

19th February 2016**Agenda Item: 5****REPORT OF THE CHIEF EXECUTIVE, NEWARK AND SHERWOOD DISTRICT
COUNCIL****N2 ECONOMIC PROSPERITY COMMITTEE – SPENDING PLANS****Purpose of the Report**

1. The purpose of this report is to:
 - a. Confirm an N2 contribution of up to £135,000 towards initial resourcing costs associated with the North Midlands Combined Authority and Devolution Deal;
 - b. Seek Committee's consideration of proposals for the use of the remainder of the business rate pool in support of economic development and growth initiatives in Nottinghamshire

Background

2. The current pooled budget for the district/county area is £1,892,000. This has accumulated over the 13-14 and 14-15 financial years. Nottingham City Council is not a member of the business rates pool but has to date committed up to £150,000 to match the 13-14 pooled business rates based on a population ratio of 72:28 [2014 mid-year population estimates].
3. At their meeting on 18th December 2015, Nottingham and Nottinghamshire Leaders agreed in principle to a contribution from their pooled resources to support the establishment of the North Midlands Combined Authority and the final negotiations and due diligence on the Devolution Deal. This was further discussed at a meeting of Derbyshire and Nottinghamshire Leaders on 11th February 2016, where it was agreed that a process to recruit to three dedicated posts to support the work on the Combined Authority and Devolution Deal should commence. Appointments to the three posts will be subject to final confirmation of budgetary provision at a further meeting of the Derbyshire and Nottinghamshire Leaders on 4th March. The anticipated cost of these three posts to June 2017, including on costs and a small budget for travel and ancillary costs, is £270,000 – meaning a contribution from the Nottingham and Nottinghamshire Economic Prosperity Committee of £135,000.
4. This contribution will be split per the population ratios outlined at paragraph 2, resulting in a contribution from the Nottinghamshire pool of £97,200 and a contribution from Nottingham City Council of £37,800.

5. There was further discussion at the Derbyshire and Nottinghamshire Leaders meeting about other costs which would need to be considered as the work on the Combined Authority and Devolution Deal progresses, for example:
 - Commissioned technical / legal support, where required (i.e. on due diligence and financial modelling, establishment of the Mayor's office);
 - The consultation and engagement requirements of the Devolution Deal and Combined Authority;
 - Some of the costs associated with the establishment of the Mayor's office;
 - Seed-corn costs, if deemed appropriate, for aspects of the Devolution Deal (i.e. the SMART Commission, Public Service Review Board, Free Trade Zone)

It was agreed at the wider Leaders' meeting that budget proposals relating to these areas of work should be developed in more detail and presented back to Leaders for further consideration, noting that there may be a further call on the Nottingham and Nottinghamshire pooled budget to meet the 50% share of any additional costs in the coming months.

Priorities for use of the remaining N2 pooled resources

6. Leaders, through the EPC, agreed in July 2015 that the pooled resources would be allocated to encourage economic growth in the area. Following this in principle decision, each of the Councils that contribute to the pool was responsible for ratifying the decision. After the initial contribution to the North Midlands Combined Authority and Devolution Deal has been accounted for, the remaining pool for the county area is £1,794,800.
7. It should be noted that the proposals that follow currently only relate to the pool created by the contributing authorities and therefore deployment of any resource in the city area would require Nottingham City Council to give separate consideration to any contribution it may be able to make to support these arrangements.
8. Chief Executives have given further consideration to how these pooled resources should be used and propose the following framework for investments:
 - Funds from the pool will be invested in activity that aligns with the priority themes of the Devolution Deal to ensure that projects and initiatives in Nottinghamshire are best placed to benefit from the deal, i.e:
 - Skills and employment (including apprenticeships)
 - Housing and planning
 - Transport (including transport infrastructure)
 - Business support, trade and investment
 - SMART infrastructure (energy and digital)

In addition to the above, it is proposed to add the following priorities for Nottinghamshire:

