

**Nottingham and Nottinghamshire Local Authorities
Statutory Review of Governance**

Local Democracy, Economic Development and Construction Act 2009

Introduction

- 1.1. 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.
- 1.2. 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.
- 1.3. 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.
- 1.4. The issues set out in this document are 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 as well as all relevant government departments.
- 1.5. This document is issued as part of an iterative process of consultation. The findings of this governance review and the ‘scheme’ for the Nottingham and Nottinghamshire Combined Authority will be considered by each of the constituent local authorities. Following the submission of the scheme, the Department for Communities and Local Government will launch a statutory consultation exercise.

¹ See draft statutory guidance <http://www.communities.gov.uk/documents/regeneration/pdf/1457197.pdf>

2. Executive Summary

- 2.1. The nine local authorities that make up the Nottingham and Nottinghamshire area have a long history of informal collaboration on matters which impact on the economic success of the area and which contribute to the wider economic geography across the D2N2 area (Derby, Derbyshire and Nottingham, Nottinghamshire). Nottinghamshire County Council and Nottingham City Council provide strategic services including education, transport, highways and social care. The seven district councils and the City Council provide planning and housing services. All nine councils are actively involved in economic development and are working with private sector partners to boost economic prosperity.
- 2.2. Collaboration was formalised through the development of the City of Nottingham and Nottinghamshire Joint Economic Prosperity Committees as well as continuing collaboration on a more informal basis through the Nottinghamshire Leaders Group. The tangible benefits of this collaboration can now be seen in the designation of the Nottingham Enterprise Zone, Nottingham's City Deal, and the recent D2N2 Growth Deal.
- 2.3. Whilst increased coordination and collaboration is positive and leads to tangible benefits, the governance structures of the N2 area need to be viewed in the context of the scope for exercising devolved powers and resources through strong local governance structures. A Joint Committee does not have the power or standing of a formal legal body.
- 2.4. Those authorities in the N2 area recognise the value of leading and shaping the debate on devolution and taking wider responsibility for the economic prosperity of their area. The N2 area will outgrow its existing governance structures and arrangements – which have traditionally been informal, voluntary partnerships with the recent addition of a Joint Economic Prosperity Committee. Accordingly, N2 Leaders have recognised the opportunity to establish a more formal governance structure in the form of a Combined Authority.
- 2.5. To this end, it was agreed at the Joint Economic Prosperity Committee on 26 September 2014 that this Governance Review should be undertaken under s.108 of the Local Democracy, Economic Development and Construction Act 2009 (LDEDCA) and under the 2008 Transport Act. In accordance with statutory guidance² the purpose of this Governance Review has been to:
 - evaluate the effectiveness and efficiency of existing governance arrangements for economic development, regeneration and transport across the N2 area;

²<http://www.communities.gov.uk/documents/regeneration/pdf/1457197.pdf>

- consider the options available for making changes to these governance structures and arrangements – such as leaving existing governance unchanged, strengthening or restructuring existing governance arrangements, establishing an Economic Prosperity Board (EPB), and establishing a Combined Authority;
 - recommend which option is likely to be most beneficial to the N2 area and strengthen the overall governance arrangements across Derbyshire and Nottinghamshire that contribute to the effectiveness of the D2N2 Local Enterprise Partnership.
- 2.6. The Nottingham and Nottinghamshire Governance Review has been undertaken in the context of an evolving relationship between the N2 local authorities, with the D2 local authorities and Government. Accordingly, the question for the Nottingham and Nottinghamshire governance review has not just been whether N2 governance arrangements are sufficient today, but also whether they will be sufficient to deliver the Nottingham and Nottinghamshire area’s medium to long-term ambitions?
- 2.7. This document sets out the N2 Governance Review and concludes that establishing 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.**

3. Nottingham and Nottinghamshire’s economic context and plans for growth

- 3.1. 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.
- 3.2. 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.

- 3.3. 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.
- 3.4. 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.
- 3.5. The public sector is still a major employer in N2, with health and education alone providing 113,700 jobs (24%) in the area in 2012³. 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.
- 3.6. The population of the N2 area is 1.11million, with a working age population of 715,700⁴. 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.⁵ 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%.
- 3.7. Skills levels are broadly in line with the East Midlands average, but around 4 percentage points behind the England average at N2 level. There are major differences between skills levels within N2. 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

³ ONS Business Register and Employment Survey 2012

⁴ ONS 2013 Mid Year Population Estimates

⁵ ONS Annual Population Survey April 2013- March 2014

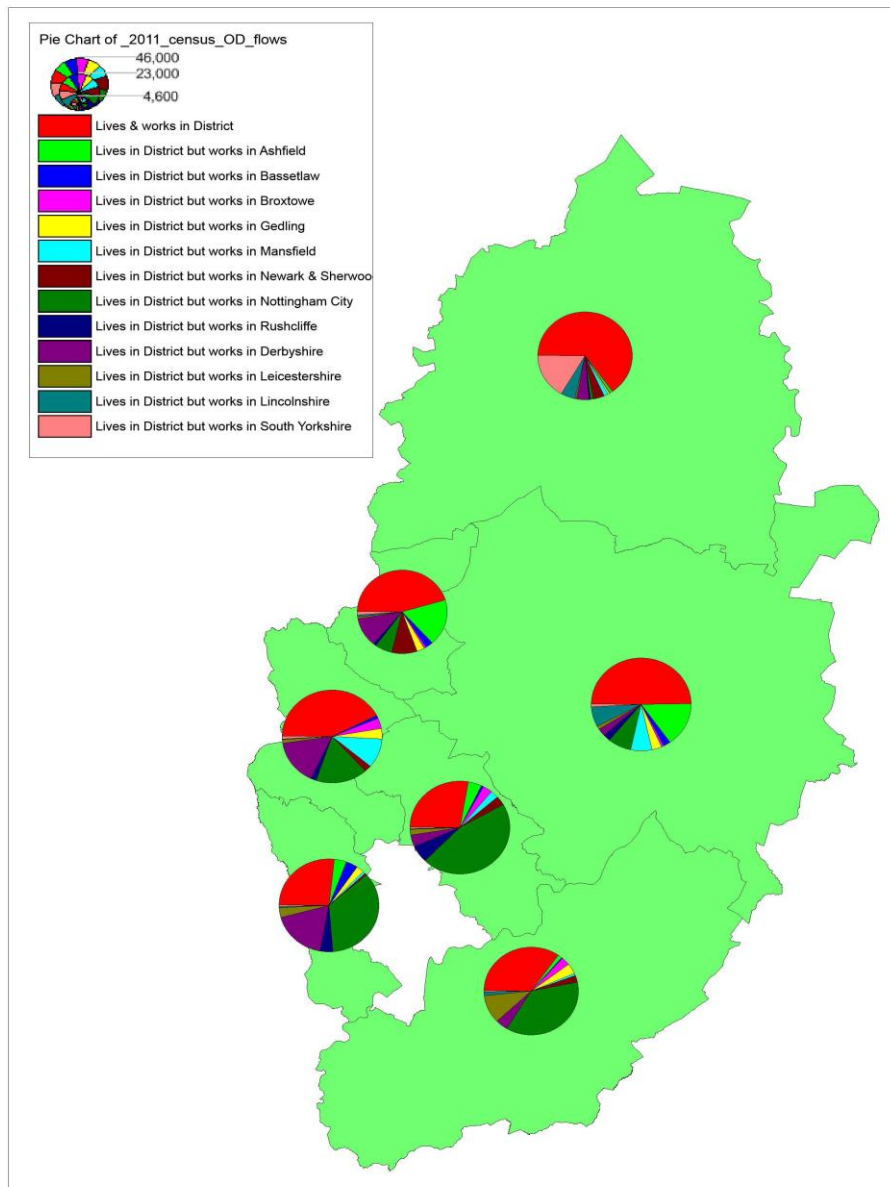
degree level qualifications, with over 54% of working age people educated to degree level or above in Rushcliffe and more than 36% in Broxtowe and Gedling.

