the EPB option by integrating transport strategy and planning with economic development and regeneration
- Improving the effectiveness and efficiency of economic development, regeneration and transport functions through more formal and robust arrangements to better align staff and financial resources – for example, in the development and delivery of a single transport plan for the N2 area, in the development and delivery of a shared list of regeneration priorities and in servicing the wider LEP architecture
- Providing greater transparency and accountability to local communities, neighbours and Government by presenting a visible, clear, single voice on key issues, capable of fulfilling its responsibility in the tripartite relationship with D2 and the wider LEP governance
- Providing 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.

7.37 The combined authority also provides an opportunity to make an improved contribution to the D2N2 LEP. A Nottingham and Nottinghamshire Combined Authority would be able to provide a clear contribution to stronger governance arrangements for the LEP as a whole by:

- coordinating the resources deployed to support and inform the LEP and removing duplication of effort in the current system
- clarifying D2N2's role and legitimacy in engaging the private sector in economic strategies and a complementary strengthening of democratic accountability established through combined authorities which include all nineteen councils across the D2N2 area

- paving the way for greater collaboration in aligning current resources and capacity across the LEP and local authorities, bringing current activities into an agreed governance framework which harnesses local authority collaboration across Nottinghamshire
- aligning decision making on transport and decisions on other areas of policy such as land use, economic development and wider regeneration to support the Strategic Economic Plan
- streamlining decision making arrangements which allow necessary decisions to be taken on complex and difficult issues in a timely and transparent way
- providing a sustainable governance model for the long term – critical in being flexible and agile enough to respond to emerging policy developments around devolution.

7.38 Nottingham and Nottinghamshire is an ambitious and diverse sub-regional economy with **untapped economic potential** and clear **ambitions for growth**. Our option appraisal concluded that a combined authority is the only governance vehicle which has the potential to create the conditions in which a substantial growth in jobs and GVA can be achieved which would represent a material improvement in economic conditions in the area.

7.39 In conclusion, the proposal to form a Combined Authority will:

- Strengthen the existing governance arrangements in Nottinghamshire and between Nottinghamshire and Derbyshire to strengthen the D2N2 LEP, and deliver the wider ambitions of the Strategic Economic Plan
- Deliver economic development, transport and regeneration activity in a more effective and efficient manner through a single, formal combined authority rather than 9 individual local authorities operating in an informal environment
- Provide significant scope for reducing duplication in the work of the nine individual authorities
- Provide the greatest potential to achieve a significant improvement in the economic conditions across Nottingham and Nottinghamshire whilst working in collaboration with D2 authorities to strengthen outcomes across the D2N2 area.

7.40 **Our options appraisal therefore concludes that establishing the Nottingham and Nottinghamshire Combined Authority is the optimal solution.**

East Midlands Chamber of Commerce

“The Chamber believes that this will maximise the potential of the LEP and the relationship with national Government. Co-ordinated local action will also ensure the best use of scant resource and expertise and will provide an effective interface for joint working with the private and third sectors.

The Chamber applauds the hard work that has gone into preparing proposals for creating a combined authority and would wish to support the authorities in any way that we can in making the case to Government for approval.”

Liz Fothergill
President

George Cowcher
Director and Chief Executive

8 Nottingham and Nottinghamshire Combined Authority

8.1 Role and constitution

Specific detail relating to the Nottingham and Nottinghamshire Combined Authority including: the area it will cover; its membership; voting and any executive arrangements; its functions and the way in which it will be funded are set out in the ***Draft Scheme for the establishment of a Nottingham and Nottinghamshire Combined Authority***. As detailed in the scheme, the recommendation of the Nottingham and Nottinghamshire Governance Review is that the Nottingham and Nottinghamshire Combined Authority should be established according to the following principles:

*The Nottingham and Nottinghamshire Combined Authority should be **lean, streamlined and focussed**. The purpose of the CA will be to provide strong, stable governance and support the Nottingham and Nottinghamshire area to fulfil its huge potential.*

*The CA will be a mechanism by which Nottingham and Nottinghamshire is able to formalise arrangements where there is already effective collaboration (e.g. skills and inward investment). **Decisions on these matters will be made in one place, by elected Leaders** who are responsible for strategic direction and underwriting any risks.*

8.2 The Nottingham and Nottinghamshire Combined Authority Board will be a decision making and accountable body responsible for developing, agreeing, implementing and monitoring Nottingham and Nottinghamshire strategies, programmes of activity and the funding and delivery of projects. Its Roles and responsibilities in relation to programmes and funding will link to the LEP-wide Single Assurance Framework and role of the LEP’s Accountable Body.