- Physical regeneration

- Place marketing
 - Site development / investment zones
- Lead Chief Executives will be nominated for each theme. The Chief Executive of Rushcliffe Borough Council already leads on the skills and employment theme and the Chief Executive of Newark and Sherwood District Council leads on SMART infrastructure. Consideration should be given by Leaders to leadership and supporting roles for the remaining themes
 - Lead Chief Executives will be tasked with working across partners in N2 to agree priorities within their themed area of responsibility and identify future opportunities for growth. Following an initial assessment of the scope of a programme for each thematic area, proposals will be brought to the EPC to apportion funding between the themes.
 - Proposals will be developed and brought forward by each of the thematic leads through a commissioning approach – i.e. there will not be open bidding. Thematic leads will define commissioning priorities and principles within their area and a generic process will be developed and instigated across the pooled resources to ensure transparency and fairness. A small officer group will need to be established to develop and subsequently manage the commissioning process.
 - Core principles for investment should be set out as follows:
 - **Feasibility work** should be a priority where this enables projects to develop evidence bases and undertake impact assessments which will support bids to other funding bodies (e.g. Local Growth Fund, European funds). It is recommended that delegated authority should be given to the thematic leads to commit up to a maximum of £30,000 towards feasibility work across their theme.
 - **Innovation** and the development and testing of **new concepts** and models to drive growth is a priority for Nottinghamshire and will enable the development of longer-term approaches to delivering the area's growth aspirations. Proposals under this heading would need to be approved by the relevant members of the Economic Prosperity Committee
 - **Viability gaps** that would, if met, **unlock substantial other investment** to enable stalled projects to continue is a common issue across Nottinghamshire. Thematic leads should consider proposals in their area against agreed criteria relating to leverage, impact and deliverability and should then make investment recommendations to the relevant members of the Economic Prosperity Committee for consideration
 - Investment should not be made where other partners have withdrawn funds or expressed concerns about a particular project or scheme's viability and / or deliverability
9. If agreed by the Economic Prosperity Committee (EPC), it is proposed that the above framework be developed in detail and reported to the May meeting of the EPC. Progress with investments from the pooled resources will be included as a standing item on the forward work programme for the EPC with decision items scheduled as necessary.

10. Further detailed work will be required with the accountable body for the business rates pool, Nottinghamshire County Council, to establish approval and delegation routes to enable funds to be released. This work will be led by the Chief Executive of Newark and Sherwood District Council.
11. Members should note that if the above is agreed, investment decisions relating to activities exclusively within the county area would be taken by the district and county leaders only. It would remain open to Nottingham City Council to agree an appropriate contribution from the City Council to the pooled arrangement, whereupon decisions would be taken by the full EPC.
12. A review of the effectiveness of this approach could be undertaken by the EPC in the spring of 2017, with a view to any changes being made in line with the timing of the establishment of the new Combined Authority and implications of this for the EPC.

Other options considered

13. The Economic Prosperity Committee could request that further work be done on the proposed use of the pooled resources that are allocated to it as there is a wide range of options in terms of how the funds could be used. The proposals included in this report have been developed on the basis of previous discussions at the Economic Prosperity Committee and amongst the 19 Leaders and have subsequently been refined by the N2 Chief Executives.
14. Outside of the joint £135,000 contribution to the North Midlands Combined Authority and Devolution Deal, the proposals in this report relate only to business rates pool surpluses generated by the borough, district and county councils. Nottingham City Council will need to give consideration to its approach and any potential contribution that it is prepared to make to the pooled arrangement, although this would likely need to be at an appropriate ratio. If the current 72:28 ratio were applied, this would mean a total City Council contribution of £735,000.

Reasons for recommendations

15. The pool members of Economic Prosperity Committee have £1.89 million at their disposal to invest in activities which will support the economic growth of the county. Agreeing an approach to the use of these funds is considered essential to enable initiatives in Nottinghamshire to be developed and to benefit from future investment that will be secured through the Devolution Deal.

Statutory and Policy implications

16. This report has been compiled after consideration of implications in respect of crime and disorder, finance, human resources, human rights, the public sector equality duty, safeguarding of children and vulnerable adults, service users, sustainability and the environment and ways of working and where such implications are material they are described in the body of the report.

Financial implications

17. None at this stage.

RECOMMENDATIONS

- 1) It is recommended that the Economic Prosperity Committee:
 - a) Confirms its contribution of £135,000 to the initial costs associated with concluding the Devolution Deal and establishing the North Midlands Combined Authority by June 2017 – noting that agreement to these initial costs will need to be confirmed with Derbyshire partners at the meeting on 4th March;
 - b) Approves the proposed approach to the use of the remaining pooled resources as outlined in paragraphs 6-9
 - c) Identifies, if possible, lead Chief Executives for each of the thematic priority areas as outlined in paragraph 6
 - d) Approves delegated authority to the thematic leads to commit up to a maximum of £30,000 towards feasibility work across their theme.
 - e) Agrees to consider a detailed report on the proposed commissioning process at its meeting in May 2016
- 2) Further, it is recommended that Nottingham City Council considers its position in relation to an appropriate level of contribution to the wider pool beyond its existing commitment.

Andrew Muter

Chief Executive, Newark and Sherwood District Council

For any enquiries about this report please contact: Matt Lockley, 0115 977 2446

Background Papers and Published Reports

Additional proposals for Economic Development budget 2015-16, report to Economic Development Committee, 7th July 2015, published.

Electoral Division(s) and Member(s) Affected

All