- 3.8. 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%. N2 partners' work on employment and skills is focussed on tackling this gap between areas that rely on the same labour market (that provided by the Nottingham conurbation).
- 3.9. N2 is home to two world class universities bringing over 60,000 students into the area each year⁶. 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.
- 3.10. The N2 economy functions in different spatial arrangements, depending on the nature of the local industrial base and the local labour force (see Fig 1 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 areas⁷ (this includes cross-border movement from Derbyshire and Leicestershire). Over 55% of this commuter movement is from the borough council 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
- 3.11. There is an 'outflow' of commuting from Nottingham of over 38,500 people with most people travelling to the surrounding districts.
- 3.12. The travel to work patterns vary and, as would be expected, the level of commuting into Nottingham reduces with distance from Nottingham. 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.

⁶ HESA student enrollments 2012/13

⁷ 2011 Census ONS

3.13. Fig 1.



3.14. It is important for the area that while recognising the economic coherence across Nottinghamshire we also recognise the cross boundary flows that aid in strengthening our area. Our central location as a hub is critical. There is a varying but significant level of functional economic coherence within the N2 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.

3.15. An analysis of the transportation links assists in demonstrating the interconnected nature of the area at the same time as identifying the need for governance

arrangements to be agile enough to face multiple directions simultaneously. Rail travel is one illustration with the East of the N2 area looking to the East Coast Mainline, the central areas looking to the Midland Mainline and provision of the new HS2 line station and the West of Derbyshire looking to a HS2 station at Crewe. 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.

- 3.16. 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 2020.⁸
- 3.17. We can do more. The two Growth Plans that cover the N2 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 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 N2 partners are working closely together to align this with D2N2 proposals and funding plans. Thus the newly established N2 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 N2 partnership is working with D2N2 on plans for a Growth Hub and new business support and access to finance initiatives.
- 3.18. To develop our full economic potential we have recognised that our ambitions must stretch beyond our current plans and aspirations. The scale of that potential is significant. For example, if Nottinghamshire's GVA could match the current UK average, this would represent an additional £4.3 billion GVA per annum. The economic data set out in Table 1 (below) demonstrates the key areas that Nottingham and Nottinghamshire needs to improve its economic performance if that potential is to be achieved.

⁸ Oxford Economics Economic Projections for Core Cities (November 2013)

ECONOMIC INDICATOR	NOTTINGHAM & NOTTINGHAMSHIRE PERFORMANCE
GVA	<p>GVA per person in Nottingham and Nottinghamshire was £17,793 in 2012 – 82% 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>
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>
UNEMPLOYMENT	<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>
EARNINGS	<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>

SKILLS	<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>2011 Census UK highest level of qualification</p>

3.19. Local Government Leaders, working through the Joint Economic Prosperity Committee, have recognised that 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.

3.20. Improving productivity and jobs depends to a large extent to the effective connections which exist within and between the main urban areas in Nottingham and Nottinghamshire. Our internal connectivity can therefore help to release economic potential. Transport priorities are critical because the economic strengths of Nottingham and Nottinghamshire are so clearly under-pinned by location and connectivity. Current arrangements include 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.

3.21. Delivery of transport priorities currently requires alignment of priorities at local level with decisions at LEP / LTB 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.

- 3.22. Transport has a direct impact on local economic productivity and this is an increasingly important issue for Nottingham and Nottinghamshire. 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.

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.

- 3.23. Local Government in Nottingham and Nottinghamshire recognises that our future economic prosperity is dependent on our ability to harness the potential around our 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.
- 3.24. 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.
- 3.25. Nottingham and Nottinghamshire leaders recognise that in order to deliver the Nottingham and Nottinghamshire economic strategy and to secure greater devolution and autonomy - strong stable, visible and accountable governance will be

essential. The question for the Nottingham and Nottinghamshire governance review has therefore not just been whether governance arrangements sufficient today, but also whether they will be sufficient to deliver the area's medium to long-term ambitions?

4. The potential to strengthen Nottingham and Nottinghamshire governance

- 4.1. 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. 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 N2 area are properly understood and reflected in the priorities of the D2N2 LEP.
- 4.2. 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. The D2N2 LEP's vision is 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.
- 4.3. 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](#).
- 4.4. N2 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 N2 area.*
 - *Working collaboratively to develop a strong pipeline of projects that can unlock economic growth and enterprise*
 - *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.*
- 4.5. However, it is recognised that the pace and intensity of work required to realise the full potential of the Nottingham and Nottinghamshire economy may require greater

capacity for strategic planning and decision-making around Nottingham and Nottinghamshire's aspirations and that therefore the current arrangements through the Nottinghamshire Leaders Group and the Nottinghamshire Joint Economic Prosperity Committee may be insufficient for the following reasons:

- As an informal body, the Nottinghamshire Leaders 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.

4.6. 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 N2 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 and view the strong governance model of a Combined Authority as an opportunity to ensure this happens.