- 8.3 There is potential to provide observer status on the Board to ensure more localised and specific private sector expertise and business interests are embedded into the work of the CA.
- 8.4 Strategic Powers will be held concurrently by the Nottingham and Nottinghamshire Combined Authority and the constituent authorities. Decision making will take place based upon the principle that the Nottingham and Nottinghamshire Combined Authority would be responsible for the strategic direction of the Nottingham and Nottinghamshire area (within the context set out by D2N2's Strategic Economic Plan and the EU Structural and Investment Fund Strategy). The N2 constituent authorities will wish to continue making local decisions. The constituent authorities will agree where precisely the balance between strategic and local decision making sits as the Combined Authority develops.
- 8.5 Whilst possible legislative changes might lead to future reviews of the governance arrangements for the Nottingham and Nottinghamshire area, any changes would need to be considered against the statutory tests and government expectations set out earlier in this report.
- 8.6 The Nottingham and Nottinghamshire Combined Authority will have nine members – Ashfield District, Bassetlaw District, Broxtowe Borough, Gedling Borough, Mansfield District, Nottingham City, Nottinghamshire County, Newark & Sherwood District and Rushcliffe Borough Councils. The voting rights of all members will be defined in the ***Scheme for the establishment of a Nottingham and Nottinghamshire Combined Authority***.
- 8.7 As detailed in the ***Scheme for the establishment of a Nottingham and Nottinghamshire Combined Authority*** the Nottingham and Nottinghamshire Combined Authority shall receive contributions from the relevant constituent councils (eg. those with transport powers, Nottinghamshire County Council and Nottingham City Council) in respect of the expenses and liabilities of the CA which are reasonably attributable to the exercise of its functions relating to transport. The amount shall be apportioned between the relevant constituent councils on an agreed basis.
- 8.8 Non-transport functions will be funded from a budget agreed annually by CA members and apportioned as agreed between the constituent councils. The constituent councils intend to include scope to allocate finances such as surpluses from the NDR pool to support the work of the Nottingham and Nottinghamshire Combined Authority. Existing contributions to shared economic development and transportation work are made by individual authorities through allocated staff resources, secondments and financial contributions. The annual value of these resources fluctuates but averages an estimated £1 million annually. The constituent authorities are committed to reviewing the deployment of these resources to 1) ensure that the work of the CA is properly planned and can support the delivery of the SEP at D2N2 level and 2) to remove any duplication or overlaps so that our approach is efficient as possible.
- 8.9 The Nottingham and Nottinghamshire Combined Authority will need support from a small executive function. This will include the appointment of statutory officers which

can be achieved by nominating existing statutory officers from the constituent authorities to ensure that this is cost-effective.

- 8.10 As detailed in the ***Scheme for the establishment of a Nottingham and Nottinghamshire Combined Authority***, the Nottingham and Nottinghamshire Combined Authority will have powers in relation to strategic Economic Development and Transport. As noted above, it is the intention of all partners that the Nottingham and Nottinghamshire Combined Authority remains a streamlined and focussed strategic commissioning body. Accordingly, powers and duties outlined in the scheme will be taken up as and when necessary by agreement between the constituent authorities.
- 8.11 Strategic Economic Development will include collaboration around functions such as economic policy and strategy, skills, inward investment, major infrastructure and housing investment decisions and decisions relating to other economic assets.
- 8.12 In time, and by local resolution, partners may choose to take-up additional powers which become available to the Nottingham and Nottinghamshire Combined Authority. The transfer of any powers from constituent authorities would require a decision from each constituent local authority.
- 8.13 The Nottingham and Nottinghamshire Combined Authority, as a legally independent body, should act as the accountable decision-making body for matters of significance (where N2-level collaboration is desirable and adds value), delegating powers and duties to sub-committees as appropriate. The Nottingham and Nottinghamshire Combined Authority should also act as the Accountable Body for Nottingham and Nottinghamshire funds and investments. It is recognised that this will need to be carefully co-ordinated with D2 to ensure consistency and efficiency across the LEP area and this will be done through joint arrangements to enable agility in decision making across the LEP area that is not a characteristic of the present arrangements.
- 8.14 It should be noted that many partners agree that this approach will deliver the best outcomes from the area and enable a step change in the way strategic issues are tackled across the area. For example, the Great Nottingham Debate 2014 came to the same conclusion as this review, approaching the challenge from a practical consideration of what will work for the Nottingham and Nottinghamshire economic area.
- 8.15 In considering the journey from joint committee to combined authority, a number of key principles have been agreed which will be used to guide the development and finalisation of the detailed Nottingham and Nottinghamshire CA proposals:
- In forming an essential element of the overall LEP governance arrangements, the N2 CA will seek to create seamless working with the existing/ reshaped D2N2 LEP arrangements to ensure duplication of effort is reduced and the impact of activity in all areas is maximised

- The N2 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 strategies 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, private sector) are sighted on the agreed proposals and a genuine spirit of co-operation and partnership working, between the business sector and local government is developed as far as possible.

