



Civic Centre,  
Arnot Hill Park,  
Arnold,  
Nottinghamshire,  
NG5 6LU

# Agenda

## Cabinet

Date: **Thursday 12 February 2015**

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Time: **12.30 pm**

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Place: **Reception Room**

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For any further information please contact:

**Lyndsey Parnell**

Senior Elections and Members' Services Officer

0115 901 3910

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# Cabinet

## Membership

<b>Chair</b>	Councillor John Clarke
<b>Vice-Chair</b>	Councillor Michael Payne
	Councillor Peter Barnes Councillor Kathryn Fox Councillor Darrell Pulk Councillor Henry Wheeler
<b>Observers:</b>	Councillor Chris Barnfather Councillor Paul Hughes

## **AGENDA**

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- 2 To approve, as a correct record, the minutes of the meeting held on 8 January 2015.** 1 - 4
- 3 Declaration of Interests.**
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Report of the Chief Executive.
- 5 Quarterly Budget Monitoring, Performance Digest & Virement Report** 57 - 80
- 6 Prudential Code Indicator Monitoring 2014/15 and Quarterly Treasury Activity Report for Quarter ended 31 December 2014** 81 - 96  
  
To inform members of the performance monitoring of the 2014/15 Prudential Code Indicators, and to advise members of the quarterly treasury activity as required by the Treasury Management Strategy.
- 7 Scrutiny Reports.** 97 - 106  
  
Report of Councillor Mike Hope, Chair of the Overview and Scrutiny Committee.
- 8 Progress Reports from Portfolio Holders.**
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- 10 Any other items the Chair considers urgent.**

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## MINUTES CABINET

Thursday 8 January 2015

Councillor John Clarke (Chair)

Councillor Michael Payne  
Councillor Peter Barnes

Councillor Darrell Pulk  
Councillor Henry Wheeler

Observers: Councillor Chris Barnfather

Absent: Councillor Kathryn Fox and Councillor Paul Hughes

Officers in Attendance: H Barrington, J Robinson, S Bray, A Ball and  
L Parnell

### 189 APOLOGIES FOR ABSENCE.

Apologies for absence were received from Councillor Fox and Councillor Hughes (observer).

### 190 TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE MEETING HELD ON 18 DECEMBER 2014.

#### RESOLVED:

That the minutes of the above meeting, having been circulated, be approved as a correct record.

### 191 DECLARATION OF INTERESTS.

None

### 192 PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT.

The Financial Services Manager presented a report, which had been circulated prior to the meeting, giving details of the provisional finance settlement for the next financial year.

#### RESOLVED to:

- (a) Note the Provisional Local Government Finance Settlement;
- (b) Approve in principle the payment of £47,500 grant funding to the Parish Councils as detailed in paragraph 2.1.4 of the report;

- (c) Approve a 3% income inflation increase for the individual portfolios as shown in the table at paragraph 2.3 of the report; and
- (d) Approve the draft letter attached at Appendix B to the report for circulation to a selection of Business Ratepayers.

**193 FORWARD PLAN.**

Consideration was given to a report of the Service Manager, Elections and Members' Services, which had been circulated prior to the meeting, detailing the Executive's draft Forward Plan for the next four month period.

**RESOLVED:**

To note the report.

**194 PROGRESS REPORTS FROM PORTFOLIO HOLDERS.**

**Councillor Darrell Pulk (Leisure and Development)**

- A gym refresh has just been completed at Carlton Forum Leisure Centre, introducing new equipment and weight training opportunities.
- Large, colourful artwork, created for the "I Will" campaign is now in place at Carlton Forum Leisure Centre.
- A recent gym refresh at Calverton is continuing to be well received. There has also been an increase in gym opening hours, which is proving successful, with the site reporting increased use and enquiries.
- A new swim timetable has been implemented at Calverton and Arnold Leisure Centres. Children have transitioned to new swimming lesson time slots largely without incident.
- There has been a 9.9% growth in DNA memberships, driven by an increase in sales and customer retention.
- Work on a new ticketing website is almost complete, subject to final testing and resources have been moved to allow for a 2 month trial period of increased admin and marketing support, including the opening of the box office twice weekly during the day time.

Councillor Barnfather entered the meeting,

**Councillor Michael Payne (Public Protection and Communications)**

- Crime figures showed an increase in December, against December 2013, of 10 offenses.

- The only priority plus area within the Borough, Netherfield & Colwick, is now only 0.6% away from their crime reduction target.
- The Mayor, on behalf of the Council, is intending to write to the Mayor of Paris to offer condolences following the recent tragedy.

**195 MEMBER'S QUESTIONS TO PORTFOLIO HOLDERS.**

None.

**196 ANY OTHER ITEMS THE CHAIR CONSIDERS URGENT.**

None.

The meeting finished at 1.00 pm

Signed by Chair:  
Date:

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## **Report to Cabinet**

**Subject:** Creation of a combined authority for Nottingham and Nottinghamshire

**Date:** 12 February 2015

**Author:** Chief Executive

### **Wards Affected**

Borough Wide.

### **Purpose**

To seek executive approval for Gedling Borough Council to formally join the Nottingham and Nottinghamshire Combined Authority once it is established and for Cabinet to consider and comment on the draft Governance Review and draft Scheme for the establishment of the Nottingham and Nottinghamshire Combined Authority. The reason for this is that conflicting advice has been given by DCLG as to whether executive or non-executive approval needs to be given. Non-executive approval was given by Council on 21 January 2015.

### **Key Decision**

This is a Key Decision.

### **Background**

At its meeting on 19 December 2014, the Nottingham and Nottinghamshire Economic Prosperity Committee agreed to "*recommend to its Constituent Councils that they pursue a Combined Authority under the relevant provisions of the Local Democracy, Economic Development and Construction Act 2009 (and other such provisions as are necessary to ensure the authority has a range of functions to match expectations)*".

Following this decision, the statutory consultation of partners and interested parties on the proposals for the Combined Authority was launched. Copies of the consultation versions of the Governance Review and Scheme are attached to this report as appendices 1 and 2.

The Governance Review and Scheme are the statutory documents that will form the basis of the constituent partners' application to the Government for Combined Authority status and it is important to note that there will be further changes to the

documents as details are worked through and consultation responses included.

The consultation period ends on 6 February 2015. Consultation feedback will be considered by the Economic Prosperity Committee and final versions of the Governance Review and Scheme will be prepared. It is currently proposed that the Nottingham and Nottinghamshire Combined Authority Governance Review and Scheme will be submitted to the Secretary of State for Communities and Local Government by mid February 2015.

Discussions with the Department for Communities and Local Government (DCLG) and the Department for Business, Innovation and Skills (BIS) about a Nottinghamshire and Nottingham Combined Authority have been positive. An indication has been given that provided the necessary consultation has taken place and the Governance Review and Scheme demonstrate how the Combined Authority will positively benefit the area, it is possible that a Combined Authority may be created by Statutory Instrument in September 2015. A copy of the draft order which the Secretary of State will be asked to consider is attached as Appendix 3.

Members should note that the formal establishment of the Nottingham and Nottinghamshire Combined Authority will not bring about an immediate change to governance or operational arrangements. Negotiations with the Government will need to take place over the powers and functions that will be vested in the Combined Authority and local negotiations will take place to establish operating protocols across the constituent partners.

In view of tight timescales and the high likelihood of changes being required to the statutory documents, it is necessary that the power to sign off the Governance Review and Scheme be delegated to the Chief Executive in consultation with the Leader of the Council and Opposition Group Leaders.

## **Proposal**

### **Powers of the Combined Authority**

The prime purpose of the Combined Authority is to improve the exercise of statutory functions in relation to economic development, regeneration and transport.

The full list of powers is set out in section 2 of Appendix 2 and includes:-

- Setting an economic and investment strategy
- Coordinating inward investment activity
- Functions in respect of the funding and provision of housing
- Functions of a local transport authority

The powers of the Combined Authority will be supplemented by operating “protocols” agreed locally by the Combined Authority and councils. These protocols will include recognition of the strategic role of the Combined Authority and safeguards to ensure that it does not unnecessarily interfere with local decision making and delivery. As detailed in the Governance Review document, councils may, in time, choose to delegate additional powers to the Combined Authority by virtue of Section 101 of the Local Government Act 1972. In all cases, the delegation of such powers would require a decision from each local authority concerned.

### **Rationale for creating a Combined Authority**

The current arrangements, with two joint committees reporting into the N2D2 Local Enterprise Partnership have secured some successes – in relation to development of the Enterprise Zone, developing a shared view on the development of key business sectors across the N2 area; working collaboratively on projects which have been funded through the growth deal and through other funding schemes.

However, it is recognised that:-

- Decision making about economic development is not always well coordinated and well aligned
- The LEP is not always considered to be transparent or accountable
- A single, democratically accountable body established as a permanent feature of local government would be able to take a strategic and long term view about economic growth, infrastructure and transport.

The main governance options that could be considered in Nottingham and Nottinghamshire are:

- a) Maintain the current Joint Committees
- b) Improve the existing Joint Committee arrangements
- c) Establish an Economy Prosperity board
- d) Establish a Combined Authority

The merits of these options are more fully considered in the governance review in appendix 1 and the favoured option which has emerged is the option of a Combined Authority. This is thought preferable because:

- Decisions will be made in one place by democratically elected leaders
- The Combined Authority option gives greater formality to existing

partnership working

- The Combined Authority solution gives greater transparency and accountability
- The Combined Authority option represents the best chance of attracting further devolution of powers and funding from central government.

### **Implications for Gedling Borough Council**

In as much as the powers referred to above relate to economic development, these are already exercised within the context of the Joint Committee.

The powers relating to transport and education are not currently powers that Gedling possesses. Therefore by joining a Combined Authority, Gedling will have the opportunity to influence these sorts of decisions in future in more powerful ways than are possible at present.

In as much as the powers relate to Housing, it is thought that by working within a Combined Authority, the funding and decision making of the Homes and Communities Agency (HCA) could be devolved to the Combined Authority. Housing powers would, however, still be exercisable concurrently so this does not represent a “loss” to Gedling – instead it may represent a greater opportunity.

The powers relating to securing wellbeing and the power of general competence is a wide statutory power which could be used to benefit local areas. Again, the powers would be exercisable concurrently with individual authorities.

In conclusion, therefore, there seems much to be gained for Gedling and little to lose in entering into this arrangement for a Combined Authority. There would be more to lose by staying outside of it, since authorities which remain outside the new structure cannot be assured of any influence or funding streams.

### **Alternative Options**

- To maintain the current Joint Committee arrangements;
- To Improve the existing Joint Committee arrangements; or
- To establish an Economic Prosperity Board.

The advantages and disadvantages of the above options together with the reasons for rejection of those options are set out in the Governance Review attached at Appendix 1.

### **Financial Implications**

Under the current Economic Prosperity Committee arrangement, each of the constituent councils contributes £3,500 per year towards the secretariat costs. The proposals for the Nottingham and Nottinghamshire Combined Authority have not yet been costed. However the latest version of the scheme proposes that:

*“The costs of the Combined Authority that are reasonably attributable to the exercise of its functions relating to economic development and regeneration (and any start-up costs) shall be met by the constituent councils. Such costs shall be apportioned between the nine councils on a per capita basis, with county and district authorities apportioning their share of costs on a 75:25 basis. The Combined Authority will agree an annual budget for the purpose of this expenditure.”*

## **Appendices**

Appendix 1- Nottingham and Nottinghamshire N2 Governance Review.

Appendix 2- Scheme for the Establishment of a Nottingham and Nottinghamshire Combined Authority.

Appendix 3- Statutory Instrument- The Nottingham and Nottinghamshire Combined Authority Order 2014.

## **Background Papers**

None identified.

## **Recommendations**

That Cabinet endorses the following, which were approved by Council on 21 January 2015:

- a. Agrees that a submission be made to the Secretary of State for Communities and Local Government for the establishment of a Combined Authority for Nottingham and Nottinghamshire;
- b. Approves Gedling Borough Council formally joining the Nottingham and Nottinghamshire Combined Authority once this is established;
- c. Comments on the draft Governance Review and Scheme to inform the final drafting of these documents; and
- d. Delegates authority for the signing off of the final Governance Review and Scheme to the Chief Executive in consultation with the Leader and Opposition Group Leaders.

## **Reasons for Recommendations**

To ensure that the Executive considers the proposal to create a Combined Authority and, in doing so, is informed by the Governance Review and Scheme.

To provide the necessary delegation to the Chief Executive, in consultation with the Leader and Opposition Group Leaders, to sign off the final Governance Review and Scheme to allow any comments and conclusions drawn from the public consultation exercises to be reflected in the document.

## **Nottingham and Nottinghamshire**

### **N2 Governance Review**

## **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)<sup>1</sup> 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.

## **2. Executive Summary**

- 2.1. The nine local authorities that make up the N2 area have a long history of informal collaboration on matters which impact on the economic success of the area and

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

which contribute to the wider economic geography across the D2N2 area (Derby, Derbyshire and Nottingham, Nottinghamshire).

2.2. This collaboration was formalised through the development of the City of Nottingham and Nottinghamshire Joint Economic Prosperity Committee 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. **Figure 1 – the N2 area**

***Insert map of N2 area here***

2.4. 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.

2.5. 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.

2.6. 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 guidance<sup>2</sup> 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;
- 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

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

Nottinghamshire that contribute to the effectiveness of the D2N2 Local Enterprise Partnership.

- 2.7. The N2 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 N2 governance review has not just been whether N2 governance arrangements are sufficient today, but also whether they will be sufficient to deliver the N2 area's medium to long-term ambitions?
- 2.8. 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.**

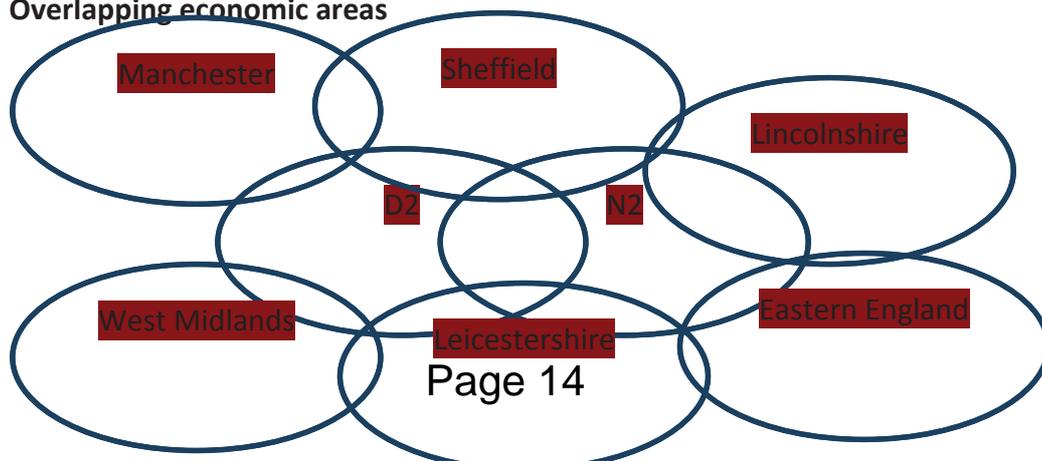
### 3. Local Enterprise Partnerships

3.1. The D2N2 LEP covers a wide area with many shared economic characteristics. 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 N2 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.