4.7. Creation of a Nottingham and Nottinghamshire Combined Authority therefore supports the local authorities' ambitions for Nottingham and Nottinghamshire.

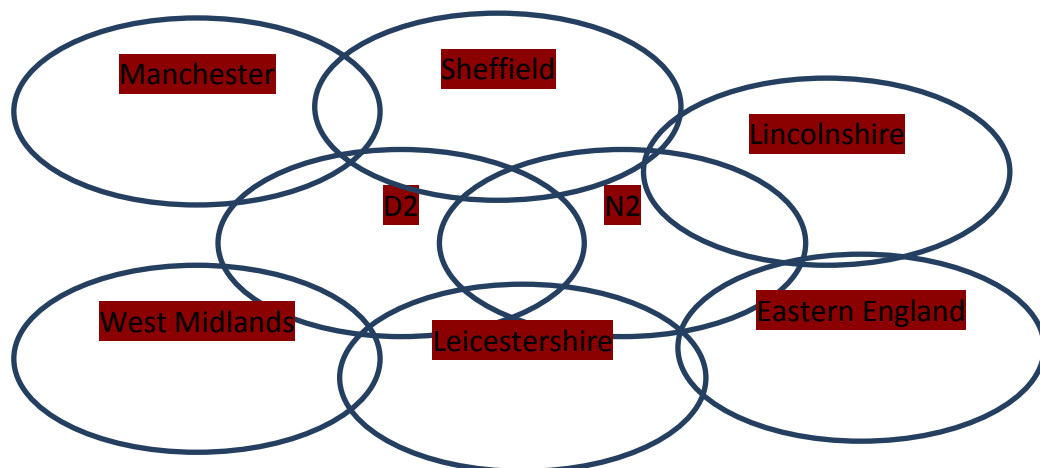
5. Local Enterprise Partnerships

5.1. The D2N2 LEP covers a wide area with many shared economic characteristics. An analysis of the economic context for the D2N2 area and the current D2N2 LEP governance arrangements is set out in Appendix 1. However, 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 the specific challenges and the focus of solutions is therefore different.

- 5.2. 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.

Overlapping economic areas



- 5.3. The diagram illustrates the challenge that is faced; 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. As a consequence, consideration of governance will need to take this into consideration and provide the arrangements and capability to integrate with multiple overlapping agendas. Managing this complexity will be the key to harnessing the resources available across these areas to greatest effect.
- 5.4. As shown in the diagram above, the greatest overlap is with the D2 area. 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.
- 5.5. The N2 economy is closely linked to that of D2 and there are good working relationships with D2 partners in our joint work to support the wider D2N2 LEP.
- 5.6. 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 well below the England average.
- 5.7. 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.
- 5.8. 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.
- 5.9. 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.
- 5.10. 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.
- 5.11. 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.

6. Evaluating the governance options

- 6.1. Good governance matters for two key 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.
- 6.2. The last 5 years have set economic development in a context of political change and global recession; Government policies are simultaneously about cutting costs, lowering debt and creating new opportunities. There is an increased awareness of labour market needs, a real sense of wage fairness and personal responsibility and the need to re-balance the national economy to make the most of local strengths and develop new forward looking economies. The referendum on Scottish devolution and the raising of the 'English question' has given new impetus to rethinking regional economic geographies.
- 6.3. Lord Heseltine's 2012 report, 'No Stone Unturned in the Pursuit of Growth' emphasised the importance of place in economic development and drew attention to wealth in diversity, allowing local regions to tap into their strengths and develop opportunities for local prosperity.
- 6.4. It is within this context the Local Economic Partnerships were created to bring together private and public sector skills and purpose and to fashion new and responsive development. The LEP has a pivotal role in shaping European funding opportunities and drawing down funds to develop local economies.
- 6.5. This current and developing policy on regional devolution provides a real opportunity for Nottingham and Nottinghamshire to 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.
- 6.6. Manchester has led the way in devolving local governance for economic regeneration but in following this route, any new Nottingham and Nottinghamshire 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.

- 6.7 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.
- 6.8 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 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 reforming public services.
- 6.9 This context, together with section 4.5 of this report, establishes that there are strong reasons to strengthen N2 governance. There are four possible governance options that could be implemented in Nottingham and Nottinghamshire:

- 1. Maintain the current Joint Committee arrangements**
- 2. Improve the existing Joint Committee arrangements**
- 3. Establish an Economic Prosperity Board**
- 4. Establish a Combined Authority**

- 6.10 To ensure compliance with the relevant LDEDC and Local 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.*

- 6.11 The Review considers the above statutory tests against the options, notwithstanding the absence of a clear definition of 'economic development and regeneration'. Government guidance on undertaking governance reviews under the Local Transport Act has been available for some time. DfT has confirmed it is looking for the following headline issues to be addressed in the formulation of governance arrangements in order to be accountable for devolved major transport scheme funding:

Effective alignment between decision making on transport and decisions on other areas of policy such as land use, economic development and wider regeneration

Robust and streamlined decision making arrangements which allow necessary decisions to be taken on complex and difficult issues in a timely and transparent manner

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.

6.12 There are limits to comparisons between the options. The existing Nottingham and Nottinghamshire Joint Committee arrangement is fit for purpose within the current Nottingham and Nottinghamshire operating environment and the nature of relationships with adjacent LEP areas. However, firmer and stronger local governance arrangements will enhance our ability to deliver, bring cohesion and pace to decision-making and improve opportunities to acquire new powers and investment.

6.13 Creating appropriate governance structures alone will not achieve our ambitions for the Nottingham and Nottinghamshire area. Issues around policy development, organisational culture and values and recognising/ maintaining the importance of local identity within geographies will also be key factors.

6.14 Any resulting governance model will also need to:

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

Create the space for debate that national politicians find difficult to manage - thereby demonstrating the confidence in the scope for greater devolution of responsibility in future.

6.15 Analysis of the four possible options has been undertaken objectively and within the context of existing challenges. It also takes into account the potential opportunities around enhanced freedoms, flexibilities and powers and the scope for further devolution in the medium term.

6.16 **Maintain the current Joint Committee arrangements.** The nature of current arrangements is set out below.

6.17 The N2 Joint Economic Prosperity Committee is tied to the broader governance structure of the LEP and aims to work closely with the D2 Joint Committee for Economic Prosperity and other neighbouring authorities including the Sheffield City Region Combined Authority (SCRCA) to ensure fully effective arrangements for the purpose of progressing economic development, regeneration and transport.

