Durham County Council

Economy and Enterprise
Overview and Scrutiny Committee

Date	**Tuesday 6 November 2018**
Time	**9.30 am**
Venue	**Committee Room 2 - County Hall, Durham**

Business

Part A

Items during which the Press and Public are welcome to attend. Members of the Public can ask questions with the Chairman's agreement.

1. Apologies for absence
2. Substitute Members
3. Minutes of the meeting held on 25 September 2018 (Pages 3 - 16)
4. Declarations of Interest, if any
5. Items from Co-opted Members or Interested Parties, if any
6. Media Relations:

   Verbal update by the Overview and Scrutiny Officer.
7. EU Funding Update: (Pages 17 - 36)

   Report of the Corporate Director of Regeneration and Local Services – Presented by Funding and Programmes Manager, Regeneration and Local Services.
8. Regional Funding - Local Growth Fund and Investment Pipeline: (Pages 37 - 42)

   Report of the Corporate Director of Regeneration and Local Services – Presented by Project Development Team Leader, Regeneration and Local Services.
9. Such other business as, in the opinion of the Chair of the meeting, is of sufficient urgency to warrant consideration

Helen Lynch
Head of Legal and Democratic Services

County Hall
Durham
29 October 2018

To: **The Members of the Economy and Enterprise Overview and Scrutiny Committee:**

Councillor A Batey (Chairman)
Councillor M Clarke (Vice-Chairman)

Councillors E Adam, J Atkinson, R Crute, S Dunn, D Hall, T Henderson, P Howell, S Iveson, P Jopling, L Maddison, J Maitland, R Manchester, R Ormerod, A Patterson, A Reed, E Scott, P Sexton, L Taylor and M Wilson

Co-opted Members:

Mr G Binney and Mrs R Morris

Contact: Martin Tindle **Tel: 03000 269 713**

DURHAM COUNTY COUNCIL

ECONOMY AND ENTERPRISE OVERVIEW AND SCRUTINY COMMITTEE

At a Meeting of the **Economy and Enterprise Overview and Scrutiny Committee** held in **Committee Room 2 - County Hall, Durham** on **Tuesday 25 September 2018** at **9.30 am**

Present:

Councillor A Batey (Chairman)

Members of the Committee:
Councillors E Adam, J Atkinson, M Clarke, R Crute, S Dunn, D Hall, T Henderson, P Howell, S Iveson, R Manchester, R Ormerod, A Reed and M Wilkes (substitute for E Scott)

Co-opted Members:
Mr G Binney and Mrs R Morris

Also Present:
Councillors J Carr, J Clare, J Clark, D Hicks and O Milburn

1 Apologies for Absence

Apologies for absence were received from Councillors P Jopling, L Maddison, J Maitland, A Patterson, E Scott, P Sexton, L Taylor and M Wilson and Councillors C Martin and B Avery from the Environment and Sustainable Communities Overview and Scrutiny Committee.

2 Substitute Members

Councillor M Wilkes substituted for Councillor E Scott.

3 Minutes

The minutes of the meeting held 26 June 2018 were agreed as a correct record and signed by the Chairman.

4 Declarations of Interest

Councillor P Howell declared an interest in Item 7 as a landlord.

5 Items from Co-opted Members or Interested Parties

The Chairman noted that Co-opted Member R Morris had submitted a question and asked her to share this with the Committee.

R Morris asked with Brexit seven months away, is Durham carrying out an assessment of how it could be affected by the UK's departure from the EU and more specifically how it could be affected by a "No Deal" Brexit.

The Chairman thanked R Morris for her question and thanked the Corporate Director of Regeneration and Local Services, Ian Thompson who was in attendance to provide a response.

The Corporate Director, ReaL noted that Members would be aware of the complex nature of Brexit, and the recent articles in the press and media. He noted that Brexit had been a major topic of discussion within Local Government since the outcome of the public referendum and would affect many aspects of Council activity, in addition to the challenges already faced from "Austerity". He reminded Members that Councils were awaiting the results of the Fair Funding Review and there was a lot of uncertainties and challenges ahead.