3.2. 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.

3.3.

#### Overlapping economic areas



- 3.4. The diagram illustrates clearly 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 N2 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.
- 3.5. 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.

#### **D2N2 LEP**

- 3.6. 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
- 3.7. 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.

### **4. Nottingham and Nottinghamshire's plans for growth**

- 4.1. 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.
- 4.2. The economic structure of Nottingham and Nottinghamshire is diverse and the spread of sectors reflects issues such as skills levels and type, commuting patterns, availability of land and connectivity to key markets. There is also strong evidence of sector growth on the back of supply chain opportunities, with global companies such as Boots, Rolls Royce and Capital One generating significant added value for the local

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

- 4.3. The 'powerhouse' sectors in GVA terms (excluding public administration, education and health) are distribution, transport; accommodation and food (20.1% of GVA in 2011) and production (14.6%). 74% of production's contribution to GVA is generated by manufacturing. Notable companies and OEMs in these sectors that are based in N2 include Wilkinsons, Boots, Hillarys, British Sugar, Lindhurst Engineering, Brunton Shaw, Speedo, Changan and CenterParcs. These will continue to be important sources of growth and employment into the future, but are also now joined by a whole host of innovative companies in other priority sectors – creative/digital, life sciences/medical, low carbon and logistics.
- 4.4. The public sector is still a major employer in N2, with health and education alone providing 113,700 jobs (24%) in the area in 2012<sup>3</sup>. 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.
- 4.5. The population of the N2 area is 1.11million, with a working age population of 715,700<sup>4</sup>. 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.<sup>5</sup> These figures mask a significant amount of variation within the patch, for instance Newark and Sherwood's unemployment rate is 2.7%, whereas the unemployment rate in Mansfield is 13.8%.
- 4.6. 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 degree level qualifications, with over 54% of working age people educated to degree level or above in Rushcliffe and more than 36% in Broxtowe and Gedling.
- 4.7. 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

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<sup>3</sup> ONS Business Register and Employment Survey 2012

<sup>4</sup> ONS 2013 Mid Year Population Estimates

<sup>5</sup> ONS Annual Population Survey April 2013- March 2014

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).

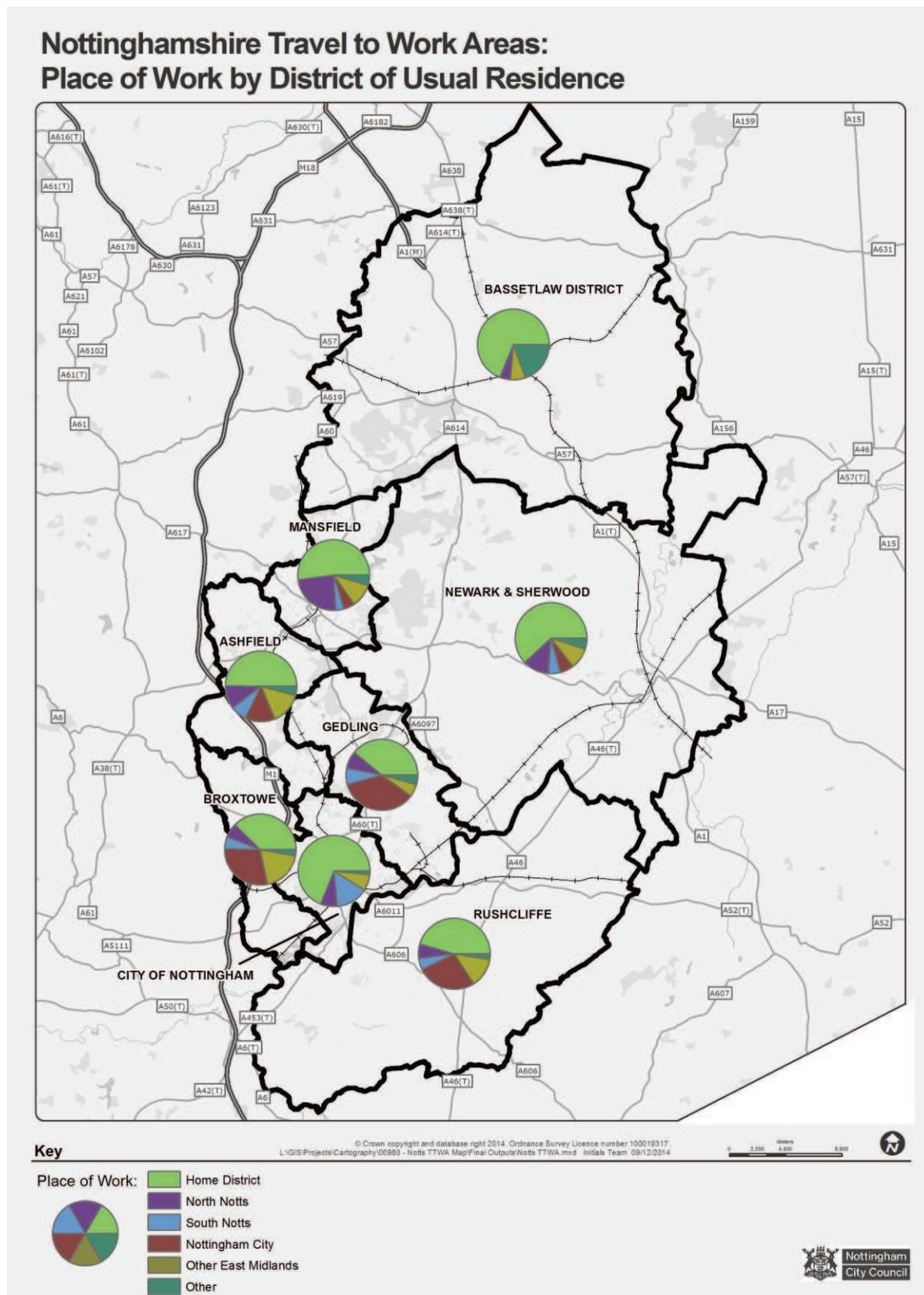
- 4.8. N2 is home to two world class universities bringing over 60,000 students into the area each year<sup>6</sup>. The University of Nottingham is a world leading research university, one of the UK's Russell Group and Nottingham Trent University is the 13th largest university in the UK.
- 4.9. The 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 areas<sup>7</sup> (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
- 4.10. There is an 'outflow' of commuting from Nottingham of over 38,500 people with most people travelling to the surrounding districts.
- 4.11. 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.

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<sup>6</sup> HESA student enrollments 2012/13

<sup>7</sup> 2011 Census ONS

4.12. Fig 1.



- 4.13. 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 also needs to be recognised. 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.
- 4.14. 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.
- 4.15. 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.<sup>8</sup>
- 4.16. 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 the Growth Deal, with much more to come in future rounds.
- 4.17. 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,

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<sup>8</sup> Oxford Economics Economic Projections for Core Cities (November 2013)

and the wider N2 partnership is working with D2N2 on plans for a Growth Hub and new business support and access to finance initiatives.

- 4.18. 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.
- 4.19. N2 leaders recognise that in order to deliver the N2 economic strategy and to secure greater devolution and autonomy - strong stable, visible and accountable governance will be essential. The question for the N2 governance review has therefore not just been whether N2 governance arrangements sufficient today, but also whether they will be sufficient to deliver the N2 area’s medium to long-term ambitions?

## **5. The potential to strengthen Nottingham and Nottinghamshire governance**

- 5.1. 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.
- 5.2. 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.
- 5.3. 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](#).

5.4. 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.*

5.5. However, it is recognised that the pace and intensity of work required to realise the full potential of the N2 economy may require greater capacity for strategic planning and decision-making around N2'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 N2 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.

- 5.6. 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.
- 5.7. Creation of a Nottingham and Nottinghamshire Combined Authority therefore supports the N2 authorities’ ambitions for Nottingham and Nottinghamshire.

## **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. 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**

- 6.3. 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.*

- 6.4. 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.*

- 6.5. There are limits to comparisons between the options. The existing N2 Joint Committee arrangement is fit for purpose within the current N2 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.
- 6.6. Creating appropriate governance structures alone will not achieve our ambitions for the N2 area. Issues around policy development, organisational culture and values and recognising/ maintaining the importance of local identity within geographies will also be key factors.
- 6.7. 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.*

- 6.8. 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.

- 6.9. **Maintain the current Joint Committee arrangements.** The nature of current arrangements is set out below.
- 6.10. 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.
- 6.11. 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.*

- 6.12. 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.
- 6.13. The relationship with the N2 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.

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

*the extent to which the N2 Joint Committee is an advisor, influencer or co-decision-maker in any key decision;*

*the extent to which N2 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 N2 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.

6.15. 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.*

- 6.16. **Improve the existing Joint Committee arrangements.** This option involves extending the scope and functions of the current Joint Committee.
- 6.17. 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.
- 6.18. 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.
- 6.19. 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.
- 6.20. **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.
- 6.21. 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.
- 6.22. 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.

- 6.23. 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.*

- 6.24. 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 N2's aspirations, it is unlikely that an EPB would satisfy the issues set out in Paragraph 5.4.

- 6.25. **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.

- 6.26. 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.
- 6.27. Like EPBs, combined authorities provide strong governance arrangements and therefore attract funding freedoms and flexibilities. The Act provides them with similar financial powers to those available to ITAs, including the power to borrow and the power to levy relevant constituent authorities. Powers will only apply in relation to transport functions. Combined authorities can 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.
- 6.28. 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.
- 6.29. A combined authority therefore meets the first test set out in paragraph 5.3 in that it permits the efficient discharge of statutory economic growth and strategic transport duties, and does so to a much greater extent than an EPB.
- 6.30. 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.
- 6.31. The combined authority will also meet this element of the test (and arguably the third and final element below) through an improved contribution to both the D2N2 LEP and those others such as Sheffield City Region Combined Authority. In particular arrangements an N2 Combined Authority would be able to provide a clear contribution to stronger governance arrangements for the LEP as a whole. Strengthening decision-making also paves the way for greater collaboration in aligning current resources and capacity.
- 6.32. The final (and arguably 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 5.5 and 5.6 of this report and to create the conditions in which a substantial growth in jobs and GVA can be achieved.
- 6.33. The **Maintain the current Joint Committee arrangements** option is discounted on the basis of:

*Failure to strengthen N2 governance will compromise the medium to long-term ambitions of the area and therefore be detrimental to the future economic performance.*

*Failure to formalise N2 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.*

- 6.34. 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.
- 6.35. 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 N2 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 N2. 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".
- 6.36. The rationale for the Nottingham and Nottinghamshire Combined Authority is underpinned by **three key findings** of the N2 Governance Review:
- the N2 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 some **untapped economic potential** and clear plans for growth;
  - there is **the potential to strengthen N2 governance** both in term of the efficacy of decision making and in terms of transparency and accountability;
  - 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 N2 area.

- 6.37. **The headline recommendation of the N2 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.**

Specific detail relating to the Nottingham and Nottinghamshire Combined Authority including: the area it will cover; its membership; voting and any executive arrangements; its functions and the way in which it will be funded are set out in the ***Scheme for the establishment of a Nottingham and Nottinghamshire Combined Authority***. As detailed in the scheme, the recommendation of the N2 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.*

- 6.38. 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 N2 area.
- 6.39. The governance arrangements need to recognise the challenges outlined in paragraph 3 above. N2 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.

- 6.40. 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.
- 6.41. 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.
- 6.42. 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.
- 6.43. 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.
- 6.44. 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.

- 6.45. 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***.
- 6.46. 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.
- 6.47. 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.
- 6.48. 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.
- 6.49. 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.
- 6.50. 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.
- 6.51. 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.

- 6.52. 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 an N2 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.**

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# **Scheme for the establishment of a Nottingham and Nottinghamshire Combined Authority**

***DRAFT – September 2014***

**DRAFT**

## **Section 1 – Intention to establish a Nottingham and Nottinghamshire Combined Authority**

### **1. Establishment of Authority**

A Combined Authority shall be established pursuant to Section 103 of the Local Democracy, Economic Development and Construction Act 2009 (“LDEDCA”).

### **2. Name of Authority**

The name of the Combined Authority shall be the ***Nottingham and Nottinghamshire Combined Authority (“the Combined Authority”)***.

### **3. Area of Authority**

3.1. The Combined Authority area shall be the whole of the following local government areas:

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

3.2. The nine councils listed above shall be referred to as the *“constituent councils”*.

### **4. Membership of Authority**

4.1. Membership of the Combined Authority will be drawn from the constituent councils listed in section three.

- 4.2 The constituent councils will appoint nine elected members<sup>1</sup> to the Combined Authority. Each constituent council will appoint one member.
- 4.3 Membership of the Combined Authority will be a decision for each council. The constituent councils shall each appoint another of its elected members to act as a member of the Combined Authority in the absence of the elected member appointed under paragraph 4.2 above (“substitute member”). Each constituent council may at any time terminate the appointment of a member or substitute member appointed by it to the Combined Authority and the constituent member may appoint a replacement member as soon as reasonably practical.
- 4.4 Where a member or substitute member of the Combined Authority ceases (for whatever reason) to be an elected member of the council that appointed them, the elected member shall cease to be a member of the Combined Authority, and the relevant council shall appoint a replacement member as soon as practicable.
- 4.5 The Combined Authority shall, in each year, appoint a Chairman and Vice-Chairman from among its members. The appointments shall be the first business transacted at the first meeting of the Combined Authority. Where, at any meeting of the Combined Authority, the Chairman is absent, the Vice Chairman shall assume the Chairman’s role for that meeting. Where the Chairman and Vice Chairman are not present or are unable to act, the Combined Authority members will elect one of the members present to preside for the meeting or part of the meeting.
- 4.6 No remuneration shall be payable by the Combined Authority to its members other than allowances for travel and subsistence, provided always that a constituent authority may, on the recommendation of its independent remuneration panel, pay a special responsibility allowance to any elected member appointed by it to the Combined Authority in respect of duties and responsibilities undertaken as a member of the Combined Authority.
- 4.7 The Combined Authority may co-opt additional, non-voting representatives.<sup>2</sup>

## **5. Voting**

- 5.1. The constituent council members of the Combined Authority shall have one vote each.
- 5.2. Subject to paragraph 5.3 below and the provisions of any enactment, all questions coming or arising before the Combined Authority shall be decided by a simple majority of the members of the Combined Authority present and voting. In the case

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<sup>1</sup> Note: it is a requirement of LDEDCA that the majority of members are drawn from the constituent authorities of the CA.