6.18 The D2N2 Board considers it is best placed to take the strategic lead in delivering the D2N2 programme including identifying the priorities, activities, schemes, programmes and projects that best meet the economic needs and ambitions of the D2N2 area and delivering the objectives of the Strategic Economic Plan and the EU Structural and Investment Fund Strategy. D2N2 will take an active role in managing the delivery of the 2014-2020 programme, working with both Joint Committees and the Accountable

Body to:

Take decisions about what is procured, when it is procured and how it is procured.

Engage with the 'provider' market to inform the development of propositions of the appropriate scale, impact and strategic fit.

Pursue a balance of commissioning and calls for projects with a blend of collaboration, LEP wide and local programmes and activities, to deliver the outputs and outcomes required.

Undertake strategic assessments of applications, programme or project proposals, expressions of interest or any other relevant application for EU SIF funding from the D2N2 allocation.

Oversee and manage the performance of the programme and delivery partners to ensure that the programme meets its mid-term performance criteria.

Review the overall direction, governance and delivery of the programme to ensure that it remains responsive to local needs and opportunities.

6.19 The Board takes overall responsibility for the LEP's activities in developing and managing delivery of the SEP. A lean governance structure draws on the support and takes account of the input of the D2 and N2 Joint Committees, other panels/ boards and the advice of the Accountable Body to ensure decision-making is informed by local priorities and compliance with relevant regulations.

6.20 The relationship with the Nottingham and Nottinghamshire Joint Committee is recognised as a key part of the D2N2LEP governance and delivery framework, in its aspiration to maximise local strategic engagement in decision-making. The LEP anticipates that the Joint Committee will fulfil a role and purpose as set out in the Government's Growth Deal guidance which is to:

- Demonstrate wider commitment to growth;
- Align and pool local authority capital and revenue spending on growth;
- Provide effective collaboration on economic development activities;
- Develop synergy with local growth programmes.

6.21 In practice, this system of governance has exposed some challenges and problems in terms of:

the extent to which the Nottingham and Nottinghamshire Joint Committee is an advisor, influencer or co-decision-maker in any key decision;

the extent to which Nottingham and Nottinghamshire strategic aspirations have been reflected in decision-making by the D2N2 LEP;

the transparency of and accountability of decision-making.

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.

6.22 In summary, the current Joint Committee arrangement:

Supports the LEP-wide delivery programme,

Assesses projects and proposals and provide recommendations to the Board,

Provides advice on a range of activities around local priorities and programmes,

Develops of a ‘pipeline’ of delivery projects and programmes

but

demonstrates some ambiguity and inefficiency in decision-making and strategic alignment

and

is deficient in transparency and clarity of accountability.

6.23 **Improve the existing Joint Committee arrangements.** This option involves extending the scope and functions of the current Joint Committee.

6.24 There is potential to consider adding additional oversight of the strategic elements of functions such as strategic planning, transport and housing as well as seeking to integrate some strategic and operational aspects of economic development, transport and infrastructure work. It would also be possible to extend the working arrangements of the Committee itself – perhaps through discussion with the LEP around matters of delegation and delivery.

- 6.25 Establishing clear priorities for growth within the N2 area which contribute to the overall D2N2 SEP priorities will help to ensure that the Joint Committee's influence in shaping the SEP and its delivery activities is strengthened. A clear agreement on how the Joint committee's governance systems dovetail with the LEP and the implications for the ways in which decisions are taken and influenced would be an important goal in improving the current Joint Committee arrangements.
- 6.26 The underlying principles of the operation of the Joint Committee would, however, remain the same (see 6.14 and 6.15 above) with its inherent advantages and disadvantages.
- 6.27 **Establish an Economic Prosperity Board (EPB).** There is no legal definition of 'economic development and regeneration' nor the functions that relate to these activities. Legislation allows for any function of the participating local authorities to be granted to an EPB. It is for local authorities to put forward and make a case for the functions for inclusion in an EPB. In the overall 'hierarchy' of options, this is the first of the more formal vehicles. An EPB is a legal entity and statutory body – created for purpose of promoting the sustainable economic development and regeneration of its area (it is a body corporate). Its functions should be those that allow it to fulfil this role and should be responsive to local conditions.
- 6.28 An EPB is an 'accountable body' and therefore can have devolved powers and hold funding. An Integrated Transport Authority and an EPB can co-exist.
- 6.29 Previous documentation, *Transforming Places; Changing Lives: Taking Forward the Regeneration Framework* set out the Government's three priority outcomes for regeneration:

Improving economic performance and tackling worklessness, particularly in deprived areas

Creating the right conditions for business growth which could include investment in infrastructure, land use, and a better public realm; and

Creating sustainable places where people want to live and can work and businesses want to invest.

Any proposal needs to have regard to these outcomes in considering what functions should be granted to an EPB.

- 6.30 An EPB attracts additional potential in relation to 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 when drawing up proposals):

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

EPB's do not have any tax raising powers

EPB's do not have power to issue a levy to constituent authorities

EPB's do not have the power to borrow.

- 6.31 An EPB therefore addresses the weaknesses identified with the Joint Committee in that there is clarity and transparency in decision-making as the EPB is a formal legal entity with powers to act as an accountable body and can therefore align strategy and resources more effectively. However, an EPB does not encompass strategic transport and, given the importance of connectivity in Nottingham and Nottinghamshire's aspirations, it is unlikely that an EPB would satisfy the issues set out in Paragraph 5.4.
- 6.32 **Establish a Combined Authority.** A combined authority is the most comprehensive vehicle for delivering economic regeneration. 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.
- 6.33 In addition, combined authorities may be delegated functions of local authorities and the Secretary of State, and have powers and functions of ITAs transferred to them under the provisions of chapter 2 of part 5 of the Local Transport Act 2008. They also have certain functions and powers in their own right, such as a general power of competence.
- 6.34 Like EPBs, combined authorities provide strong governance arrangements and therefore attract funding freedoms and flexibilities. The Act provides scope for them to exercise similar financial powers to those available to ITAs, including the power to borrow and the power to levy relevant constituent authorities. Powers would only apply in relation to transport functions. Combined authorities could therefore levy relevant constituent authorities to meet costs that are attributable to transport activities and to fund transport projects and can borrow for transport purposes.