The Corporate Director, ReaL explained that Durham County Council (DCC) would continue to do what it has always done well, managing finances and maintaining quality frontline services, delivering at the local level. He added the Council would, through its regional roles and national influence, look to feed into policy in relation to Brexit. Councillors noted that the date, Friday, 29 March 2019 was set for the exit of the European Union, however, there would be a transition period put in place and how Local Government fitted into this would be very important. The Corporate Director, ReaL noted that while Government expected a Brexit "deal", they had issued sector guidance, for example space and medicine industries, in relation to a "no deal" Brexit, including World Trade Organisation rules. The Committee learned that while the Council could help signpost businesses in terms of information, they themselves understood best where to get information from at this point as regards Brexit.

The Corporate Director, ReaL noted that the Council's focus would be on frontline services and to support businesses, with the economy and jobs being the number one priority. He added that this would help build in more resilience against changes in the future and that work was ongoing with partners in the region, including other Local Authorities. He noted there were discussions within the many Officer Groups within networks such as the Local Government Association and the County Councils' Network in terms of making the case for Local Government.

Members were reminded of the Government's proposed "Shared Prosperity Fund", noting that EU Funding was crucial in County Durham. It was explained there was a working group in Durham, with the Vice-Chairman of the County Durham Economic Partnership, Sue Parkinson chairing this group. It was noted a number of "asks" would be put to Government, and also a call to look beyond just cities and to base any funding on need.

The Committee noted that it would be also put that any funding should at least equal that received from the EU, noting County Durham having specific status as a “Transition Region” and therefore had its own separate allocation in addition to any successful bids to EU funding streams.

The Corporate Director, ReaL noted one element that would be sought in terms of the Shared Prosperity Fund would be for more flexibility in how funding could be allocated. He added these messages would also be communicated to Government via other networks and groups.

In terms of the business community, it was noted from the Federation of Small Businesses and the North East Chamber of Commerce were “getting on with business” and some were ensuring some levels of stocks in order to be able to deal with any potential issues in terms of supplies. It was highlighted that there is a strong relationship between the business community and Business Durham. The Corporate Director, ReaL noted that of around 17,000 businesses in the County, 450 exported to the EU, 300 exported to non-EU countries, and around 1,000 imported, with around 15% of businesses being involved in EU trade.

Members noted that all wanted certainty in terms of Brexit, however, until more information came forward it was business as usual for the Authority and businesses. The Corporate Director, ReaL noted there was some speculation in relation to testing within the EU Border in terms of compliance/regulation issues. He concluded by noting that the Council would continue to manage its finances and frontline services and also to work in partnership to help provide a coherent voice with other Local Authorities moving forward.

The Chairman and R Morris thanked the Corporate Director, ReaL for his response and attendance at the Committee.

6 Media Relations

The Overview and Scrutiny Officer, Diane Close referred Members to the recent prominent articles and news stories relating to the remit of the Economy and Enterprise Overview and Scrutiny Committee (for copy see file of minutes).

The articles included: Sedgefield biotech firm, ReViral based at NETPark, being awarded $55 million from US and European investors to carry out trials of a drug to combat respiratory disease; Sonnet 43 Brew House, a micro-brewery based at Coxhoe, having sent its first container of beer to China, a deal gained from exposure at the Northern Powerhouse trade mission to the Food and Hotel China exhibition in Shanghai; Seaham residents being invited to have their say in relation to the Seaham Townscape Heritage Project, this project had been highlighted to members when they visited Seaham as part of the retail support review; and the Council’s Cabinet having agreed a report in relation to the development of phase one on the Northern Zone of the Aykley Heads Business Park site.

Resolved:

That the presentation be noted.

7 Tackling Empty Properties Initiative - Overview

The Chairman introduced the Head of Environment, Health and Consumer Protection (EHCP), Joanne Waller who was in attendance to provide the Committee with an overview presentation of the Tackling Empty Properties Initiative (for copy see file of minutes).

The Head of EHCP explained that the report and her attendance at the meeting was to provide further information relating to the "Tackling Empties Properties" joint working protocol as noted by Members at the February meeting of the Committee. She added that the empty properties protocol did not just focus on empty homes but also included commercial properties and that the joint working protocol extended beyond the Empty Homes Strategy, which was to be considered by Cabinet in the near future.

It was highlighted that there were a number of low demand areas within the County, and a high incidence of empty properties in the east of the County. It followed that residents in those areas had concerns that empty properties could lead to increased anti-social behaviour (ASB). The Head of EHCP explained that the Council could not tackle the issues associated with empty properties on its own and that a multi-agency approach was needed involving key partners including County Durham and Darlington Fire and Rescue Service (CDDFRS) and Durham Constabulary.