<sup>2</sup> Note: such representation will always be non-voting as such representatives are not members.

of a tied vote on any motion or amendment, the motion or amendment shall be deemed to have been lost. The Chair of the Combined Authority shall not have a second or casting vote. On the requisition of any two members, made before the vote is taken, the voting on any matter shall be recorded so as to show how each member voted and there shall also be recorded any member abstaining from voting.

- 5.3 To be discussed – provisions to enable councils to proceed in “reserved” areas without unanimity or majority eg. transport

## 6. Executive Arrangements

Executive arrangements (within the meaning of the Local Government Act 2000) shall not apply to the Combined Authority. However, the discharge of the functions of the Combined Authority will be subject to the scrutiny arrangements set out in section 9 below.

## 7. Scrutiny Arrangements

Constituent authorities may exercise scrutiny functions over the Combined Authority (including, where appropriate, the Combined Authority's committees) through their own overview and scrutiny or committee arrangements.

**Anticipated legislation is likely to directly apply overview and scrutiny arrangements to Combined Authorities.**

## Section 2 – Functions, powers and duties of the Combined Authority

### 8. The functions of the Combined Authority

- 8.1. The prime purpose of the Combined Authority is to improve the exercise of statutory functions in relation to economic development, regeneration and transport in the N2 area leading to an enhancement of the economic conditions and performance of the Nottingham and Nottinghamshire area.
- 8.2. In pursuit of this aim, the Combined Authority will have the functions set out in sub paragraphs 8.3 to 8.5 in relation to Strategic Economic Development and Transport. These powers will be exercised by the Combined Authority on a concurrent basis i.e. no powers have been “ceded” to the Combined Authority from its members.
- 8.3.
  - Strategic Economic Development.
  - Setting the Economic Strategy
  - Setting the investment strategy for the N2 area
  - Making decisions with regard to the investment strategy for the N2 area
  - Making decisions in relation to the uplift from Enterprise Zone business rates
  - Coordinated inward investment activity.
  - Strategic Planning functions
  - Function in respect of further education provision, co-ordination and funding.

- Functions in respect of the funding and provision of housing in the area of the Combined Authority.
- Functions in respect of provision, co-ordination and funding of initiatives for increasing employment and improving skills.
- Functions in respect of the provision of support and funding for local business initiatives in the area of the Combined Authority.
- The duty under Section 8 (i) of the Housing Act 1985 (duty of local housing authorities to consider housing conditions in their district and the needs of the district with respect to the provision of further housing accommodation).

#### Transport

- The functions of a local transport authority
- The functions of a Passenger Transport Executive

8.4. The Combined Authority will have the benefit of a General Power of Competence to provide for maximum flexibility in being able to deal with economic development and regeneration issues. The Combined Authority shall exercise any function of the Secretary of State delegated to the N2 Combined Authority by the order of the Secretary of State pursuant to Section 86 LTA2008, Section 104(1)(b), LDEDCA and sections 15 to 19 of the Localism Act 2011. Such functions shall be exercised subject to any condition imposed by the order.

8.5. In addition to the above, the Combined Authority will have the following specific powers. These are viewed as complementary to the broader powers to address economic development identified above:

- The power under section 144 of the Local Government Act 1972 (the power to encourage visitors and provide conference and other facilities).
- The duties under sections 15ZA, 15ZB, 15ZC, 17A, 18A(1)(b), of the Education Act 1996 and the power under sections 514A and 560A of that Act (duties and powers related to the provision of education and training for persons over compulsory school age).
- The duty under section 4(1) of the Local Government Act 2000 (duty to prepare a strategy for promoting or improving the economic, social and environmental well-being of their area and contributing to the achievement of sustainable development in the United Kingdom) and the power under section 4(2) of the

Local Government Act 2000 (power to modify their sustainable communities strategy).

- The duty under section 69 of the 2009 Act (duty to prepare an assessment of economic conditions).

- 8.6. These powers will be supplemented by operating “protocols” agreed locally by the Combined Authority and councils. These protocols will include a recognition of the strategic role of the Combined Authority and safeguards to ensure that it does not unnecessarily interfere with local decision making and delivery. As detailed in the Governance Review document - councils may, in time, choose to delegate additional powers to the Combined Authority by virtue of Section 101 of the Local Government Act 1972. In all cases, the delegation of such powers would require a decision from each local authority concerned.
- 8.7. The Combined Authority will not have any specific planning-related powers. However, using general economic development powers, the Combined Authority may take actions which support, enhance and provide cohesion to local planning frameworks.

## **Section 3 – Funding**

### **9. Funding**

- 9.1. The Combined Authority, as a levying body under Section 74 of the Local Government Finance Act 1988, shall have the power to issue a levy to its relevant constituent councils (ie. Nottingham City Council and the Nottinghamshire County Council) in respect of the expenses and liabilities of the Combined Authority which are reasonably attributable to the exercise of its functions relating to transport. The amount to be raised by the levy will be apportioned between the relevant constituent authorities on an agreed basis.
- 9.2. The levy shall be in ten equal instalments payable monthly by the end of the first ten months in the financial year.
- 9.3. The costs of the Combined Authority that are reasonably attributable to the exercise of its functions relating to economic development and regeneration (and any start-up costs) shall be met by the constituent councils. Such costs shall be apportioned between the nine councils on a per capita basis, with county and district authorities apportioning their share of costs on a 75:25 basis. The CA will agree an annual budget for the purpose of this expenditure.

## **Section 4 – Other arrangements**

### **10. D2N2 Local Enterprise Partnership and Derbyshire Combined Authority**

- 10.1. A partnership between the public and private sector, D2N2 LEP's vision is for a more prosperous, better connected and increasingly resilient and competitive economy.
- 10.2. It is intended that the D2N2 Local Enterprise Partnership would be a lead advisory body to the Combined Authority, bringing private sector voices and providing leadership of particular Combined Authority projects and workstreams.
- 10.3. It is recognised that the Combined Authority will need to coordinate its work closely with the equivalent Combined Authority arrangements in Derbyshire in order to ensure that effective governance arrangements can operate across the whole of the D2N2 LEP area. It is therefore proposed that the Combined Authority and its equivalent in Derbyshire will enter into arrangements to achieve this. Other Arrangements
- 10.3. The Combined Authority may establish committees, sub-structures, sub-committees and arrangements for delegating powers and functions as it considers appropriate.

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STATUTORY INSTRUMENTS

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2014 No.

**LOCAL GOVERNMENT, ENGLAND**

**TRANSPORT, ENGLAND**

The Nottingham and Nottinghamshire Combined  
Authority Order 2014

*Made*

*Coming into*

*force in accordance with article 1*

This Order is made in exercise of the powers conferred by sections 84, 91 and 93 of the Local Transport Act 2008(a) and sections 103 to 105 and 114 to 116 of the Local Democracy, Economic Development and Construction Act 2009(b) [and sections 15 to 19 of the Localism Act 2011].

The Secretary of State, having regard to a scheme prepared and published under section 109 of the Local Democracy, Economic Development and Construction Act 2009, considers that the making of this Order is likely to improve-

- (a) the exercise of statutory functions relating to transport in the area to which this Order relates,
- (b) the effectiveness and efficiency of transport in that area,
- (c) the exercise of statutory functions relating to economic development and regeneration in that area, and
- (d) economic conditions in that area.

The Secretary of State is satisfied that the area to which this Order relates meets the conditions set out in section 103 of the Local Democracy, Economic Development and Construction Act 2009.

The Secretary of State has consulted-

- (a) the councils for the area
- (b) such other persons as the Secretary of State considered appropriate.

The councils whose areas are comprised in the area have consented to the making of this Order.

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(a) 2008 c.26.  
(b) 2009 c.20.

In making this Order, the Secretary of State has had regard to the need to reflect the identities and interests of local communities, and to secure effective and convenient local government.

A draft of this instrument has been laid before, and approved by a resolution of, each House of Parliament pursuant to section 117 of the Local Democracy, Economic Development and Construction Act 2009.

Accordingly, the Secretary of State makes the following Order:

## **PART 1**

### **General**

#### **Citation and commencement**

1. This Order may be cited as the Nottingham and Nottinghamshire Combined Authority Order 2014 and shall come into force on the day after the day on which it is made.

#### **Interpretation**

2. In this Order-

"the 2009 Act" means the Local Democracy, Economic Development and Construction Act 2009;

"combined area" means the area consisting of the areas of the constituent councils;

"the Combined Authority" means the Nottingham and Nottinghamshire Combined Authority constituted by article 3;

"commencement date" means the date on which this Order comes into force;

"constituent councils" means-

- (a) Nottingham City Council
- (b) Nottingham County Council
- (c) Ashfield District Council,
- (d) Bassetlaw District, Council,
- (e) Broxtowe Borough Council,
- (f) Gedling Borough Council,
- (g) Mansfield District Council,
- (h) Newark & Sherwood District Council and
- (i) Rushcliffe Borough Council

The Nottinghamshire County Council; and ;

(c)financial year" means the period of 12 months ending with 31st March in any year;

"non-constituent councils" means-

(a) [?]; and

[?]

“transferring body” means any organisation from whom functions are transferred to the Combined Authority by this Order of the Secretary of State or by arrangements made by the Local Government Act 1972 and Local Government Act 2000

## **PART 2**

### Establishment of a combined authority for Nottingham and Nottinghamshire

#### **Establishment**

3.-(1) There is established a combined authority for the combined area.

(2) The combined authority is to be a body corporate and to be known as the Nottingham and Nottinghamshire Combined Authority.

(3) The functions of the Combined Authority are those functions conferred or imposed upon it by this Order or by any other enactment (whenever passed or made), or as may be delegated to it by or under this Order or any other enactment (whenever passed or made).

#### **Constitution**

4. Schedule I (which makes provision about the constitution of the Combined Authority) has effect.

#### **Funding**

5.-(1) The constituent councils must meet the costs of the Combined Authority reasonably attributable to the exercise of its functions relating to economic development and regeneration.

(2) The amount payable by each of the constituent councils is to be determined by apportioning the costs of the Combined Authority referred to in paragraph (1) between the constituent councils in such proportions as they may agree, or in default of agreement, in proportion to the total resident population at the relevant date of the area of each council concerned as estimated by the Registrar General.

(3) For the purposes of paragraph (2) the relevant date in relation to a payment for a financial year is 30th June in the financial year which commenced two years prior to the current financial year.

## **PART 3**

### Transport

#### **Adaptation of enactments**

6.-(1) In any enactment (whenever passed or made)-

- (a) any reference to an integrated transport area; or
- (b) any reference which falls to be read as a reference to such an area,

is to be treated as including a reference to the combined area.

(2) In any enactment (whenever passed or made)-

- (a) any reference to an integrated transport authority; or
  - (b) any reference which falls to be read as a reference to such an authority,
- is to be treated as including a reference to the Combined Authority.

#### **Continuity**

7(1) There may be continued by or in relation to the Combined Authority anything (including legal proceedings) which-

- (a) relates to any of the functions, property, rights or liabilities transferred to the Combined Authority; and
- (2) Anything which-
  - (a) was made or done by or for the purposes of or otherwise in connection with any of the functions, property, rights or liabilities transferred; and
  - (b) is in effect immediately before the transfer takes effect,
 has effect as if made or done by or in relation to the Combined Authority.
- (3) The Combined Authority shall be substituted for the transferring body in any instruments, contracts or legal proceedings which
  - 
  - (a) relate to any of the functions, property, rights or liabilities transferred; and
  - (b) are made or commenced before the transfer takes effect.
- (4) A reference in this article to anything made or done by or in relation to a transferring body includes a reference to anything which by virtue of any enactment is to be treated as having been made or done by or in relation to the transferring body.

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(a) S.I. 1973/1728.  
 (b) 1972 c. 70.  
 (c) 1988 c.41; section 74 was amended by the Local Government Finance Act 1992 (c. 14), Schedule 13, paragraph 72; the Local Government (Wales) Act 1994 (c. 19), Schedule 6, paragraph 21; the Environment Act 1995 (c. 25), Schedule 24; the Greater London Authority Act 1999 (c. 29) section 105; the Courts Act 2003 (c. 39), Schedule 8, paragraph 305(a); the Fire and Rescue Services Act 2004 (c. 21), Schedule 1, paragraph 68; the Local Government and Involvement in Public Health Act 2007 (c. 28), Schedule 1, paragraph 16; the Local Democracy, Economic Development and Construction Act 2009 (c. 20), Schedule 6, paragraphs 74 and 75 and Schedule 7, Part 4; the Police Reform and Social Responsibility Act 2011 (c. 13), Schedule 16, paragraph 182(a); the Localism Act 2011 (c.20), Schedule 7, paragraphs 1,2; and by S.J. 1994/2825.  
 (d) S.I. 1992/2789, amended by S.I. 2012/213.

## PART4

### Additional functions

#### Economic development and regeneration functions

8-(1) The functions of the constituent councils and other functions set out in Schedule 2 to this Order are exercisable by the Combined Authority in relation to its area.

(2) The functions are exercisable concurrently with the constituent councils.

(3) Any requirement in any enactment for a constituent council to exercise such a function may be fulfilled by the exercise of that function by the Combined Authority.

#### Incidental provisions

9. The following provisions shall have effect as if the Combined Authority were a local authority for the purposes of these provisions-

- (a) section 142(2) of the Local Government Act 1972 (the power to arrange for publication of information etc relating to the functions of the authority); and
- (b) section 222 of the Local Government Act 1972 (the power to prosecute and defend legal proceedings).

10-(1) The Combined Authority shall have the power to exercise any of the functions described in subsection (1)(a) and (b) of section 88 of the Local Government Act 1985(a) (research and collection of information) whether or not a scheme is made under that section.

(2) For the purposes of paragraph (1) of this article, paragraphs (a) and (b) of section 88(1) of the Local Government Act 1985 shall have effect as if a reference to "that area" were a reference to the combined area.

11. Section 13 of the Local Government and Housing Act 1989(b) (voting rights of members of certain committees) shall have effect as if-

- (a) in subsection (4) after paragraph (h) there were inserted-
  - "(i) subject to subsection (4A), a committee appointed by the Nottingham and Nottinghamshire Combined Authority;"
- (b) after subsection (4) there were inserted-
  - "(4A) A person who is a member of a committee falling within paragraph (i) of subsection (4) or a sub-committee appointed by such a committee shall for all purposes be treated as a non-voting member of that committee or sub-committee unless that person-
  - (a) is a member of one of the constituent councils as defined by article 2 of the Nottingham and Nottinghamshire Combined Authority Order 2014; or
  - (b) is given voting rights by resolution of the Combined Authority in accordance with paragraph 4(6) of Schedule 1 to that Order."

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(a) 1985 c.51.

(b) 1989 c.42.

(c) S.I. 2013/2356; there are no relevant amendments.

12 (1) The Local Government Pension Scheme Regulations 2013 are amended as follows.  
(2) In Part 1 of Schedule 2 (Scheme employers) at the end insert-

"25. City of Nottingham and Nottinghamshire Combined Authority established by the Nottingham and Nottinghamshire Combined Authority Order 2014(a)."