8.16 Boundaries and overlaps

The Nottingham and Nottinghamshire Combined Authority will, in so far as is practicable, reflect the functional economy of the Nottingham and Nottinghamshire area. It is recognised that economic interdependence and cohesion varies across the area and is less pronounced for communities that lie further from Nottingham. Therefore, our understanding of the functional economy takes into account the need to ensure that there are strong collaborative mechanisms in place for overlapping economic interests with neighbouring areas. Specifically, this means ensuring there are strong relationships with the Barnsley, Doncaster, Rotherham and Sheffield Combined Authority (Sheffield City Region), the proposed Combined Authority for Derby and Derbyshire (D2N2 LEP area), Lincolnshire local authorities and the Lincolnshire LEP, and Leicester and Leicestershire local authorities and the LLEP.

- 8.17 The governance arrangements will recognise the challenges outlined in this Governance Review. Nottingham and Nottinghamshire are clear that the unique set of challenges faced in the creation of this body need explicit recognition and a commitment to cooperation. The recognition of such a commitment by the proposed Nottingham and Nottinghamshire Combined Authority will give a clear basis for work with partners in Derby and Derbyshire. The special relationship with D2 through the LEP will include working arrangements which ensure that the strength of working as a whole is retained while providing the agility needed in order to deal with the complexity of the functional economic arrangements referred to above. This flexibility internally will help to address the challenges set out in this review.
- 8.18 Arrangements with others such as the Barnsley, Doncaster, Rotherham and Sheffield Combined Authority will be supported by the creation of a Memorandum of Understanding with these partners to ensure that such integration has a clear framework. Under current legislation, a combined authority must hold the same responsibilities relating to transport, regeneration and economic development across the whole of its area. Therefore a combined authority including Nottinghamshire County Council must hold the same transport, regeneration and economic development responsibilities for all of the districts in the county. Under the current statutory requirements, therefore, a Nottingham and Nottinghamshire Combined Authority would include all of the constituent authorities in this review.

8.19 The involvement of constituent authorities in neighbouring combined authorities is positively encouraged through these arrangements as this can only aid understanding and cooperation between areas to the advantage of both. Specifically, for the Nottingham and Nottinghamshire Combined Authority, Bassetlaw District Council's continuing membership as a non-constituent member of the Sheffield City Region Combined Authority is seen as a key strength.

8.20 **Working arrangements for a 'two CA and one LEP' model**

The D2N2 LEP area therefore is proposing a unique, shared governance model, developed in response to:

- The prevailing functioning economic geographies identified through the review process;
- The practical challenges of multiple (19 in total) two-tier administration;
- The need to develop workable arrangements that meet the needs of non-metropolitan areas; and
- The significant challenges of diverse and large scale physical geographies where policies and interventions do not readily support the principle of 'one size fits all' but require bespoke responses.

8.21 We recognise that the 'two CA one LEP' model must be underpinned by strong coordination between the two CAs. 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. This is an inclusive approach which will help to address deficiencies in the current LEP governance arrangements. It is proposed the Forum will meet as necessary but no less than twice each year to consider shared agendas for wider LEP consideration, identify joint areas of work, agree forward plans, and reflect on progress made. These meetings would involve the LEP Board or its representatives.

8.22 Outside the Forum and as part of the wider arrangements, opportunities for cross-LEP working will be explored and utilised where appropriate. The relationships of the D2 and N2 Combined Authorities with the D2N2 LEP Board are set out in the diagram below (Figure 11). The effectiveness of this 'tripartite' relationship – and its collective relationship with key stakeholders such as the private and voluntary sector, Government departments, neighbouring authorities etc. - will be critical to successful economic growth.