The purpose of the empty properties protocol was "to ensure the problems associated with empty properties are effectively resolved in a timely manner ensuring that risks to public safety are minimised and empty properties are effectively managed by their owners and brought back into use". The Head of EHCP explained that partners had come together earlier in the year to consider how they might work more collaboratively and coordinate their efforts to solve problems associated with empty properties. The protocol produced was a result of those discussions and was intended to be used as a guide for officers setting out the responsibilities of each organisation and to agree a common approach based upon: accountability; transparency; avoiding duplication; sharing information; consistency; sustainability; being outcome focused.

The partnership approach identified a number of council services working alongside the CDDFRS and Durham Constabulary, including: Direct Services; Economic Development; Empty Homes Team, Private Sector Initiatives, Housing Solutions; Environment, Health and Consumer Protection; Planning and Assets Services; and Revenues and Benefits. It was explained there was a lot of information held in a number of database systems and that the Empty Homes Team would be at the centre of collating intelligence and information across the partnership. Members were also advised that a link was available on the Council's website for notifying the Empty Properties Team of issues with empty properties. The Head of EHCP explained that there would a risk based approach adopted for referrals received from partners which would determine the level of response required. A risk assessment procedure had been developed whereby each partner organisation would complete and forward to the relevant service for action. Urgent issues would be responded with immediate action and high risk within 5 working days.

An early intervention will be adopted which is risk based and intelligence led to ensure that available resources are effectively targeted at the highest priority properties and priority areas.

In addition, Members were advised that in cases where our general enforcement approach had not resolved matters and repeated problems were occurring, then this may require an escalated approach. Those ‘priority properties’ and ‘priority areas’ would be identified through Local Multi-Agency Problem Solving (LMAPS) Groups and the Strategic ASB Working Group and must be capable of justification based upon evidence. In addition, area based initiatives such as the Community Action Team (CAT) would undertake time-limited work and ensure information and actions are fedback in order to update partners and learn from experiences.

It was emphasised that empty properties themselves were not a problem, but that they became a problem when not managed properly or are targeted by ASB. The partnership approach would offer a holistic view to resolving problems and promote more innovative and joined up working. The range of interventions available to the Council and key partners was highlighted including: advice, guidance and financial support; community protection; protection of buildings; demolition of buildings; repair, restoration and redevelopment; enforced sales of empty properties; simple caution / prosecution; and management and acquisition of empty properties. Examples were given of recent work undertaken in Horden and New Kyo where partners had worked together and used the best intervention to address local issues.

The Head of EHCP concluded by noting: that the protocol contained key officer contact information and that this would be disseminated across the partnership. Further communications and a media campaign were also planned to raise awareness amongst the partnership, landlords and local communities regarding the reporting and enforcement approach to be taken. The protocol was implemented from 1 April 2018 and would be subject to annual review.

The Chairman thanked the Head of EHCP, and noted experience of the work as described above in her Electoral Division and endorsed the interventions used. She asked Members of the Committee for their comments and questions.

The Vice-Chairman, Councillor M Clarke noted the range of interventions and asked as regards the time taken to address issues with long term empty properties and how delays could perhaps reflect unfairly upon the Authority. He asked how often the council would be in contact with a landlord for example. The Head of EHCP advised that it would depend upon the issues involved and also the relevant legislation that is available to resolve the issue. An example given was that if the Council were looking to “board up” a property, they would give at least 48 hours for the landlord to undertake the work for more structural work including major repairs we would need to give reasonable time for the landlord to undertake the work themselves and it certain cases there may be an appeal period which is not normally less than 21 days.

The Head of EHCP noted in relation to ongoing enforcement work the council may be limited in what information it can disclose to the public She reiterated however that by working more proactively the partnership would wish to “get ahead” of emerging problems and work closely with landlords to manage their properties effectively and / or bring their properties back into use.

Councillor A Reed noted an old Council building in her Electoral Division that was empty and experienced some issues in terms of vandalism and asked if any progress was being made in terms of a sale or a different use. The Head of EHCP noted colleagues in Planning and Development and Assets were included within the joint working arrangements and she would raise with them directly and further feedback would be provided. Whilst she acknowledged that demolition of buildings like these could be considered for demolition they can often be listed which limits the interventions that can be used.