(3) In Part 1 of Schedule 3 (pension funds) at the end insert-

"(z) the Nottingham and Nottinghamshire Combined Authority established by the Nottingham and Nottinghamshire Combined Authority Order 2014."

Signed on behalf of the Secretary of State for Communities and Local Government

31st March 2014

## SCHEDULE 1

Article 4

### Constitution

#### **Membership**

**1.-(1)** Each constituent council shall appoint one of its elected members to be a member of the Combined Authority.

(2) Each constituent council shall appoint another of its elected members to act as a member of the Combined Authority in the absence of the member appointed under sub-paragraph (1) ("the substitute member").

At the request of the Combined Authority another body may nominate one of the members, officers or employees to act as a co-opted member of the Combined Authorities and another to act as a co-opted member of the Combined Authority in the absence of the first nominated co-opted member (the substitute co-opted member").

- (6) For the purposes of this Schedule any reference to a member is to be treated as including a reference to a co-opted member. ]
- (7) A person ceases to be a member or substitute member of the Combined Authority if they cease to be a member or employee or officer (as the case may be) of-
- (a) the constituent council that appointed them; or
  - [ (b) the body which nominated them for co-option
- 12 A person may resign as a member or substitute member of the Combined Authority by written notice served on the proper officer of the constituent council that appointed them or, as the case may be, the nominated representative of the organization from wholly they were co-opted.
- (8) Where a member or substitute member's appointment ceases by virtue of sub-paragraph (7) or (8)-
- (a) the constituent council that made the appointment shall, as soon as practicable, give written notice of that fact to the Combined Authority and appoint another of its elected members in that person's place;
  - [(b) the co-opting body shall as soon as practicable, give written notice of that fact to the Combined Authority and nominate another of its members in that person's place.]
- (10) A constituent council or nominating body may at any time terminate the appointment of a member or substitute member appointed by it, or co-opted (as the case may be) to the Combined Authority and appoint another one of its elected members (in the case of a combined Council, or a member, officer or employee in the case of a nominating body) in that person's place.
- (11) Where a constituent council or nominating body exercises its power under sub-paragraph (10), it shall give written notice of the new appointment and the termination of the previous appointment to the Combined Authority and the new appointment shall take effect and the previous appointment terminate at the end of one week from the date on which the notice is given or such longer period not exceeding one month as is specified in the notice.
- (12) The Combined Authority shall appoint a member nominated under sub-paragraph (9)(b) at the next meeting of the Combined Authority.
- (13) For the purposes of this paragraph, an elected mayor of a constituent council is to be treated as a member of the constituent council.

**Chairman and vice-chairman**

2.-(1) The Combined Authority must in each year appoint a chairman and a vice-chairman from among its members and the appointments are to be the first business transacted after the appointment of members of the Combined Authority, at the first meeting of the Combined Authority, and in subsequent years at the annual meeting of the Combined Authority.

(2) A person ceases to be chairman or vice-chairman of the Combined Authority if they cease to be a member of the Combined Authority.

(3) If a vacancy arises in the office of chairman or vice-chairman, an appointment to fill the vacancy is to be made at the next ordinary meeting of the Combined Authority, or, if that meeting is to be held within 14 days of the vacancy arising, at the meeting following that meeting.

#### Proceedings

3.-(1) Subject to the following sub-paragraphs, any questions that are to be decided by the Combined Authority are to be decided by a majority of the members and substitute members, acting in place of members, present and voting on that question at a meeting of the Combined Authority.

(2) No business shall be transacted at a meeting of the Combined Authority unless at least two members or substitute members appointed by the constituent authorities are present at the meeting.

(3) Each member, or substitute member acting in that member's place, is to have one vote and no member or substitute member is to have a casting vote.

(4) If a vote is tied on any matter it shall be deemed not to have been carried.

[(5) Co-opted members shall be non-voting members of the Combined Authority.]

(6) Questions relating to the following matters require a unanimous vote in favour by all nine constituent council members, or substitute members acting in place of those members, to be carried-

- (a) adoption of any strategic growth plan as provided for in the Combined Authority's standing orders;
- (b) adoption of any local transport plan under section 108(3) of the Transport Act 2000;
- (c) approval of the Combined Authority's annual budget;
- (d) setting of any transport levy under section 74 of the Local Government Finance Act 1988 and in accordance with regulations made thereunder;
- (e) allocation of local transport plan funding to the individual constituent authorities;
- (f) adoption of Strategic Plans;
- (g) approval of borrowing limits, treasury management strategy including reserves, investment strategy and capital budget of the Combined Authority; and
- (h) such other plans and strategies as may be determined by the Combined Authority and set out in its standing orders.

(7) The proceedings of the Combined Authority are not invalidated by any vacancy among its members or substitute members or by any defect in the appointment or qualifications of any member or substitute member.

#### Committees

4.-(1) The Combined Authority may appoint one or more committees, as it sees fit for the purpose of carrying out and reviewing its functions.

(2) Any committee appointed by the Combined Authority may appoint one or more sub-committees, as it sees fit, for the purposes of carrying out and reviewing its functions.

## Records

5.-(1) The Combined Authority must make arrangements for the names of members and substitute members present at any meeting to be recorded.

(2) Minutes of the proceedings of a meeting of the Combined Authority, or any committee or sub-committee of the Combined Authority, are to be kept in such form as the Combined Authority may determine.

(3) Any such minutes are to be signed at the same or next suitable meeting of the Combined Authority, committee or sub-committee as the case may be, by the person presiding at that meeting.

(4) Any minute purporting to be signed as mentioned in sub-paragraph (3) shall be received in evidence without further proof.

(5) Until the contrary is proved, a meeting of the Combined Authority, committee or sub-committee, a minute of whose proceedings has been signed in accordance with this paragraph, is deemed to have been duly convened and held, and all the members and substitute members present at the meeting are deemed to have been duly qualified.

(6) For the purposes of sub-paragraph (3) the next suitable meeting is the next following meeting or, where standing orders made by the Combined Authority provide for another meeting

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(a) 2000 c. 22. Sections 9FG and 9GA were inserted by the Localism Act 2011 (c. 20), section 21 and Schedule 2.

of the authority, committee or sub-committee, to be regarded as suitable, either the next following meeting or that other meeting.

#### Standing orders

6. The Combined Authority may make standing orders for the regulation of its proceedings and business and may vary or revoke any such orders.

#### Remuneration

7. No remuneration is to be payable by the Combined Authority to its members.

## SCHEDULE 2

Article 6, 8 and 9

### Transport and Economic development and regeneration functions

1. Such functions of the constituent authorities as are exercisable for the purpose of economic development and regeneration in reliance on the general power of competence under section 1 of the Localism Act 2011(a).

2. The power under section 144 of the Local Government Act 1972 (the power to encourage visitors and provide conference and other facilities).

3. The duties under sections 15ZA, 15ZB, 15ZC, 17A and 18A(l)(b), of the Education Act 1996(b) and the power under sections 514A and 560A of that Act (duties and powers related to the provision of education and training for persons over compulsory school age).

4. The duty under section 69 of the 2009 Act (duty to prepare an assessment of economic conditions).

5. The functions of a local transport authority

6. The functions of a Passenger Transport Executive

7. Functions in respect of further education, provision, co-ordination and funding.

8. Functions in respect of the provision and findings of housing in the area of the Combined Authority.

9. Functions in respect of provision, co-ordination and funding of initiatives for increasing employment and improving skills.

10. Functions in respect of the provision of support and funding for local business initiatives in the area of the Combined Authority.

11. The duty under Section 8 (i) of the Housing Act 1985 (duty of local housing authorities to consider housing conditions in their district and the needs of the district with respect to the provision of further housing accommodation).

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(a) 201  
l  
c.2  
0.

(b) 1996 c.56. Sections 15ZA, 15ZB, 15ZC, 17A and 18A(l)(b) and 560A were inserted by the Apprenticeships, Skills, Children and Learning Act 2009 (c. 22), sections 41, 42, 45 to 48 and by S.I. 2010/11158. Sections 17A and 18A were also amended by the Education Act 2011 (c. 21), sections 30 and 82.

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## Report to Cabinet

**Subject:** Quarterly Budget Monitoring, Performance Digest & Virement Report

**Date:** 12 February 2015

**Author:** Senior Leadership Team

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## Wards Affected

Borough-wide

## Purpose

- To inform Cabinet of the position against Improvement Actions and Performance Indicators in the 2014/2015 Gedling Plan.
- To seek Cabinet approval for changes to targets as set out in Section 2.1.
- To update Cabinet on the likely outturn of the Revenue and Capital Budgets for the 2014/2015 financial year. The budgets include all carried forward amounts from the 2013/2014 financial year.
- To seek Cabinet approval for budget changes outlined in this report.

## Key Decision

This is a Key Decision

## Background

- 1.1 The Council has made a commitment to closely align budget and performance management. This is in line with accepted good practice.
- 1.2 To deliver this commitment, systems to monitor performance against revenue and capital budgets, improvement activity and performance indicators have been brought together and are now embedded in the way the Council works.
- 1.3 In addition, performance reports now focus more directly on the Council's priorities and offer an "early warning" system of instance where targets may not be secured.

## Proposal

### 2. Quarterly Progress Report

#### 2.1 Performance Information

- 2.1.1 The Council continues to manage its performance using the Covalent Performance Management system.
- 2.1.2 Against the backdrop of a continuing move away from paper based information towards use of more electronic means, and the government's aspiration for local authorities to be more open and transparent, performance information is now accessible publicly on line on the Council's website.
- 2.1.3 As a result, hard copy performance documents are no longer being routinely produced nor attached to Cabinet agendas – they can, however, be accessed at <http://www.gedling.gov.uk/aboutus/howwework/prioritiesplansperformance/performance/>. Hard copies will only be made available to members upon request.
- 2.1.4 For members and the public accessing performance information through this link, the previous criteria for performance assessment continue to apply. Red, amber and green traffic light symbols continue to be used to show progress for both actions and performance indicators. To be assessed as green, performance indicators must be in line with their profiled performance at this stage of the year, while actions must be on target against milestones set out in Covalent to be assessed as “completed” or “assigned; in progress”. Where Cabinet has agreed to an amended target, progress is assessed against that amended target rather than the original target.
- 2.1.5 Pdf reports for both performance indicators and actions continue to be made available on the website, in the previously agreed format. These documents contain explanations of variances and proposed target changes as previously, along with trend arrows for performance indicators (note that an upward arrow indicates improved performance, irrespective of whether improvement is represented by a higher or lower value) and progress bars for actions showing progress made against project milestones. Hard copies of both reports are available in the Members Room for information.
- 2.1.6 Virtually all of the actions in the Council plan are on target for completion (59 of 60), however, 12 of 27 performance indicators are showing as red with one quarter of the year remaining. In some cases, this is a result of increased demand for services (with our own and partners' services) and in other cases it is an indication that budget reductions and reduced staffing levels are having an impact.

2.1.7 A target change is requested for one action.

Portfolio Area	Action	Original Target	Proposed Target	Reason for change
Leisure and Development	Develop a clear strategy for efficiently collecting and applying section 106 and Community Infrastructure Levy	31 Dec 2014	30 Sept 2015	Following Cabinet approval, work now in progress to ensure efficient collection and co-ordination between s106 and Community Infrastructure Levy across the Council. Delay in CIL adoption has had knock on impact on this work.

**2.2 Financial Information**

2.2.1 Appendices 1 and 2 set out details of the current financial position on the Council's General Fund Revenue Budget and the Capital Programme 2014/15. Appendix 3 gives details of any virements actioned within the quarter.

**2.2.2 General Fund Revenue Budget**

Appendix 1 outlines how the General Fund Revenue budget is divided between the Portfolio areas of the Council and includes a detailed variance analysis identifying the current proposed changes for the year against the approved budget for each Portfolio area. Cabinet is recommended to approve these changes.

The following table summarises the overall financial position of the General Fund Revenue Budget and the expected total spend for the year. This information has been compiled using the best information made available to Financial Services by the relevant spending officers as at 28 December 2014. The overall resource implication for the Council's General Fund is a predicted under-spend of £1,600.

**General Fund Revenue Budget 2014/2015 – Change Analysis**

	£
The original 2014/15 budget approved by Council on 3 March 2014	<b>12,979,400</b>
Revenue Carry Forwards from 2013/14 approved under delegation arrangements by the Chief Finance Officer	89,700
Revenue Carry Forwards from 2013/14 approved by Council on 16 July 2014	20,000
<b>The current total approved budget for 2014/2015 and Cabinet's Maximum Budget is:</b>	<b>13,089,100</b>
Up to the end of December 2014 expenditure less income totalled	8,160,228
In the remaining 3 months of year we expect net expenditure less income to be	4,927,272
<b>Total net revenue spend for the year is currently expected to be</b>	<b>13,087,500</b>
<b>Projected Revenue Underspend 2014/15</b>	<b>(1,600)</b>

### 2.2.3 Capital Programme

Appendix 2 details the current projected position on the Capital Programme and its financing for 2014/15, analysed by Portfolio, and this is summarised in the table below.

#### Capital Budget 2014/2015 - Change Analysis

	£
Original 2014/15 budget approved by Council on 3 March 2014	<b>2,902,100</b>
Capital Carry Forwards from 2013/14 approved under delegation arrangements by the Chief Finance Officer	747,900
Capital Carry Forwards from 2013/14 approved by Council on 16 July 2014	301,700
Additional Budget for King George V Skatepark, Portfolio Holder virement decision, funded by WREN Grant.	48,500
Additional Budget for Affordable Housing, Portfolio Holder virement decision, funded by S106.	24,000
Quarter 1 Amendments	310,100
<b>The current total approved budget for 2014/15</b>	<b>4,334,300</b>
<b><u>Proposed Quarter 3 Amendments to the 2014/15 Programme:</u></b>	
<b><u>(a) Budget Reductions</u></b>	
Vauxhall Astra Van no longer required due to fleet rationalisation.	(42,000)
VW Caddy no longer required due to fleet rationalisation.	(42,000)
<b><u>(b) Schemes Identified for Deferral to 2015/16</u></b>	
Relocation of Shopmobility	(150,000)
Carlton Forum Health Suite	(82,600)
CCTV Monitor Room Upgrade	(50,000)
Self Service Kiosk (Reception Alterations)	(8,900)
Gedling Country Park	(150,000)
Various Replacement Vehicles identified for slippage	(126,000)
Asset Management Fund	(100,000)
<b>Total Proposed Amendments To Capital Programme</b>	<b>(751,500)</b>
<b>Proposed Revised Capital Programme 2014/15</b>	<b>3,582,800</b>

Actual Expenditure to Quarter 3 2014/15	1,585,159
Estimated Expenditure Quarter 4 2014/15	1,997,641
<b>Projected Outturn 2014/15</b>	<b>3,582,800</b>
<b>Projected Capital Programme Variance 2014/15</b>	<b>0</b>

There is currently sufficient funding available in 2014/2015 to finance the Capital Programme as outlined above.

### Alternative Options

- 3 Option – Not to amend the original Council approved budgets during the year to reflect the latest projected outturn position.