- 6.35 A combined authority can't fund any activity whose overarching purpose is not to deliver transport objectives or functions by means of the levy or through borrowing. These other 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.
- 6.36 A combined authority therefore meets the first test set out in paragraph 6.3 in that it facilitates the discharge of statutory economic growth and strategic transport duties, and does so to a much greater extent than an EPB.
- 6.37 The second test is around improvements to the effectiveness and efficiency of economic development and transport and the CA model provides a governance mechanism through which strategic issues and challenges can be coordinated and decisions can be taken. 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. In addition there are a number of partnership arrangements around visitor/destination management, growth, inward investment and skills and training. These arrangements have the potential to benefit from greater coordination and coherence through a combined authority. It is also anticipated that existing resources deployed to support these activities can be more effectively managed through a combined authority.
- 6.38 The combined authority will also meet the second and third elements of the through an improved contribution to both the D2N2 LEP and those others such as Sheffield City Region Combined Authority. 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. Strengthening decision-making paves the way for greater collaboration in aligning current resources and capacity. Bringing current activities into a single governance framework would enable:
- effective alignment between decision making on transport and decisions on other areas of policy such as land use, economic development and wider regeneration
 - robust and streamlined decision making arrangements which allow necessary decisions to be taken on complex and difficult issues in a timely and transparent way
 - 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

6.39 Arguably the most important test is the impact on economic conditions in the area. A combined authority is the only governance vehicle which has the potential to address the challenges set out in paragraphs 6.6 and 6.7 of this report and to create the conditions in which a substantial growth in jobs and GVA can be achieved.

6.40 Options Assessment

6.41 The **Maintain the current Joint Committee arrangements** option is discounted on the basis of:

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.

Failure to formalise Nottingham and Nottinghamshire governance will not address current weaknesses and ambiguities in decision-making and transparency

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

6.42 The second option, **Improve the existing Joint Committee arrangements**, is also discounted on the grounds that there are limits to what can be achieved through a less formal partnership. It is likely that decision-making would be slower because of the need to ratify decisions at constituent authority level. This option would not satisfy the Government's requirement for stronger governance and therefore would not open up opportunities for greater devolution of powers and resources with the consequent implications for outcomes for local economic growth.

6.43 N2 Leaders recognise that only a statutory body with a legal personality in its own right will be strong enough to lead the collaboration between Nottingham and Nottinghamshire local authorities and form the necessary legal relationships required going forward. Having considered the tests set out in LEDEDCA, a Combined Authority is considered to be the optimal legal model for Nottingham and Nottinghamshire. The Combined Authority model is preferred to an Economic Prosperity Board because of the **overwhelming benefits of aligning decision making in relation to strategic economic development and transport under one strategic body**. The Combined Authority model is also more likely to secure the benefits of "earned devolution".

6.44 The rationale for the Nottingham and Nottinghamshire Combined Authority is underpinned by **three key findings** of the Nottingham and Nottinghamshire Governance Review:

- the Nottingham and Nottinghamshire area is an ambitious and diverse sub-regional economy including the core city of Nottingham and with complex economic overlaps with Derbyshire, the Sheffield City Region, Lincolnshire and Leicestershire, with **untapped economic potential** and clear **ambitions for growth**;
- there is **the potential to strengthen** Nottingham and Nottinghamshire **governance** in term of the efficacy of decision making, in terms of transparency and accountability and the potential benefits from coordinated resources;
- having considered the various options available (including maintaining the current Joint Committee option), establishing the Nottingham and Nottinghamshire Combined Authority is the option **most likely to deliver sustained economic and social benefits** to the area.

6.45 Our proposal to form a Combined Authority will:

- Strengthen the existing governance arrangements of the D2N2 LEP to deliver the wider ambitions of the Strategic Economic Plan, working alongside the D2 local authorities
- Ensure strong and effective working relationships with local, private sector businesses, the voluntary and community sector
- Attract more freedoms and flexibilities from central Government – and ultimately more funding – to ensure the ambitions and improvements can be delivered to the Nottingham and Nottinghamshire economy
- Deliver economic development, transport and regeneration activity in a more effective and efficient manner through a single, formal combined authority rather than 10 individual local authorities operating in an informal environment
- Provide significant scope for reducing duplication in the work of the ten individual authorities
- Ensure the Nottingham and Nottinghamshire area is able to compete effectively with neighbouring areas that also have created combined authorities.

6.46 **The recommendation of the Nottingham and Nottinghamshire Governance Review is therefore that establishing the Nottingham and Nottinghamshire Combined Authority is the optimal solution to the issues and opportunities set out in this document.**

6.47 Specific detail relating to the Nottingham and Nottinghamshire Combined Authority including: the area it will cover; its membership; voting and any executive arrangements; it's functions and the way in which it will be funded are set out in the ***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 delivery of this vision will be facilitated by attracting new powers, duties and funding to the Nottingham and Nottinghamshire Combined Authority.*

*In addition to this, 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.*

- 6.48 The Nottingham and Nottinghamshire Combined Authority will, 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 ensuring that the overlapping economic interests with neighbouring areas are properly addressed. 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. This is the optimal deliverable solution for the Nottingham and Nottinghamshire area.
- 6.49 The governance arrangements need to recognise the challenges outlined in paragraph 3 above. Nottingham and Nottinghamshire are clear that this unique set of challenges faced in the creation of this body need explicit recognition and that this can be achieved through a **duty to cooperate**. The adoption of such a duty by the proposed Combined Authority will give a clear footing for work with D2. The special relationship with D2 through the LEP will be given particular attention in the design of the governance arrangements to ensure that the strength of working as a whole is retained while at the same time providing the agility needed in order to deal with the complexity of the functional economic arrangements referred to above. This flexibility internally will be key to addressing the challenges set out in paragraphs 5.6 and 5.7 above.
- 6.50 Arrangements with others such as the Barnsley, Doncaster, Rotherham and Sheffield Combined Authority would be supported by the creation of Memoranda of Understanding with these partners to ensure that such integration has a clear framework. The arrangements would be strengthened if other areas were also to have such a duty. However, we accept that this is a matter for them.

- 6.51 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.
- 6.52 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.
- 6.53 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 N2 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.
- 6.54 Whilst the possible legislative changes might lead to future reviews of the governance arrangements for the N2 area, any changes would need to be considered against the statutory tests and government expectations set out in paragraphs 5.3 and 5.4 of this report.
- 6.55 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***.
- 6.56 As detailed in the ***Scheme for the establishment of a Nottingham and Nottinghamshire Combined Authority*** the Nottingham and Nottinghamshire Combined Authority shall have the power to issue a levy to the relevant constituent councils 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 to be raised by the levy shall be apportioned between the relevant constituent councils on an agreed basis. Non-transport functions will be funded from a budget agreed annually by CA members and apportioned as above. 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.