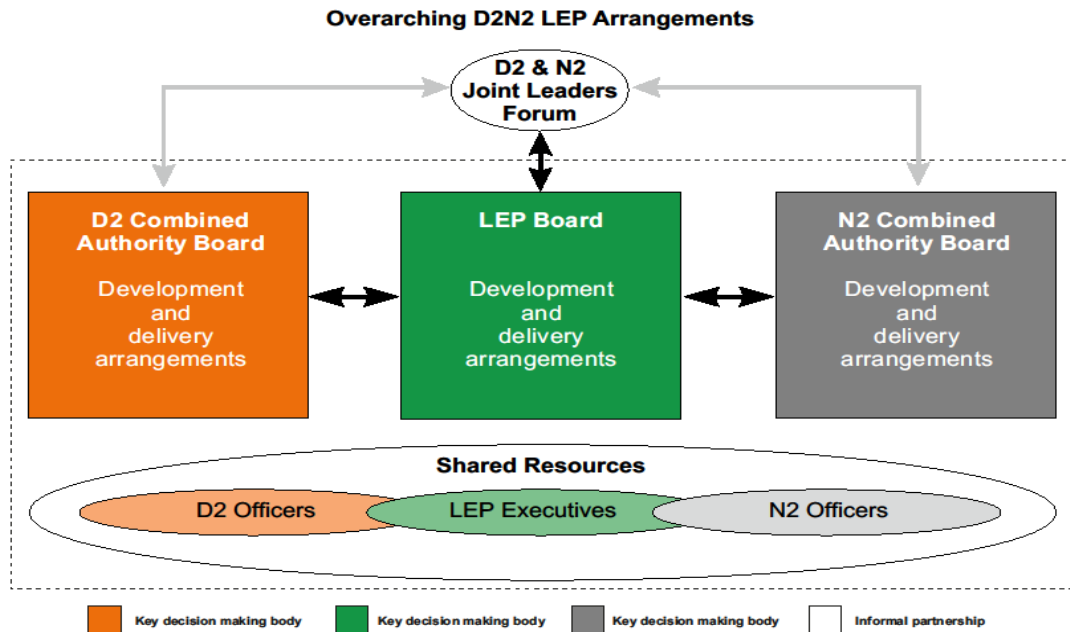


Figure 11

8.23 Both the N2 and D2 areas have diverse sub-regional economies with significant untapped economic potential but are joined by a common growth strategy in the SEP. There is a strong consensus that distinct and separate interventions are required to address underperformance in both economies and that ‘one solution does not fit all’, which chimes with the recommendations of the recent Peace Commission.

8.24 We are therefore proposing a unique shared governance model, developed in response to:

- The prevailing functioning economic geographies identified through the review process;
- The practical challenges of multiple (19 in total) two-tier administration
- The need to develop workable arrangements that meet the needs of non-metropolitan areas; and
- The significant challenges of diverse and large scale physical geographies where policies and interventions don’t readily support the principle of ‘one size fits all’ but require bespoke responses.

8.25 Considering the current economic conditions set out earlier in this report and the scope for growth within both the N2 and D2 areas, we concluded that separate, combined authorities for both D2 and N2 represent the best solution for effective and convenient local government. It provides the most secure foundation for ensuring effective and convenient government with an appropriate number of constituent authorities represented on each – anything significantly larger than the 9 authorities

currently constituting the proposed Nottingham and Nottinghamshire Combined Authority could be cumbersome and could slow down decision making or compromise solutions to the point of being ineffective.

8.26 Moreover, the proposal for two combined authorities does not preclude opportunities for exploring D2N2 solutions for pan-LEP issues and priorities such as HS2, Midlands Connect etc. will be facilitated through the proposed Joint Leaders Forum, made up of all 19 local authority leaders.

8.27 The three governance elements of N2 combined authority, D2 combined authority and the LEP are mutually interdependent, with the Joint Leaders' Board being an appropriate arena for brokering shared issues and challenges.