#### Advantages:

- The final outturn position of the Council can be easily compared to its original intentions when the budget was set and areas of budget risk identified.

#### Disadvantages:

- Budgets not aligned to current budget pressures resulting in increased likelihood of budget overspend and emerging Council priorities not being addressed.
- Restrict the effectiveness of medium term planning process and preparation of the forward budget if pressures and areas of efficiency are not readily identifiable during budget preparation.
- Budget not reflective of latest performance information.

Reason for rejection – not likely to result in the best outcomes in financial management or support delivery of priorities.

### Financial Implications

- 4 The nature of the report is such that it has significant resource implications across the Council. The report itself demonstrates how resources are being managed.

### Appendices

- 5 Appendix 1 – General Fund Revenue Budget 2014/15 – Budgetary Control Report  
Appendix 2 - Capital Programme 2014/15 – Budgetary Control Report  
Appendix 3 – Virements approved by Portfolio Holders

## Background Papers

- 6 Detailed Quarterly Budgetary Control Exception Reports

## Recommendation

- 7 Members are **recommended**:
- a) *To approve the changes to the Indicator Action target as detailed in paragraph 2.1. of the report, as an amendment to the agreed Gedling Plan;*
  - b) To approve the General Fund Revenue Budget virements included within Appendix 1;
  - c) To approve the changes to the Capital Programme included in paragraph 2.2.3;
  - d) To include details of budget and performance monitoring in a quarterly performance digest, to be published on the Council's website and Intranet in line with the recommendations of Performance Review Scrutiny Committee.

## Reasons for Recommendations

- 8 To align the budgets to the current pressures and priorities and ensure the delivery of Council objectives is supported.

**Grand Summary****Revenue Quarterly Budgetary Control Report** **Period 201409**

	<b>Current Approved Budget</b>	<b>Profiled Budget</b>	<b>Actual to date</b>	<b>Variance</b>	<b>%</b>	<b>Projected Outturn</b>	<b>Projected Annual Variance</b>
	£	£	£	£		£	£
Community Development	1,693,600	894,992	815,199	-79,793	-9	1,661,400	-32,200
Health & Housing	1,089,400	296,725	295,681	-1,044	0	1,076,500	-12,900
Public Protection & Communication	1,476,600	1,791,850	1,663,163	-128,686	-7	1,437,600	-39,000
Environment	4,714,200	2,373,525	2,274,059	-99,467	-4	4,822,700	108,500
Leisure & Development	1,958,400	975,974	866,276	-109,699	-11	1,925,600	-32,800
Finance & Performance	2,140,600	2,807,441	2,245,851	-561,590	-20	2,163,700	23,100
<b>Total General Fund</b>	<b>13,072,800</b>	<b>9,140,507</b>	<b>8,160,228</b>	<b>-980,279</b>	<b>-11</b>	<b>13,087,500</b>	<b>14,700</b>
<b>Cabinets General Fund Maximum Budget</b>	<b>13,089,100</b>					<b>13,087,500</b>	<b>-1,600</b>

**COMMUNITY DEVELOPMENT PORTFOLIO**

**BUDGETARY CONTROL REPORT - DECEMBER 2014**

**REVENUE ITEMS TO BE REPORTED**

Budget Head	Current Approved Budget	Latest Projected Outturn	Net Budget Variance		Reason for Variance (New Items Only)
			Favourable	Adverse	
	£'000	£'000	£'000	£'000	
<b><u>Committee Services</u></b>					
Employee Expenses	130.7	132.9	4.7	6.9	Vacant Election & Member Services Officer. Overspend due to Election & Members restructure delay, to be met from the Budget Reduction Risk Reserve (see Finance & Performance portfolio).
<b><u>Leisure Development</u></b>					
Employee Expenses	114.7	96.9	17.8		Sports Development Officer on maternity leave, post not being filled.
Supplies & Services	59.3	51.3	8.0		Due to maternity leave some projects will be delayed until staff return.
<b><u>Community Centres</u></b>					
Employee Expenses	150.9	142.3	8.6		Salary savings due to vacancies and maternity leave.
<b><u>All other budget heads</u></b>					
Including items previously reported	1,238.0	1,238.0			
<b>PORTFOLIO TOTAL</b>	<b>1,693.6</b>	<b>1,661.4</b>	<b>39.1</b>	<b>6.9</b>	<b>Net Portfolio Total £32.2K Favourable</b>

**HEALTH & HOUSING PORTFOLIO**

**BUDGETARY CONTROL REPORT - DECEMBER 2014**

**REVENUE ITEMS TO BE REPORTED**

Budget Head	Current Approved Budget	Latest Projected Outturn	Net Budget Variance		Reason for Variance (New Items Only)
			Favourable	Adverse	
	£'000	£'000	£'000	£'000	
<b><u>Housing Needs</u></b>					
Employee Expenses	246.2	249.9		3.7	Additional budget requirement for new regulations regarding superannuation payments whilst on maternity leave.
<b><u>Council Tax Benefits</u></b>					
Transfer Payments	30.0	14.0	16.0		Reduction in council tax benefits and an increase in overpayment recoveries.
Revenue Income	(75.0)	(80.0)	5.0		
<b><u>Rent Allowances</u></b>					
Supplies and Services	377.0	244.0	133.0		The rate of benefit recoveries has slowed, leading to a reduction in the bad debt provision.
Income (Overpayment recoveries)	(972.0)	(834.0)		138.0	

**HEALTH & HOUSING PORTFOLIO**

**BUDGETARY CONTROL REPORT - DECEMBER 2014**

**REVENUE ITEMS TO BE REPORTED**

Transfer Payments	27,180.3	27,004.2	176.1		Reduction in benefit payments due to a minor reduction in caseload. The majority of benefit expenditure is subsidised by the government at the rate of 100%, however in some cases this rate is reduced. The latest assessment of the likely net position results in net additional expenditure of £26.4k.
Income	(26,525.5)	(26,323.0)		202.5	
<b><u>Housing Benefit Administration</u></b>					
Employee Expenses	635.3	620.3	15.0		Underspent due to vacant posts.
Supplies & Services	61.0	85.8		3.3	Additional expenditure on Legal & Professional Fees.
				21.5	Additional expenditure on Computing funded by a contribution from Reserves and additional grant from DWP.
Revenue Income	(639.2)	(670.7)	14.6		Additional DWP grants of have been received which will be used to fund computing expenditure.
				6.9	Contribution from reserves to fund Computing expenditure.
				10.0	Increase in the receipt of Administrative Penalties, paid as an alternative to prosecution in Housing/Council Tax Benefit cases.

**HEALTH & HOUSING PORTFOLIO**

**BUDGETARY CONTROL REPORT - DECEMBER 2014**

**REVENUE ITEMS TO BE REPORTED**

<b><u>Rent Rebates</u></b>					
Transfer Payments	80.4	53.0	27.4		Expenditure and the associated subsidy have reduced due to reduced demand for homelessness accomodation.
Revenue Income	(74.9)	(52.8)		22.1	
<b><u>All other budget heads</u></b>	765.8	765.8			
Including items previously reported					
<b>PORTFOLIO TOTAL</b>	<b>1,089.4</b>	<b>1,076.5</b>	<b>404.0</b>	<b>391.1</b>	<b>Net Portfolio Total £12.9K Favourable</b>

**PUBLIC PROTECTION & COMMUNICATION PORTFOLIO**

**BUDGETARY CONTROL REPORT - DECEMBER 2014**

**REVENUE ITEMS TO BE REPORTED**

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Budget Head	Current Approved Budget	Latest Projected Outturn	Net Budget Variance		Reason for Variance (New Items Only)
			Favourable	Adverse	
	£'000	£'000	£'000	£'000	
<b><u>Central Print Room</u></b>					
Supplies & Services	51.1	48.1	3.0		Saving on printing costs due to reduced volumes.
<b><u>Communications &amp; Publicity</u></b>					
Employee Expenses	146.1	143.1	3.0		Underspend due to a delay in recruitment.
Supplies & Services	51.9	48.4	3.5		Saving due to a reduction in consultations.
Revenue Income	(4.0)	(8.5)	4.5		Increase in advertising revenue.
<b><u>Customer Services</u></b>					
Employee Expenses	561.1	536.1	25.0		Underspend due to vacant posts.
<b><u>All other budget heads</u></b>	670.4	670.4			
Including items previously reported					
<b>PORTFOLIO TOTAL</b>	<b>1,476.6</b>	<b>1,437.6</b>	<b>39.0</b>	<b>-</b>	<b>Net Portfolio Total £39K Favourable</b>

**ENVIRONMENT PORTFOLIO**

**BUDGETARY CONTROL REPORT - DECEMBER 2014**

**REVENUE ITEMS TO BE REPORTED**

Budget Head	Current Approved Budget	Latest Projected Outturn	Net Budget Variance		Reason for Variance (New Items Only)
			Favourable	Adverse	
	£'000	£'000	£'000	£'000	
<b><u>Sustainability</u></b>					
Employee Expenses	34.6	17.8	16.8		Saving on vacant sustainability officer post.
<b><u>Waste Management</u></b>					
Employee Expenses	1,358.1	1,394.1		25.9	Additional salary costs due to long term sickness
				8.1	Additional non-contractual overtime costs due to growth of rounds offset by Budget Reduction Risk Reserve (see Finance & Performance Portfolio)
				2.0	Agency cost for delayed glass collections undertaken at Christmas due to inclement weather.
Supplies & Services	333.9	397.8		63.9	Increased trade waste disposal costs due to tonnages higher than budgeted and an increase in tonnage price.
Revenue Income	(1,076.3)	(1,076.8)	7.1		Increase in Trade Waste customers.
				11.7	Decrease in recycling income due to supermarkets removing permission for our recycling bins to be sited on their grounds, resulting in a reduction of tonnages collected.
			8.0		Higher than anticipated bulky waste collections.
				2.9	Customers leaving the Garden Waste Scheme, and refunded in Quarter 3.

**ENVIRONMENT PORTFOLIO**

**BUDGETARY CONTROL REPORT - DECEMBER 2014**

**REVENUE ITEMS TO BE REPORTED**

<b><u>Parks</u></b>					
Supplies and Services	195.7	197.7		2.0	Additional expenditure on artwork for the aviary.
<b><u>Building Services</u></b>					
Employee Expenses	111.5	109.5	2.0		Salary savings due to vacancies.
Revenue Income	(26.8)	(19.0)		7.8	Delay in income due to a delay in the start of the parish council project.
<b><u>Fleet Management</u></b>					
Employee Expenses	261.4	257.7	3.7		Saving due to vacant fitter post.
Transport Related Expenses	534.9	559.6		14.7	Increased tyre costs due to contract price increase, overall increase in vehicle age and replacement of 6 wheeler vehicles with 8 wheeler.
				10.0	Additional budget for grit bins and towable gritters.
Revenue Income	(56.5)	(94.3)	37.8		Increased vehicle scrappage income due to sales delayed from the 13/14 replacement programme.
<b><u>Car Parks</u></b>					
Employee Expenses	52.0	68.5		16.5	Delays in implementation of efficiency proposals, offset by usage of Budget Reduction Risk Reserve (See Finance & Performance Portfolio).
Revenue Income	(94.9)	(92.4)		2.5	Reduced income as a result of delay in parking order.

**ENVIRONMENT PORTFOLIO**

**BUDGETARY CONTROL REPORT - DECEMBER 2014**

**REVENUE ITEMS TO BE REPORTED**

<b><u>Public Offices</u></b>					
Employee Expenses	122.4	117.8	4.6		Underspend due to vacancies and a saving on training.
Revenue Income	(205.7)	(185.2)		20.5	Reduction in rental income due to a delay in DWP occupying Civic Centre.
<b><u>All other budget heads</u></b> (including items previously reported)	3,169.9	3,169.9			
<b>PORTFOLIO TOTAL</b>	<b>4,714.2</b>	<b>4,822.7</b>	<b>80.0</b>	<b>188.5</b>	<b>Net Portfolio Total</b> <b>£108.5K Adverse</b>

**LEISURE & DEVELOPMENT PORTFOLIO**

**BUDGETARY CONTROL REPORT - DECEMBER 2014**

**REVENUE ITEMS TO BE REPORTED**

Budget Head	Current Approved Budget	Latest Projected Outturn	Net Budget Variance		Reason for Variance (New Items Only)
			Favourable £'000	Adverse £'000	
<b><u>Development Management</u></b>	<b>£'000</b>	<b>£'000</b>			
Employee Expenses	311.1	327.9		16.8	Additional agency Planning Officer. Delay in expected efficiency to be offset by Budget Reduction Risk Reserve (see Finance & Performance Portfolio).
<b><u>Leisure Services Division</u></b>					
Employee Expenses	309.8	289.9	19.9		Savings due to vacancies on Leisure Service Manager and Membership Advisor posts now filled on a temporary basis and Community Leisure vacancy.
<b><u>Calverton Leisure Centre</u></b>					
Employee Expenses	278.9	268.7	10.2		Vacancies in the fitness room and sportshall have been covered by casuals, post being filled.
Premises Related Expenses	104.6	96.6	8.0		Fuel oil usage reduced due to mild weather.
Supplies & Services	107.4	126.9		19.5	Works to air conditioning units and balance tanks being funded from Joint Use Maintenance Reserve.
Revenue Income	(341.3)	(364.7)	19.5	3.9	Memberships have increased at this site with many pay and play fitness room users converting to DNA memberships. Decline in users in both squash and swimming despite promotions and offers.

**LEISURE & DEVELOPMENT PORTFOLIO**

**BUDGETARY CONTROL REPORT - DECEMBER 2014**

**REVENUE ITEMS TO BE REPORTED**

Budget Head	Current Approved Budget	Latest Projected Outturn	Net Budget Variance		Reason for Variance (New Items Only)
			Favourable £'000	Adverse £'000	
<b><u>Carlton Forum Leisure Centre</u></b>	<b>£'000</b>	<b>£'000</b>			
Employee Expenses	683.9	671.9	12.0		Due to vacancies being covered by casuals there is a saving on the superannuation contributions.
Revenue Income	(1,123.8)	(1,115.8)		8.0	Decline in users in both main hall and swimming despite promotions and offers. All weather pitch income reduced due to condition of facility and local competition. Memberships have increased at this site with many pay and play fitness room users and exercise class users converting to DNA memberships. Swim Lesson income increased due to programming of lessons.
<b><u>Redhill Leisure Centre</u></b>					
Employee Expenses	324.3	313.6	10.7		Due to vacancies being covered by casuals there is a saving on the superannuation and NI contributions. The full redundancy budget for the bar staff not required as alternate posts were found for some staff.
Premises Related Expenses	79.8	75.8	4.0		Electricity charges less than budgeted.
<b><u>Redhill Leisure Centre - cont</u></b>					
Revenue Income	(522.2)	(505.2)		17.0	Pay and play usage in the fitness suite and exercise classes has decreased over the past few months, some users have become DNA members. 3 local teams have folded reducing the All Weather Pitch bookings. Badminton usage has declined, new classes are being introduced into main hall to try and recover some of the income.
<b><u>Arnold Theatre</u></b>					
Revenue Income	(49.8)	(34.2)		15.6	Lower attendance figures and fewer bookings than anticipated.