- 6.57 The Nottingham and Nottinghamshire Combined Authority will need support from a small executive function. N2 local authorities are committed to reviewing policy and delivery functions for economic development and to ensure that links are made where appropriate and to drive out efficiencies in the delivery of common functions.
- 6.58 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.
- 6.59 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.
- 6.60 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.
- 6.61 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 N2 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.
- 6.62 Finally, 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 consideration from a practical consideration of what will work for the N2 economic area.

7 Recommendation

- 7.1 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. We therefore recommend to the nine constituent authorities 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.**

Appendix 1 D2N2 context and governance

The D2N2 area has a population of more than 2.1m people and a Gross Value Added (GVA) of nearly £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. Nearly 900,000 people are employed in the D2N2 area, making it the third largest of LEP economies.

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.

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.

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 in the absence of intervention; currently, the cost is equivalent to around £300 per employee in Nottingham and Derby and this is expected to more than double over the next 10 years.

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. 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 Midland's key stations; significant investment and effort is needed, however, to ensure the region harnesses the full potential of this new rail infrastructure.

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 in a major inter-modal rail freight interchange at junction 24 of the M1.

Economic Base

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.

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 10 years, however, it is still only 85% of the England average and the gap with the rest of England has been widening recently. Whilst D2N2 has over 66,000 businesses, including over 50,000 micro businesses, the overall business base is low given the size of the population.

Over 70% 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.

Although almost 400,000 people in the area are educated to degree level, at 29% of the population, this is lower than the England average (33%). Around 150,000 people of working age have no qualifications at all, which means they are at risk of poorly paid, insecure jobs and unemployment.

The D2N2 region has a diverse economy with specific strengths in 8 areas. These are:

- Transport equipment manufacturing: 20,200 employees (2012)
- Life sciences: 7,200 employees (2012)
- Food and drink manufacturing: 17,000 employees (2012)
- Construction: 40,000 employees (2012)
- Visitor economy: 65,300 employees (2012)
- Low carbon economy: 28,700 employees (2011/12)
- Transport and logistics: 28,600 employees (2012)
- Creative industries: 26,500 employees (2012)

Characteristics of the D2N2 Economy

The D2N2 area has four notable 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 geographies 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

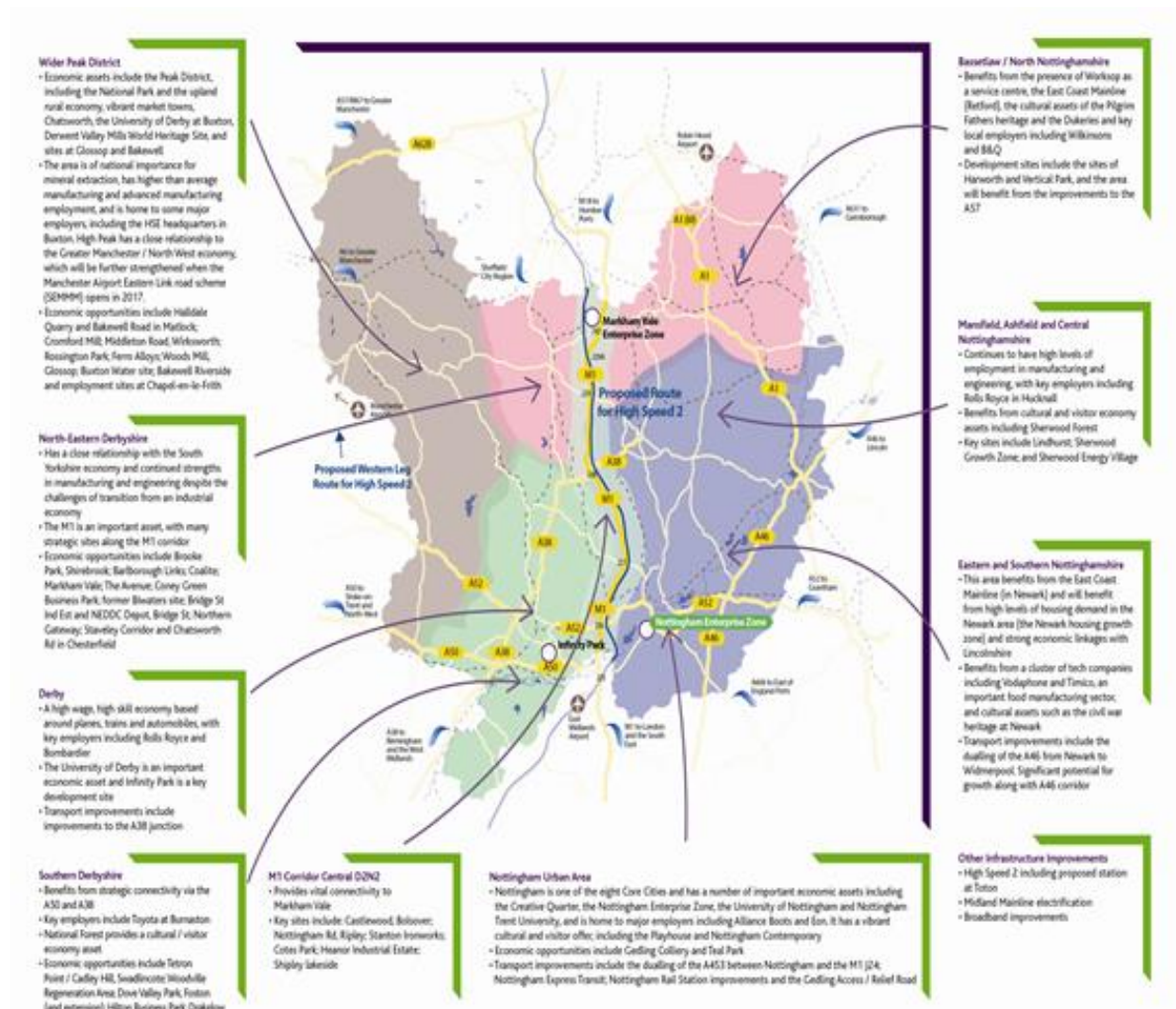


Figure 2: Spatial Relationship and Outline of Economic Characteristics

Current D2N2 Governance and Delivery Arrangements

Governance

Strategic governance and oversight of the D2N2 economy is provided by the Local Enterprise Partnership (LEP). The LEP is made up of a Board, various delivery groups, and advisory arrangements. (See Figure 3 on page 8).