Inter-relationship Between D2N2 LEP and Combined Authorities

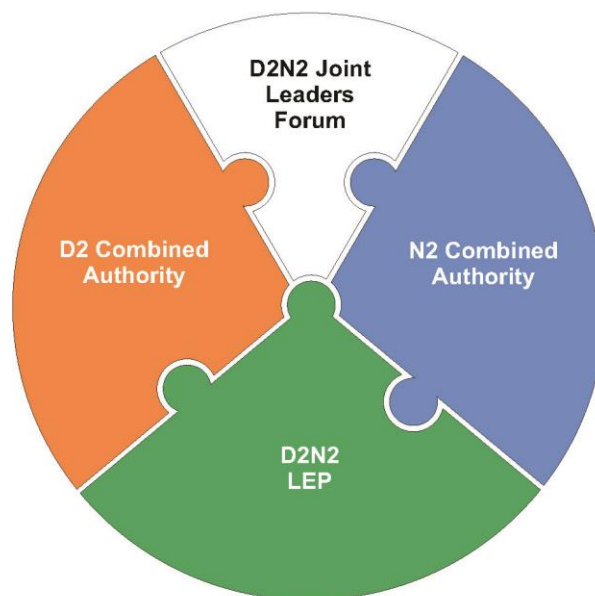


Figure 12

8.28 There is real benefit to the tripartite relationship because it:

- Enables the two CA proposals to collectively strengthen overall LEP governance and attract more flexible programme funding and investment – critical for ensuring growth.
- The distinctive N2 and D2 geographies for each CA reflect the identities and interests of local communities and avoid a detrimental aggregation of interests.

- It will be easier to ensure economic development and regeneration functions are better targeted and integrated effectively with transport to support improved outcomes – not just for the individual CAs, but collectively for the wider LEP area.

8.29 The effectiveness of the arrangements will be supported through agreed leadership roles within the Nottingham and Nottinghamshire Combined Authority in respect of the LEP Board, the D2 combined authority, and the Sheffield City Region combined authority. This will ensure consistent and clear routes for liaison and communication. Such roles already exist to some degree but opportunities will be explored for strengthening this arrangement on behalf of the wider LEP.

8.30 Following immediate conclusion of the option appraisal work, discussions were held with Government Departments to challenge whether the proposal for two separate, but linked, combined authorities operating within the one D2N2 LEP area could satisfy the statutory tests to improve the overall effectiveness and efficiency of transport and economic development.

8.31 Having full regard to the current economic conditions set out earlier in this report (and in that of the N2 governance review) – and the scope for growth within both the D2 and N2 areas - it has been concluded that separate, combined authorities for both N2 and D2 represent the best solution for effective and convenient local government will meet the statutory tests. Practical examples of how the tripartite arrangement will deliver improved decision making and implementation are set out below.

Example 1:

Previously, the development of proposals for Growth Deal projects has been piece meal, complex and of limited transparency – partly due to timescale pressures.

The two joint committees and LEP Board are currently developing a single assessment framework (SAF) to support the strategic and consistent appraisal of potential projects. Once finalised, the proposed combined authorities will be responsible for applying the SAF to potential and planned regeneration (housing, transport and employment) projects within their area and presenting a prioritised list to the LEP Board for consideration and consolidation with D2 proposals (also applying the SAF). By providing a consistent and transparent approach, the frustrations of the previous arrangements will be addressed and will result in a clear pipeline of projects that deliver the wider ambitions of the SEP.

Example 2

The D2 economy is heavily dependent on traditional, engineering-based industries and advanced manufacturing, whilst the N2 economy has relatively little employment in

advanced engineering and a higher proportion in niche sectors such as life sciences. This fundamental difference in the economic base has a direct impact on the interventions needed to support skills development, training and local labour market interventions, working with different partnerships and developing different approaches. Compounding this is the challenge of physical geography and the need to address skills gaps and create opportunities within targeted communities which are geographically dispersed. The D2N2 geography is just too large and socially diverse to achieve success through a 'one size fits all' approach.

- 8.32 There is also scope for making best use of the available staff resources within the tripartite arrangement by refocusing the activity of existing staff (e.g. core LEP staff, DEP officers, local authority officers, Employment and Skills Co-ordinators and business support advisors) in a way that reduces duplication and maximises the impact of available skills and expertise. This will be an area for continued dialogue and refinement between the three bodies.
- 8.33 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.
- 8.34 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 SAF through which some future N2 funding priorities are determined.
- 8.35 Although the N2 Combined Authority will be a key decision making body, it is essential that all parties (LEP Board and D2 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.

9 Recommendation of the Nottingham and Nottinghamshire Governance Review

Our Governance Review concludes that establishment of a Nottingham and Nottinghamshire Combined Authority *would* improve the exercise of statutory functions in relation to economic development, regeneration and transport and would lead to an enhancement of the economic conditions and performance of the Nottingham and Nottinghamshire area. The nine constituent authorities have considered this review and have each agreed that a submission should be made to the Secretary of State for Communities and Local Government for the establishment of a combined authority for Nottingham and Nottinghamshire, including Ashfield, Bassetlaw, Broxtowe, Gedling, Mansfield, Newark & Sherwood and Rushcliffe.