**LEISURE & DEVELOPMENT PORTFOLIO**

**BUDGETARY CONTROL REPORT - DECEMBER 2014**

**REVENUE ITEMS TO BE REPORTED**

Budget Head	Current Approved Budget	Latest Projected Outturn	Net Budget Variance		Reason for Variance (New Items Only)
			Favourable £'000	Adverse £'000	
<b><u>Arnold Leisure Centre</u></b>	<b>£'000</b>	<b>£'000</b>			
Employee Expenses	368.7	358.1	10.6		General Manager post saving due to staff member now at end of maternity pay and cover being provided at a lower level.
Premises Related Expenses	209.1	190.3	18.8		Gas invoices reduced due to closure of pool on a number of occasions and rates being lower than expected.
Revenue Income	(333.2)	(317.9)		15.3	Reduced income on swimming and secondary spend due to a reduction in users. A new programme is being launched to improve usage.
<b><u>Richard Herrod Centre</u></b>					
Employee Expenses	275.3	267.9	7.4		Assistant Manager and Duty Manager vacancies being covered by casuals and secondment on lower rates.
<b><u>All other budget heads</u></b> (including items previously reported)	1,275.8	1,275.8			
<b>PORTFOLIO TOTAL</b>	<b>1,958.4</b>	<b>1,925.6</b>	<b>125.0</b>	<b>92.2</b>	<b>Net Portfolio Total £32.8K Favourable</b>

**FINANCE & PERFORMANCE PORTFOLIO**

**BUDGETARY CONTROL REPORT - DECEMBER 2014**

**REVENUE ITEMS TO BE REPORTED**

Budget Head	Current Approved Budget	Latest Projected Outturn	Net Budget Variance		Reason for Variance (New Items Only)
			Favourable	Adverse	
	£'000	£'000	£'000	£'000	
<b><u>Organisational Development</u></b>					
Employee Expenses	284.5	277.1	7.4		Savings on vacant posts.
Supplies & Services	25.6	35.6		10.0	Additional consultancy budget for HR support.
<b><u>Audit, Health &amp; Safety</u></b>					
Supplies & Services	42.3	46.3		4.0	Increase in Occupational Health Service demands.
<b><u>Corporate Management</u></b>					
Supplies & Services	168.9	158.1	10.8		Rebate in Audit fees and reduction in Audit plan work.
<b><u>Legal Services</u></b>					
Employee Expenses	238.4	241.5		3.1	Honorarium payment.
<b><u>Registration Of Electors</u></b>					
Employee Expenses	72.8	61.8	11.0		Underspend on canvassing fees due to introduction of Individual Electoral Registration, to be offset by corresponding requirement for additional targeted registration work (see below).
Supplies & Services	64.0	83.9		11.0	Postal refresher requirement prior to upcoming election (see above).
				8.9	Individual Electoral Registration expenditure, offset by earmarked grant (see below).
Revenue Income	(42.5)	(51.4)	8.9		Individual Electoral Registration grant (see above).

**FINANCE & PERFORMANCE PORTFOLIO**

**BUDGETARY CONTROL REPORT - DECEMBER 2014**

**REVENUE ITEMS TO BE REPORTED**

<b><u>Elections</u></b>					
Employee Expenses	45.0	56.2		11.2	Re-align European Election budgets due to overall lower than expected expenditure, so corresponding reduced settlement.
Premises Related Expenses	12.0	11.7	0.3		
Supplies & Services	93.0	60.8	32.2		
Revenue Income	(150.0)	(135.4)		14.6	
<b><u>Corporate Income &amp; Expenditure</u></b>					
Income	(180.0)	(171.3)		8.7	Lower investment income due to lower interest rates.
<b><u>Revenues - Local Taxation</u></b>					
Employee Expenses	353.7	333.7	20.0		Underspend due to vacant posts.
Supplies & Services	291.4	281.9	9.5		Underspent on Legal & Professional Fees.

**FINANCE & PERFORMANCE PORTFOLIO**

**BUDGETARY CONTROL REPORT - DECEMBER 2014**

**REVENUE ITEMS TO BE REPORTED**

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<b>Central Provisions</b>					
Supplies & Services	435.5	429.7	48.3		Virement for the use of Budget Reduction Risk Reserve for non-delivery items in Elections, Waste Management, Car Parks and Planning (see relevant portfolios).
				42.5	Consultancy Fees for VAT claim against HMRC in respect of status of leisure and sporting services, funded from the Efficiency & Innovation Reserve.
Income	0.0	(42.5)	42.5		
Capital	0.0	100.0		100.0	Additional capital funding requirement due to reductions and delays in the capital receipts generation programme.
<b>All other budget heads</b> (including items previously reported)	386.0	386.0			
<b>PORTFOLIO TOTAL</b>	<b>2,140.6</b>	<b>2,163.7</b>	<b>190.9</b>	<b>214.0</b>	<b>Net Portfolio Total £23.1K Adverse</b>

FINANCIAL MANAGEMENT REPORT - CAPITAL BUDGET MONITORING										
	Original Capital Programme	Carry Forwards	Quarter 1-2 Cabinet	Virements/ Supplements	Revised Cap Prog inc c/f & supp	Quarter 3 Proposals to Cabinet	Revised Cap Prog inc Qtr 1-3 Proposals	Actual To Date	Estimate for Qtr 4	Latest Projected Outturn
EXPENDITURE	£000's	£000's	£000's		£000's	£000's	£000's	£000's	£000's	£000's
Community Development	0.0	18.4	0.0	0.0	18.4		18.4	0.1	18.3	18.4
Health Housing	90.0	0.0	0.0	24.0	114.0		114.0	0.0	114.0	114.0
Public Protection & Communication	596.0	186.3	50.0	0.0	832.3	-58.9	773.4	326.9	446.5	773.4
Environment	1125.5	698.2	5.0	48.5	1877.2	-510.0	1367.2	698.5	668.7	1367.2
Leisure & Development	940.6	140.4	255.1	0.0	1336.1	-82.6	1253.5	544.9	708.6	1253.5
Finance & Performance	150.0	6.3	0.0	0.0	156.3	-100.0	56.3	14.8	41.5	56.3
<b>TOTAL EXPENDITURE</b>	<b>2902.1</b>	<b>1049.6</b>	<b>310.1</b>	<b>72.5</b>	<b>4334.3</b>	<b>-751.5</b>	<b>3582.8</b>	<b>1585.2</b>	<b>1997.6</b>	<b>3582.8</b>
RESOURCES										
Specific Capital Grant - Disabled Facilities Grant	371.0				371.0		371.0	371.0	0.0	371.0
Borrowing	0.0	590.7			590.7	15.9	606.6		606.6	606.6
Growth Point Grant					0.0		0.0		0.0	0.0
Capital Receipts	1691.1	375.4			2066.5	-1214.1	852.4	17.3	835.1	852.4
Revenue Contribution		4.0	50.0		54.0	100.0	154.0	4.0	150.0	154.0
Performance Reward Grant	100.0				100.0	-100.0	0.0	0.0	0.0	0.0
NIEP funding Waste Mgmt System		8.1			8.1		8.1	8.1	0.0	8.1
S106 Funding	450.0	6.4	255.1		711.5	-150.0	561.5	0.0	561.5	561.5
S106 Commuted Sum	90.0			24.0	114.0		114.0		114.0	114.0
NCC Grant KGV				48.5	48.5		48.5	48.5	0.0	48.5
Lottery Funding	200.0				200.0		200.0	104.0	96.0	200.0
DWP Grant		20.0			20.0		20.0	20.0	0.0	20.0
Contribution from CCTV Reserve			50.0		50.0	-50.0	0.0		0.0	0.0
Groundworks		45.0	-45.0		0.0		0.0		0.0	0.0
GOEM Grant					0.0	646.7	646.7		646.7	646.7
<b>TOTAL RESOURCES</b>	<b>2902.1</b>	<b>1049.6</b>	<b>310.1</b>	<b>72.5</b>	<b>4334.3</b>	<b>-751.5</b>	<b>3582.8</b>	<b>572.9</b>	<b>3009.9</b>	<b>3582.8</b>
<b>UNDER/(OVER RESOURCED)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>			<b>0.0</b>

## NOTES :-

- All budgets are grossed up with any contribution from outside bodies shown as income in the Resources section.

**CABINET****List Of Virements Approved By Portfolio Holders For The****Quarter Ended December 2014**

<b><u>REVENUE</u></b>	<b>£</b>
<b><u>COMMUNITY DEVELOPMENT</u></b>	
WW1 Commemoration Events - Organiser costs	2,000
Reallocate salary HOU01	(2,700)
<b><u>HEALTH &amp; HOUSING</u></b>	
Reallocate salary HOU01	2,700
<b><u>PUBLIC PROTECTION &amp; COMMUNICATION</u></b>	
RV 4 - Additional Contacts magazine.	12,000
RV 4 - Additional Contacts magazine.	(12,000)
<b><u>LEISURE &amp; DEVELOPMENT</u></b>	
WW1 Commemoration Events - Organiser costs	(2,000)
Additional Funding for temporary Planning staff.	25,200
Contribution from reserves to fund temporary Planning staff.	(25,200)
<b>General Fund Total</b>	<b>0</b>
<b><u>CAPITAL</u></b>	
NIL	
<b>General Fund Capital Total</b>	<b>0</b>

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## Report to Cabinet

**Subject:** Prudential Code Indicator Monitoring 2014/15 and Quarterly Treasury Activity Report for Quarter ended 31 December 2014

**Date:** 12 February 2015

**Author:** Corporate Director (Chief Financial Officer)

### Wards Affected

All

### Purpose

To inform members of the performance monitoring of the 2014/15 Prudential Code Indicators, and to advise members of the quarterly treasury activity as required by the Treasury Management Strategy.

### Key Decision

This is not a key decision.

### Background

- 1.1 The Council is required by regulations issued under the Local Government Act 2003 to report on its Prudential Code indicators and treasury activity. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 For 2014/15 the minimum reporting requirements are that the Full Council should receive the following reports:
  - An annual treasury strategy in advance of the year (the TMSS).
  - A mid-year treasury update report
  - An annual review following the end of the year describing the activity compared to the strategy.

In accordance with best practice, quarterly monitoring reports for treasury activity are provided to members, and that this exceeds the minimum requirements.

- 1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report provides details of the position at 31 December and highlights compliance with the Council's policies.

## **Proposal**

### **2.1 Economic update**

After strong UK growth of 2.7% in 2013, and 0.7% and 0.9% in Quarters 1 and 2 of 2014 respectively, Q3 has seen growth fall back to 0.7% and an annualised rate of 2.6%. Whilst forecasts for 2015 and 2016 have been revised downwards, growth is expected to remain strong by UK standards. For the recovery to become more balanced and sustainable in the longer term, there needs to be a move away from dependence on consumer expenditure and the housing market, to exporting - especially of manufactured goods.

Overall strong growth has resulted in unemployment falling faster than expected and the Monetary Policy Committee (MPC) is now focussing on how quickly the slack in the economy is being used up. The MPC is particularly concerned that the squeeze on consumer' disposable income should be reversed by wage inflation rising back significantly above the general level of inflation in the economy, in order to ensure that the recovery will be sustainable. There also needs to be a major improvement in labour productivity to support increases in pay rates. Unemployment is expected to maintain its downward trend, and this is likely to eventually feed through into a return to significant increases in wage growth at some point in the next three years. It remains unclear how much future increases in pay rates will counteract the depressive effects of increases in bank rate on consumer confidence, the rate of growth in consumer expenditure and the buoyancy of the housing market, and these are all areas that the MPC will keep under regular review.

The level of CPI inflation has fallen sharply, reaching 1% in November, the lowest rate since September 2002. Furthermore, it has recently been announced that CPI fell further in December to a rate of 0.5%, and forward indications are that inflation is likely to remain low for some time.

The return to strong growth has helped lower forecasts for the increase in Government debt over the last year, however monthly public sector deficit figures were disappointing until November and the Autumn Statement therefore had to revise the speed with which the deficit is forecast to be eliminated.

The US Federal Reserve (The Fed) ended its monthly asset purchases in October 2014. Annualised GDP growth rates for Q2 and Q3 of 4.6% and

5% respectively hold great promise for strong US growth going forward. It is predicted that the first increase in the Fed rate will occur by mid 2015.

The Eurozone (EZ) is facing an increasing threat from deflation. In November the inflation rate fell to 0.3%, however this is an average for all EZ countries and includes some with negative rates of inflation. Accordingly the European Central Bank (ECB) took limited action in June and September to loosen monetary policy in order to promote growth, and it is currently expected that it will embark on quantitative easing early in 2015, both to counter the threat of deflation, and to stimulate growth.

## 2.2 Interest rate forecasts

Capita Asset Services (CAS) undertook a review of its interest rate forecasts on 5 January 2015 after fears in the financial markets regarding the plunge in the price of oil had caused a flight from equities into bonds, and from exposure to debt and equities of emerging market oil-producing countries to safe havens in western countries. This was compounded by further fears that Greece could be heading towards an exit from the euro after its general election on 25 January, and financial flows generated by the increasing likelihood that the ECB would soon be starting quantitative easing (QE) purchases of Eurozone government debt. In addition there has been a sharp increase in confidence that the US will start increasing the Fed rate by mid-2015. A surge in growth in Q2 and Q3 of 2014 indicates that the US is now headed towards making a full recovery from the financial crisis of 2008.

The result of the above combination of factors is that bond yields have fallen to unsustainable levels, although how quickly these falls will unwind is hard to predict. Positive or negative developments on the world political scene could have a major impact on keeping yields low, or on prompting them to recover. There is also a UK general election in May 2015, the result of which it is impossible to predict, together with the consequent impact on the UK economy.

The latest CAS forecast includes a move in the timing of the first increase in bank rate from Q2 of 2015 to Q4 of 2015, as a result of the sharp fall in inflation and the cooling of UK growth. The governor of the Bank Of England, Mark Carney, has repeatedly stated that increases in bank rate will be slow and gradual, largely due to MPC concerns about the impact of any increases on heavily indebted consumers. In addition, whichever party or coalition wins power at the general election will be faced with having to implement further major cuts and/or increases in taxation in order to eradicate the annual public sector net borrowing deficit.

CAS has provided the following forecast:

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%	1.50%	1.75%	1.75%	2.00%
5yr PWLB rate	2.20%	2.20%	2.30%	2.50%	2.60%	2.80%	2.90%	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%
10yr PWLB rate	2.80%	2.80%	3.00%	3.20%	3.30%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%	4.20%
25yr PWLB rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%
50yr PWLB rate	3.40%	3.50%	3.70%	3.80%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%

### 2.3 Investment strategy

The Treasury Management Strategy Statement (TMSS) for 2014/15 was approved by Council on 3 March 2014.