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.

The D2N2 Board is responsible for setting the overall economic strategy for the LEP, including the development of priorities, performance management and oversight and endorsement of strategic projects, as well as monitoring expenditure and outputs across the D2N2 area. Two Joint Committees (one for each of the D2 and N2 areas) support the work of the Board by providing strategic co-ordination and delivery of relevant public sector services.

In addition, supporting the Board there are 3 strategic groups covering:

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

These groups are supported by 5 officer technical working groups and a range of advisory/task and finish groups (24 in total currently). Work on the European Strategy implementation sits alongside, but outside, these arrangements. The following diagram illustrates how the LEP's existing governance arrangements link together.

Because the 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.

Currently, the LEP has been scored as a 2 out of 4 by the Government's Department of Business, Innovation & Skills, suggesting there is scope to strengthen governance arrangements further. It is acknowledged that local authorities, through a Combined Authority or Economic Prosperity Board, can bring greater transparency and democratic accountability to governance arrangements.

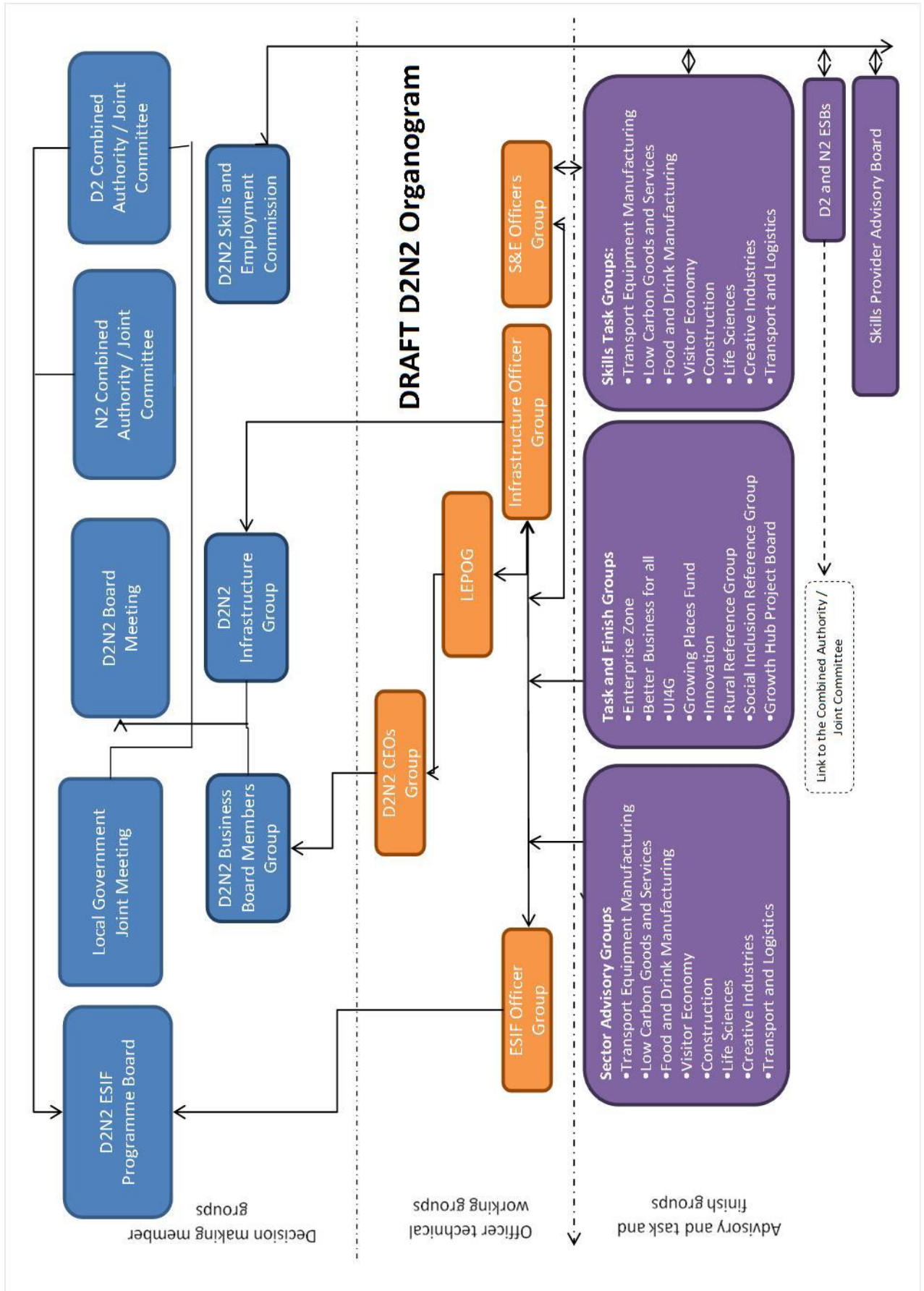


Figure 3: Current D2N2 LEP Governance Arrangements

Strategic Delivery

The D2N2 LEP is a key strategic partner for the ten local authorities within Derbyshire and nine local authorities within Nottinghamshire, however the economic relationship of Derbyshire Dales, Bolsover, North East Derbyshire, Bassetlaw and Chesterfield councils ('overlap' authorities) with the wider economic areas of LEPs in Staffordshire, Greater Manchester and South Yorkshire (Sheffield City Region) is also strong.

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.