The Council's investment priorities remain the security of capital and good liquidity. Whilst the Council will always seek to obtain the optimum return (yield) on its investments, this will at all times be commensurate with proper levels of security and liquidity. In the current economic climate and with heightened credit concerns, it is considered appropriate either to keep investments short-term to cover cash flow needs, or to extend the period up to one year with selected government-backed counterparties.

During the April to December 2014 period, significant use was initially made of a call account facility with Royal Bank of Scotland (RBS) paying 0.6%, however the rate offered by RBS fell to 0.25% in August and is now likely to be used only infrequently. Accordingly, increased use has been made of a Money Market Fund achieving just over 0.40%. This fund is an AAA rated investment vehicle which allows the pooling of many billions of pounds worth of funds into a highly diversified fund. Whilst the rate of return remains quite low, it is still well in excess of overnight treasury deposit rates, and of the RBS facility.

The Treasury Activity Report for the quarter ended 31 December 2014 is attached at Appendix 1, in accordance with the Treasury Management Strategy. For reference, definitions of LIBOR and LIBID are given at Appendix 2.

Members will note that an equated rate of 0.76% has been achieved for the period to 31 December 2014 which, whilst very low, outperforms both the 7 day and 3 month LIBID rates of 0.35% and 0.43% by 0.41% and 0.33% respectively. This has been achieved as a result of the 2014/15 impact of

prudent investments made in 2013/14. Rates in the market remain low and as loans mature it is challenging to replace them, since security and liquidity will always remain the overriding factors in the Council's treasury management. Interest rates are not now expected to start rising until at least Q4 of 2015, and then only gradually, and not significantly. The projected outturn position for 2014/15 for investment interest has been estimated at £95,000 which represents a reduction of £8,700 on the current approved estimate of £103,700. The impact of this reduction is included in the Q3 revenue budget monitoring report elsewhere on this agenda.

Credit ratings advice continues to be taken from CAS, however the ultimate decision on what is prudent and manageable for the Council is taken by the Chief Financial Officer under the approved scheme of delegation.

#### 2.4 New borrowing

No new long-term borrowing was undertaken during the quarter ended 31 December 2014.

The Council's Capital Financing Requirement (CFR) represents its "underlying" need to borrow to finance capital investment. Due to favourable interest rates, borrowing in advance of need is sometimes desirable, with the result that the CFR can differ to the actual borrowing planned in the year.

In view of borrowing previously undertaken in advance of need, it is not currently anticipated that any new borrowing will be undertaken during 2014/15.

Interest rates remain low, and the PWLB certainty rate, available to all authorities providing relevant information to CLG, allows the Council to take advantage of a discount of 20 basis points. Advice will be taken from CAS with regard to the amount and timing of any additional borrowing, and should conditions become advantageous, some further borrowing in advance of need will also be considered by the Chief Financial Officer.

#### 2.5 Debt rescheduling

Debt rescheduling opportunities are limited in the current economic climate, and due to the structure of interest rates. Advice in this regard will continue to be taken from CAS.

No debt rescheduling has been undertaken during the period from 1 April 2014 to 31 December 2014.

## 2.6 Compliance with Prudential and treasury indicators

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limit. The Council's approved Prudential and Treasury Indicators (affordability limits) are included in the Treasury Management Strategy Statement (TMSS) approved by Council on 3 March 2014.

During the financial year to date the Council has at all times operated within the treasury limits and Prudential Indicators set out in the council's TMSS, and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators as at 31 December 2014 are shown at Appendix 3.

These indicators are based on estimates of expected outcomes, and are key indicators of "affordability". They are monitored on a quarterly basis, and Appendix 3 compares the approved indicators with the projected outturn for 2014/15, and shows variances on some of the indicators, as described below:

### a) Prudential Indicators:

#### i) Capital Expenditure

The latest projected outturn shows that capital expenditure is expected to be £3,582,800. This differs to the original estimate of £2,902,100 due to the inclusion of approved carry-forward requests from 2013/14 and approved variations to the capital programme during 2014/15, including significant slippage at Q3.

#### ii) Capital Financing Requirement (CFR)

The projected closing CFR for 2014/15 is £12,457,100. This is slightly lower than the approved indicator of £12,546,300 due to the above amendments to the capital programme, including Q3 slippage, offset by additional capital receipts generated.

#### iii) Ratio of Financing Costs to Net Revenue Stream

The projected outturn of 7.27% shows an increase from the approved indicator of 6.44%. This is due to the inclusion of revenue contributions to capital expenditure totalling £154,000 in 2014/15, together with a reduction in the estimate for investment interest, partially offset by a reduction in MRP as a result of slippage on the capital programme in 2013/14.

iv) Maximum gross debt

The Council must ensure that its gross debt does not, except in the short term, exceed the opening capital financing requirement, plus estimates of any additional CFR for 2014/15 and the following two financial years. This allows flexibility for early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes. Gross debt at 31 December was £10.812m which was well within the approved indicator.

Treasury Management Indicators:

These indicators are based on limits, beyond which activities should not pass without management action. They include two key indicators of affordability and four key indicators of prudence.

Affordability

- i) Operational boundary for external debt.
- ii) Authorised limit for external debt.

Prudence

- iii) Upper limit for fixed interest exposure – represented by the maximum permitted net outstanding principal sum borrowed at fixed rates. Please note that a negative indicator represents a position of net investment.
- iv) Upper limit for variable interest rate exposure – represented by the maximum permitted net outstanding principal sum borrowed at variable rates. Please note that a negative indicator represents a position of net investment.
- v) Maximum new principal sums to be invested during 2014/15 for periods in excess of 364 days - such investments are classified as a “non-specified”. This indicator is subject to the overall limit for non-specified investments set in the TMSS.
- vi) Upper limits for the maturity structure of borrowing - set to reduce the Council’s exposure to large fixed rate sums falling due for refinancing.

Appendix 3 shows the actual position as at 31 December 2014, and demonstrates that all activities are contained within the currently approved limits.

2.6 Other

2.6.1 Rating Agencies

The main rating agencies (Fitch, Moodys and Standard & Poors) have

through much of the financial crisis, provided some institutions with a ratings “uplift” due to implied levels of sovereign support. More recently, in response to the evolving regulatory regime, the agencies have indicated that they may remove these uplifts, making their “support”, “financial strength” and “viability” ratings redundant. CAS advises that this process may commence during the current financial year, although the timing of the changes is still subject to discussion. The Council currently sets the following criteria for the selection of its investment counterparties:

- Short term F1
- Long Term A
- Viability BBB
- Support 1

Once any changes have been implemented by the rating agencies, any necessary changes to the Council’s agreed selection criteria will be reported to members.

As a result of the potential rating agency changes the credit element of the CAS credit methodology will now focus solely on the short and long term ratings of an institution.

## 2.6.2 PWLB

A letter was sent to CFOs on Christmas Eve suggesting that the PWLB was to be abolished. The Council’s treasury advisers, CAS, have subsequently held discussions with the PWLB about their governance arrangements, to obtain some clarity on the proposals. They advise that:

- The role of the PWLB commissioners will be removed
- The PWLB will in time be re-named – but it is not being abolished.
- The background to this change is the National Infrastructure Bill, the main basis of which is to support the government’s long-held plans for investment in long-term national infrastructure projects.

Further information will be provided by CAS as such time as it is available.

## Alternative Options

There are no alternative options, this report being a requirement of the Council’s Treasury Management Strategy Statement (TMSS).

## **Financial Implications**

No specific financial implications are attributable to this report, an adjustment to the budget for investment income being dealt with in the revenue budget monitoring report elsewhere on this agenda.

## **Appendices**

1. Treasury Activity Report 2014/15 for quarter ended 31 December 2014.
2. Definitions of LIBOR and LIBID
3. Prudential and Treasury Indicators for 2014/15 as at 31 December 2014.

## **Background Papers**

None identified.

## **Recommendation**

That:

Members note the report, together with the Treasury Activity Report for Quarter 3 at Appendix 1, and the Prudential and Treasury Indicator Monitoring for Quarter 3 at Appendix 3.

## **Reasons for Recommendations**

To comply with the requirements of the Council's Treasury Management Strategy Statement.

## **For more information, please contact:**

Alison Ball, Financial Services Manager, on 0115 901 3980

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**TREASURY ACTIVITY REPORT 2014/15****For Quarter ended 31 December 2014**

	<b>Position @ 1 Oct 2014</b>	<b>Loans Made During Q3</b>	<b>Loans Repaid During Q3</b>	<b>Position @ 31 Dec 2014</b>
	£	£	£	£
<b><u>Long Term Borrowing</u></b>				
PWLB	10,811,577	0	0	10,811,577
<b>Total Long Term Borrowing</b>	10,811,577	0	0	10,811,577
<b><u>Temporary Borrowing</u></b>				
Local Authorities	0	0	0	0
Public Corporations	0	0	0	0
Central Government	0	0	0	0
Banks & Other Institutions	0	0	0	0
<b>Total Temporary Borrowing</b>	0	0	0	0
<b>TOTAL BORROWING</b>	<b>10,811,577</b>	<b>0</b>	<b>0</b>	<b>10,811,577</b>
<b><u>Temporary Investment</u></b>				
Bank of Scotland	(6,500,000)	(1,500,000)	1,500,000	(6,500,000)
Barclays	0	0	0	0
HSBC Treasury	0	(14,090,000)	14,090,000	0
Ignis Money Market Fund	(3,370,000)	(13,890,000)	16,080,000	(1,180,000)
Royal Bank of Scotland	0	0	0	0
Santander (Abbey)	0	0	0	0
<b>Total Banks</b>	<b>(9,870,000)</b>	<b>(29,480,000)</b>	<b>31,670,000</b>	<b>(7,680,000)</b>
Building Societies	(4,000,000)	0	0	(4,000,000)
Debt Management Office	0	0	0	0
Local Authorities & Other	0	0	0	0
<b>TOTAL INVESTMENT (See below)</b>	<b>(13,870,000)</b>	<b>(29,480,000)</b>	<b>31,670,000</b>	<b>(11,680,000)</b>
<b>NET BORROWING / (INVESTMENT)</b>	<b>(3,058,423)</b>	<b>(29,480,000)</b>	<b>31,670,000</b>	<b>(868,423)</b>

**Temporary Borrowing & Investment Statistics at 31 December 2014****Investment:**

Fixed Rate Investment	(10,500,000)	(15,590,000)	15,590,000	(10,500,000)
Variable Rate Investment	(3,370,000)	(13,890,000)	16,080,000	(1,180,000)
<b>TOTAL INVESTMENT</b>	<b>(13,870,000)</b>	<b>(29,480,000)</b>	<b>31,670,000</b>	<b>(11,680,000)</b>

Proportion of Fixed Rate Investment	89.90%
Proportion of Variable Rate Investment	10.10%
Temporary Investment Interest Receivable	£ 72,921
Equated Temporary Investment	£ 9,581,832
Weighted Average Interest Rate Received (Interest Receivable / Equated Investment)	0.76%
7 Day LIBID (Benchmark)	0.35%
3 Month LIBID	0.43%

**Borrowing:**

Temporary Borrowing Interest Payable	£ 90
Equated Temporary Borrowing	£ 30,137
Weighted Average Interest Rate Paid (Interest Payable / Equated Borrowing)	0.30%
7 Day LIBOR (Benchmark)	0.47%

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## **LIBOR - the London Interbank Offered Rate**

LIBOR is the interest rate at which the London banks are willing to offer funds in the inter-bank market. It is the average of rates which five major London banks are willing to lend £10 million for a period of three or six months, and is the benchmark rate for setting interest rates for adjustable-rate loans and financial instruments.

*ie. the London banks are LENDING to each other, which affects the rate at which the banks will lend to other parties eg. local authorities, ie. Gedling are BORROWING money*

## **LIBID - the Interbank BID (LIBID) rate**

LIBID is the interest rate at which London banks are willing to borrow from one another in the inter-bank market. It is the average of rates which five major London banks willing to bid for a £10 million deposit for a period of three or six months.

*ie. the London banks are BORROWING from each other, which affects the rates at which they will borrow from other parties eg. local authorities, ie. Gedling are LENDING money.*

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## Outturn Prudential and Treasury Indicators for 2014/15

	2014/15 Orig Estimate	2014/15 Position at 31 Dec 2014
<b>1. <u>Prudential Indicators</u></b>		
<u>Affordability:</u>		
a) Capital Expenditure	£ 2,902,100	£ 3,582,800
b) Capital Financing Requirement	£ 12,546,300	£ 12,457,100
c) Ratio of Financing Costs to Net Revenue Stream	6.44%	7.27%
d) Incremental Impact of new 2014/15 Capital Investment Decisions:	£0.07	Not Applicable
e) Maximum Gross Debt	£ 13,135,400	£ 10,811,577
<b>2. <u>Treasury Management Indicators</u></b>		
a) Operational Boundary for External Debt:		
Borrowing	£ 14,100,000	£ 10,811,577
Other Long Term Liabilities	£ 1,500,000	-
<b>Total Operational Boundary</b>	<b>£ 15,600,000</b>	<b>£ 10,811,577</b>
b) Authorised Limit for External Debt:		
Borrowing	£ 15,100,000	£ 10,811,577
Other Long Term Liabilities	£ 1,500,000	-
<b>Total Authorised Limit</b>	<b>£ 16,600,000</b>	<b>£ 10,811,577</b>
c) Upper limit for fixed interest rate exposure: (Maximum outstanding net BORROWING)	£ 13,100,000	£ 311,577
Additional Local Indicator - Investment Only	100.00%	89.90%
Additional Local Indicator - Borrowing Only	100.00%	100.00%
d) Upper limit for variable interest rate exposure: (Maximum outstanding net BORROWING)	£ 2,000,000	-£ 1,180,000
Additional Local Indicator - Investment Only	100.00%	10.10%
Additional Local Indicator - Borrowing Only	50.00%	0.00%
e) Upper & Lower limits for the maturity structure of outstanding Borrowing during 2014/15:		
Under 1 Year	U 20%, L 0%	18.50%
1 Year to 2 Years	U 40%, L 0%	18.50%
2 Years to 5 Years	U 50%, L 0%	0.00%
5 Years to 10 Years	U 50%, L 0%	0.00%
Over 10 Years	U 100%, L 0%	63.00%
f) Investment Treasury Indicator and limit: Max. NEW principal sums invested in-year for periods OVER 364 days (ie. non-specified), subject to maximum non specified per counterparty of £3m AND to the prevailing overall counterparty limit AND to the the TOTAL non specified limit of £5m.	£ 3,000,000	-

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## Report to Cabinet

**Subject: Scrutiny Reports:**

- Homelessness and Hardship in the Borough
- Reducing Unemployment in Gedling Borough

**Date: 19 January 2015**

**Author: Councillor Mike Hope, Chair of the Overview and Scrutiny Committee**

**Wards affected: All**

### 1. Purpose of the Report

To inform Cabinet Members and relevant Portfolio Holders of the findings and recommendations of the Homelessness and Hardship in the Borough, and the Reducing Unemployment in Gedling Borough Scrutiny Reviews.

### 2. Background

Members are reminded that part of the remit of Scrutiny is to deal with wider service or policy issues through the establishment of working groups, which take an in depth view of Council policies and plans as directed by the Overview and Scrutiny Committee, and make recommendations to Cabinet accordingly. In accordance with the Scrutiny Improvement Plan 2010. A review is commissioned when:

- there is added value that this work will bring to the core priorities of the Council
- it is likely to make a difference if a working group undertake this work
- it is likely to lead to improved performance
- it is likely that the working group's recommendations will improve the lives of the residents of Gedling Borough
- it will increase Member awareness of important issues.

### 3. Proposals

Members are asked to consider the conclusions and recommendations of the above reviews which have been approved by the Overview and Scrutiny Committee for referral to Cabinet.

#### **4. Recommendations**

That Cabinet review the recommendations made and the appropriate Portfolio Holders respond to the respective reports to the Overview and Scrutiny Committee.

#### **Appendices**

**Appendix 1: Homelessness and Hardship in the Borough**

**Appendix 2: Reducing Unemployment in the Borough**

## **Reducing Unemployment in Gedling Borough Scrutiny Review**

### **Conclusions and Recommendations**

#### **CONCLUSIONS**

The working group welcomed the valuable engagement being undertaken with local schools in order to promote careers advice and vocational development. Members noted however that those schools with Academy status were proving more difficult to bring on board, and recognised that the role of Members as School Governors could be helpful in this respect.

The group was also pleased that the Council has embraced and is widely promoting the national apprenticeship scheme and providing additional financial incentives to local firms, and would like to see more detailed tracking information on the progression route of both GBC and other local apprentices as it was felt that the Council and Employment and Skills group needs to be demonstrating continuous improvement in retention and/or ongoing positive development for those individuals.

Members endorsed the targeting of Economic Development initiatives through the priority localities of Netherfield and Colwick, Newstead and Killisick, however considered that the potential role of the voluntary sector has not yet been fully explored. Scope was identified for the possible use of community facilities such as the Newstead Centre for business start-ups, and for the establishment of robust support and referral mechanisms to vocational training, jobseeker services and business start-up advice with specialist registered charities and other well established voluntary and community organisations, particularly in the priority Localities. One example given was the social care pathway qualification previously delivered by Framework. Young unemployed people had been referred to Framework and trained to NVQ 1 in social care however Framework had lost their funding due to low referrals to the scheme. It was deemed important by Members to ensure that the referral pathways remain strong and that the voluntary and community sector might have a key role to play in this respect. The development of social enterprises could also be further explored, particularly where community organisations might wish to engage in the delivery of pathways to employment.

In examining recent Nottinghamshire County Council employment bulletins and specifically the employment and training destination statistics of Gedling residents, Members observed that there is a growing increase in NEETs in Carlton, Carlton Hill and Carlton Valley, which appears to coincide with the Carlton Academy ceasing to provide the BTEC. Members enquired whether there were plans to establish a Job club in Carlton, and were advised that subject to transport, Carlton residents could potentially access the Netherfield Jobclub provision. Under the TravelRight initiative, which the Council has signed up to, the Travel Scheme co-ordinator is looking into extending the scheme into Carlton Valley to help address the access needs of Carlton residents to jobseeker services. Members proposed that this situation be kept under review.

Members noted that social care is a now significant employment growth area, particularly in Gedling, which has a higher than average aging population. The group proposed that the Council considers launching a PR campaign aimed at changing the perceptions of young people and adults about the role of carers. The campaign

could include case histories of those who had progressed to health sector jobs via social care, additionally highlighting the intergenerational benefits to communities. A Carers award category could be included as part of the proposed 'Pride of Gedling' Awards Scheme. Members also saw great potential for apprenticeships and training placements in social care within the local voluntary and charitable sector, and further proposed that Gedling Homes be encouraged to take up the apprenticeship scheme for social care and other related work.

Members concluded that the Council is pursuing the right set of priorities in responding to the current economic situation in Gedling. By focussing on youth unemployment, small business sustainability and the building of skills for growth sector employment, the Council is targeting its limited resources and maximising partnership approaches effectively and the approach is demonstrating some early positive results.

## **1. RECOMMENDATIONS**

In forming a set of recommendations, the working group focussed upon sharing their local knowledge in order to enhance the Employment and Skills group network, making suggestions for inclusion to a forward plan and funding strategy that would help extend work with schools, strengthen the role of the voluntary sector, use of local community facilities and increase social enterprise development, and put proposals forward for a PR campaign and partnership training and apprenticeship approach to address care sector employment.

Having considered all evidence, Members now make the following recommendations to the Leader of the Council, Portfolio Holder for Economic Development:

### **1. In creating a seven-year EU (and other) funding strategy, consideration should be given to:**

- An initiative to build on work with schools, targeting children from 12 -13 years of age upwards with access to careers advice and bridging skills to employment.
- Development of outreach/referral links and voluntary sector placement agreements with local voluntary organisations, establishing a conduit to mainstream training and employment opportunities.
- Considering the feasibility of using local community facilities such as the Newstead Centre and St Georges Centre as business incubation units and venues for employability training.
- Social Enterprise development linked to the Localities initiatives taking account of the above, with advice and support from Social Enterprise Link.

### **2. Improve access to jobseeker services, jobs, training and employment for Newstead residents, especially young people, by:**

- Recognising where they currently attend school and college and access jobseeker services, which include Mansfield and Sutton in Ashfield, and raise awareness of more local alternatives.

- Making contact with the schools for which Newstead is part of the catchment area, specifically the Annie Holgate Academy and the National Church of England School, and linking those schools into the work of the Gedling Employment and Skills Group.
  - Approaching Kirkby College and West Nottinghamshire College to join the Employment and Skills Group network, as Newstead young people attend those colleges.
  - Examining how well served Newstead is in respect of inter district and cross borough travel.
3. **Help to address the Education and Employment needs of Forces and Ex Forces residents** within the Employment and Skills group delivery plan, with specialist Forces Employment Support agencies such as **Remploy Veterans** represented on the Employment and Skills network.
  4. Continuing to monitor rising youth unemployment in Carlton and seek out opportunities to extent job-seeking services to young residents of that area.
  5. The partnership to undertake medium term tracking of the destination of individuals taking up local apprenticeships, to help support the continual progression of those young people that we have invested in.
  6. The Council and Employment and Skills partnership to consider creating and specifically promoting an employment, placement and training scheme in Social Care to raise the profile and importance of care work. This would increase take-up of jobs and training in that sector, foster intergenerational respect and understanding, address the needs of our aging population and engage the voluntary sector.
  7. Consideration to be given to ways in which organisations such as Gedling Homes, NNE CCG / Park House Clinic and Schools could be linked up to create work experience, mentoring and apprenticeship opportunities for young people in social care, repairs and maintenance and business administration/customer service.
  8. Consider linking a PR campaign about the importance of Social Care to a Carers category within the proposed 'Pride of Gedling' Community Award scheme.
  9. Create high visibility links to ring fenced job opportunities, placements and apprenticeships on the Council's website.
  10. As part of the skills audit of Members planned following the May 2015 local election, details of Councillors appointments to School Governing Boards to be gathered and shared with the Employment and Skills group to enable

Members to support and advocate the work of the group. **(Refer to the Elections and Members Services Team).**

11. Continuing to influence those schools with Academy status to engage with the services being offered through the Employment and Skills Group.

## **Homelessness and Hardship Scrutiny Review**

### **Conclusions and Recommendations**

#### **CONCLUSIONS**

During the course of the review, Members examining a wide range of information about current and future services, changes in the funding landscape and benefits legislation, opportunities for growth and ways in which the Council and its partners work to maximise these opportunities, both locally and at a strategic level. Members understood that that NCC Supporting People funding changes represent a further development to a significant shift that started in 2012, moving to an enabling culture and encouraging people to be as independent as possible. This includes changed ways of working, providing packages of support and an aim to improve services as well as reduce costs. The approach has involved realigning parts of services and the resources associated with them, rather than having one pot of money and a defined process as in the past. Public Health monies are also now in the mix and the focus of the remaining Supporting People budget will be upon vulnerable adults, including older people and those with mental health issues. Members noted that the Chair of Adult Social Care and Health Committee is seeking ongoing dialogue with districts and with third sector providers about contract management with an element of collaboration in respect of Vulnerable Adult Services going forward.

In respect of the future of Elizabeth House and Nottinghamshire Hosing Advice Services, the implication is that funding is secure from April 2015, but that it may cease in 2016 unless an alternative solution is found. NCC is working with Framework to assist Elizabeth House in financial remodelling, focusing on homelessness prevention accommodation and offender accommodation and finding alternative funding streams. Framework is currently the contract holder for Crisis Mental Health services.

Members noted that there is a need to engage the involvement and potential investment of CCGs, who have a potential role to play in supporting Elizabeth House, particularly due to their focus on care in the community and in the light of the NHS Trust's targets to reduce the pressure in the acute sector. The key to this is the provision of sufficient aftercare, which Framework is well placed to deliver. Additionally, unitary authorities like the City Council have the statutory responsibility for housing with Nottingham Homes, and Gedling must look to Gedling Homes and consider how that organisation's role might impact more on Homelessness prevention in the future. Members were made aware of a change in approach with regard to older peoples services, moving away from the traditional warden aided complex approach as the service provided had no direct link to need. Members noted that the reason Homelessness was not made a priority in the NCC Supporting People Budget restructure is that the statutory responsibility lies with the districts.

Members were nevertheless encouraged by the assertions of the Chair of Nottinghamshire County Council's Adult Social Care and Health Committee that the County is committed to working together with Gedling Borough Council in the financial remodelling of specialist services to relieve homelessness and hardship.

Key areas for consideration in Gedling are therefore:

- Vulnerable people
- How GBC and NCC can work together
- Joint services, i.e. commissioning prevention services for CCGs in the South of the County.

Members would like to thank Cllr Weisz in advance for agreeing to take up with the Health and Wellbeing Board issues identified by the review of apparently limited drug and alcohol treatment programmes in the Borough.

In visiting Elizabeth House and local Sure Start Children's Centres, Members were impressed with the level and range of support and signposting available within the Borough, noting however that more could be done to strengthen referral mechanisms, ensure the quality of longer term support for those with complex needs (i.e. the treatment of drug and alcohol dependent residents) and to more effectively publicise the gateway services available in local communities through access centres, children's centres, GP practices and Health Centres.

Members were also concerned to hear that DWP presence had been subsequently withdrawn from Sure Start centres.

Being aware of a number of large scale developments underway in the Borough, Members were of the view that Gedling Homes and Localities coordinators must be involved in informing the local plan and the mix of housing stock on those sites. The danger of providing the wrong balance of housing being that too many people attracted in from outside the Borough could potentially force Gedling residents into hardship.

Members were satisfied that the Council is taking a strong lead in drawing together partnership approaches to mitigate hardship and homelessness, however felt that we would benefit from examining good practice across the country in order to ensure continuous improvement in coordination, communication and problem solving around those partnerships and approaches.

Members commended the Council's support for national and local pastoral initiatives, and would like this ethos to translate further into the ability to be as flexible as possible to help individuals to overcome specific barriers and resolve 'one off' problems as well as longer term issues.

## **1. RECOMMENDATIONS**

The Working Group makes the following recommendations to the Portfolio Holder for Health and Housing and associated partner organisations:

### **Homelessness and Housing**

1. Gedling Borough Council, in partnership with Nottinghamshire County Council and our district collaboration agreement partners, to broker dialogue with NNE CCG and other CCG Leads via the Health and Wellbeing Board to help secure future funding for Elizabeth House services beyond April 2016,

focusing on high need individuals that have a high impact on local health services.

2. Gedling Homes to consider providing a ring fenced number of supported accommodation flats for complex move-on cases referred from Elizabeth House.
3. The potential for Framework /Elizabeth House services to receive Crime and Disorder Partnership funding also should be explored.
4. The Council to explore previous good practice and good practice of other Authorities in influencing developers to ensure the most appropriate housing mix on new developments in the Borough. (i.e. an occasion when the Council worked proactively with a developer on Teal Close (Pepper potting, New Housing Markets). )
5. The Council and partners to consider holding a stakeholder event to address mixed housing stock, inclusive development and the maximisation and streamlining of specialist advice and support; to include CAB, Credit Union, registered housing providers and anyone with a stake in financial inclusion. – see **Tameside Money Inclusion Network (MiNT)** best practice.
6. Ensure that the aspirations and plans of Gedling priority neighbourhoods and Neighbourhood Planning areas and the knowledge of local social housing providers are taken into account in pre application discussions on major development sites.
7. The Council to revive the reporting back mechanism for representatives on key outside bodies, i.e. Gedling Homes, which was in place when we had the Committee System.
8. Seek to influence the development of more one and two bedroom properties in the Borough.

## **Hardship**

9. The Council to continue to raise public awareness and advocate against the dangers of payday loans and encourage more people to invest in the credit union as well as to borrow, which improves sustainability and increases access.
10. The Council to lobby on the issue of energy poverty and support a reduction in the higher tariff costs to individuals associated with pre-paid meters be included in the review.
11. Greater publicity to be given to the services and facilities provided by local Sure Start Children's Centres in order to increase registration, to include:

- Concessionary access provided for Children’s Centre staff to use our Leisure and Community Centres to conduct outreach sessions.
  - Use of the digital screens in Leisure Centres and the Civic Centre to promote Children’s Centre Services.
  - Health Visitors to promote registration with Children’s Centres at the two year child health check.
  - GP Surgeries to be more proactive in publicising and referring patients to Children’s Centres.
  - GBC Housing Needs Service to strengthen referral links from their customers to Sure Start services.
  - Gedling BC Contacts magazine to run a feature raising awareness of what Children’s Centres can provide.
12. Alongside vocational development work currently underway within the Gedling Employment and Skills Group communities and localities to be encouraged to access external funding for the provision of community based training and life skills. An ideal scenario would be for Gedling residents to have access to a year round calendar of local courses and personal development opportunities.
  13. Improve the level of specialist medical and social support available to those at risk of, and moving on from, alcohol and drug dependency and homelessness.
  14. Training and awareness to be made available to GPs and frontline staff in alcohol /drug dependency issues, sources of referral and treatment.
  15. The Health and Wellbeing Board to reinstate / enhance availability of drug and alcohol recovery programmes that clients can attend locally, supported by Elizabeth house staff and Framework support workers.
  16. The NNE CCG to consider commissioning informed health advocacy for those in hardship and dependency situations.
  17. Under our commitment to the Armed Forces Community Covenant, enhance support for ex-military personnel at risk of dependency, hardship and homelessness by strengthening referral links to SAFFA and other Service benevolent organisations.
  18. Consider the provision of DWP outreach at Elizabeth House, and the reinstatement of DWP outreach in Sure Start Children's Centres.