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

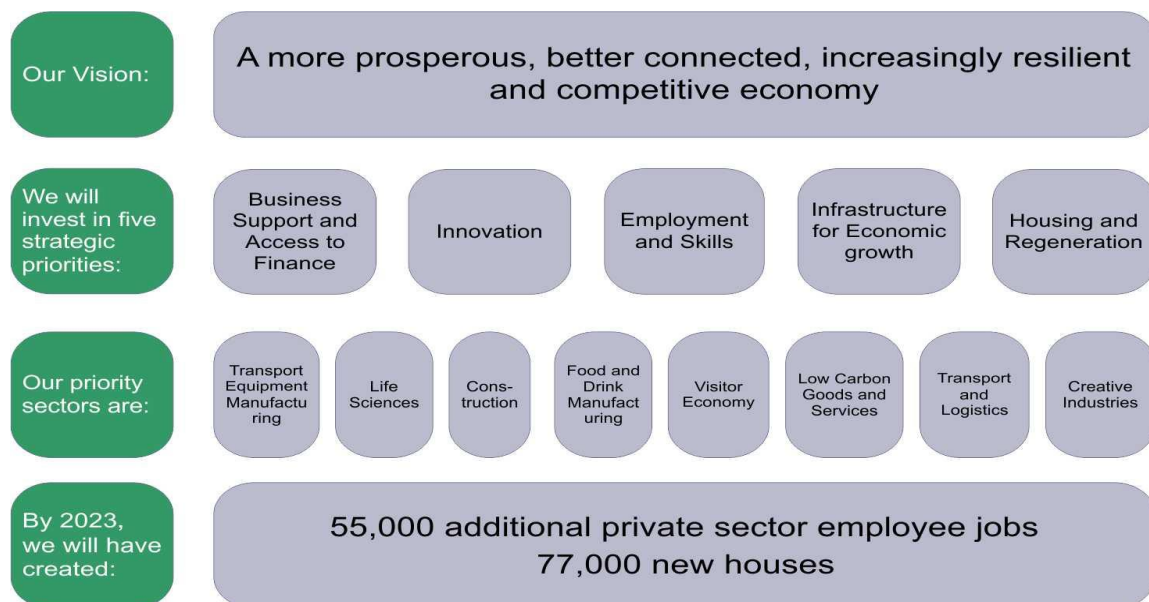


Figure 4: Strategic Planning Framework of the SEP showing priorities, sectors and targets

As the overarching strategic body responsible for driving economic growth, 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 the economic success of the region.

The work of this D2 governance review has sought to test the strength of these relationships and identify areas where this can be improved. Although the D2N2 economy has many strengths, significant challenges remain and more has to be done across all partners and stakeholders to drive growth, employment and prosperity if the region is to regain competitive advantage over the rest of the UK.

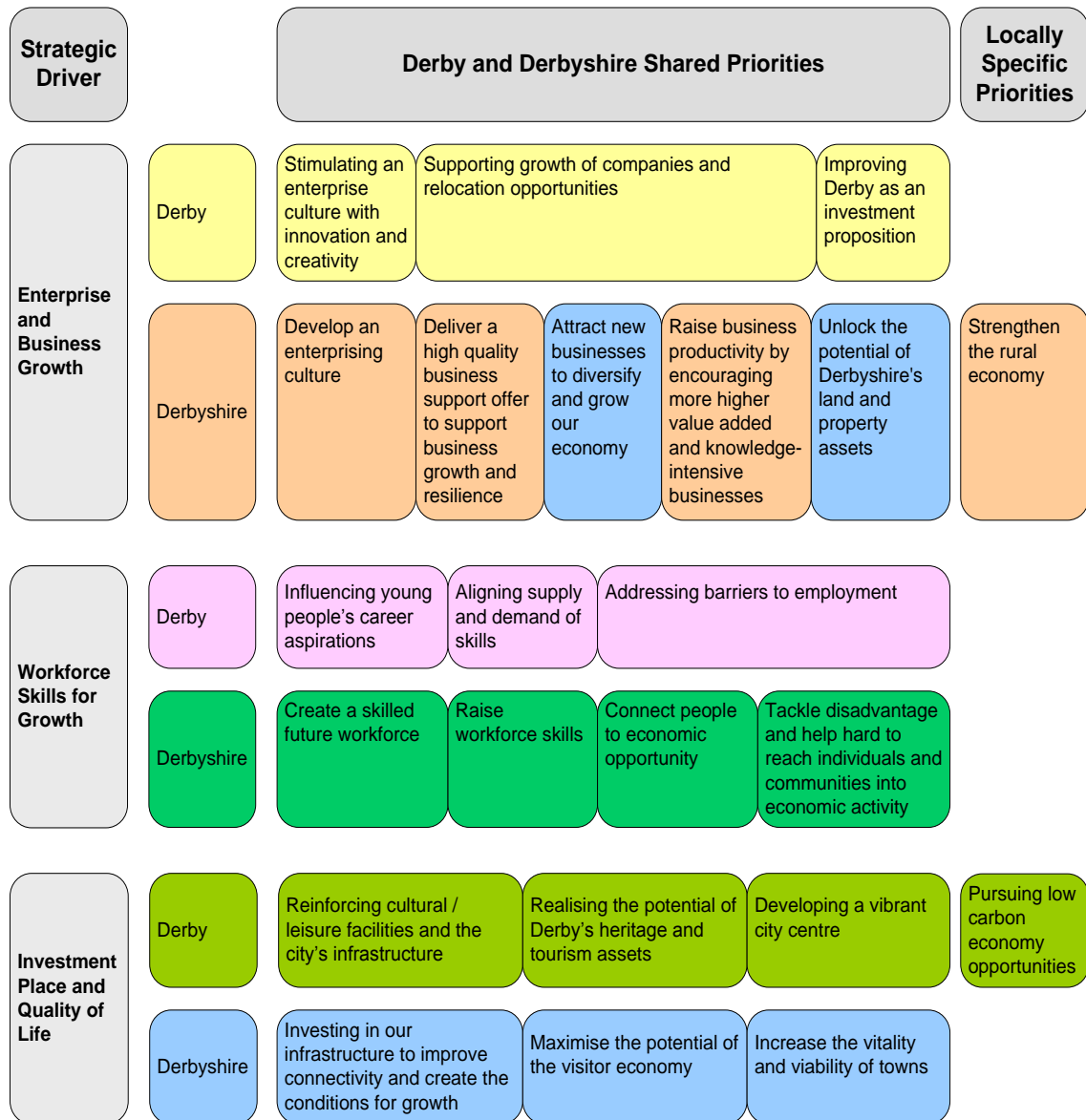


Figure 5: The Shared Priorities of the D2 Joint Committee

There are strong examples of well-aligned work but also potential for duplication and inefficiencies in the current working arrangements. The scope and drive for more joined up approaches and increased effectiveness within the climate of reducing resources was significant.

Key economic indicators in the D2N2 area

Headline results on the current performance of D2 against key economic indicators compared to N2 and the UK are provided below:

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%

Sources: Annual Population Survey, Business Register and Employment Survey, Business Demography, Regional Accounts, Annual Business Inquiry, Census, The Data Service.

Figure 8: Comparison of Economic Performance between D2, N2 and England Average