Councillor J Clark asked if the Empty Homes Team or services or partners could drill down to look at the Council's costs in tackling empty properties in order to feed this back to Government as regards the burden on the Authority. The Head of EHCP noted it was not fully recorded on a cost accounting basis, however, it actions were monitored in terms of visits by Officers and default works. Councillor J Clark thanked the Officers involved with the work in her area, Horden, and endorsed that the use of "skins" used on top of the boards to secure empty properties, and that it did have a positive effect and looked very good.

Councillor J Atkinson noted that some issues may take a period of time to tackle and asked how Councillors received feedback on issues and also in terms of any potential charges that may be placed on a property, was interest accrued. The Head of EHCP said that charges for default works could be place on the property as a local land charge. Unfortunately these may sit as a charge on the property for some years, however where significant debts were accrued the council may pursue enforced sales to recover the debt. In relation to feedback, it was added that by signposting to the relevant service area who are best to deal with any complaint would provide an appropriate point of contact for any complaints /referrals and that local information and intelligence from members about empty properties in their wards was very important in tackling the issues.

Councillor M Wilkes noted that empty properties had been a longstanding issue that he had been keen for the Authority to tackle. He added there had been a lot of good work undertaken and thanked Officers for this. He noted however that in terms of enforced sales and Empty Dwelling Management Orders (EDMOs), these were only in single figures over the last 10 years. Councillor M Wilkes noted that issues did not only occur in low demand areas, noting an example of a large property in his Division that had been empty and boarded up for 25 years, with the owner living locally and known. He gave several more examples in other areas and noted he felt that if some of these longstanding and extreme cases were tackled robustly, then landlords would receive the message more generally and would generate press interest and show that the Council was tackling such issues. The Strategic Manager for Housing, Lynn Hall noted that the Private Sector Housing Policy needed to be in place first before being able to enforce, she added this would be considered by Cabinet later in the year. Councillor M Wilkes added that in terms of fast-tracking or escalating an issue, Councillors need to know who to contact as regards this process. The Strategic Manager for Housing noted Members could contact her team as regards this and would let Members know the relevant details.

Councillor R Manchester asked if the Authority worked with Registered Social Landlords (RSLs) in terms of trying to get properties back in to use easily. The Strategic Manager for Housing noted that the Authority would look to work with RSLs where possible and appropriate, via the new policies as described and through use of lease/management orders.

Resolved:

(i) That the report and presentation be noted.
(ii) That the Economy and Enterprise Overview and Scrutiny Committee receive an update in relation to the Tackling Empty Properties joint working protocol at a Special Meeting to be held on 9 March 2019.

8 Business Durham

The Chairman introduced the Operations Director, Business Durham, Sarah Slaven who was in attendance to provide the Committee with an overview presentation on the work and impact of Business Durham in the County (for copy see file of minutes).

The Operations Director explained that the Business Durham Mission Statement was "to enable growth, create jobs and improve lives in County Durham", with a vision to "have a reputation for delivering measureable and inclusive economic growth". Members noted that there were 5 strategic aims linked to this: to build a profile and reputation for County Durham as the best place to invest, start or grow a business; to improve Business Durham's financial resilience and surplus; to deliver measurable economic growth and account for performance to stakeholders; to transform internal systems and processes to become a robust and agile organisation with a reputation for quality; and to be an employer of choice for attracting and retaining the very best people.

The Committee learned that Business Durham had developed "Our Promise to Business", 5 things businesses could expect from Business Durham, being: "we and you and your business to prosper"; "we will deliver what you need to meet your business challenges"; "the knowledge you get from us will be up to date, authoritative, comprehensive and relevant so you can use it easily and immediately to make your business better informed and stronger"; "we will give you what you need to move forward – leaving you with answers, not more questions"; and "we will serve you so well that we will earn the right to be your first call when facing challenges".

The Operations Director referred to performance over 2017/18, noting that the work of Business Durham did not include the retail and leisure sectors. It was highlighted that over 140 business growth projects had been assisted and that 1,000 jobs had been created or safeguard in this period. It was noted there had been 12 inward investments, with over 150 jobs associated. Members noted the engagement in terms of the Future Business Magnates (FBM) competition, with 2,500 people engaged, of which 1,200 were Year 7 pupils.

It was noted other highlights included: the launch of Digital Drive County Durham; the Aykley Heads launch and Waterstons moving into Northumbria House, retaining 130 jobs in the County; 19 additional schools in the FBM competition; securing funding for the North East Centre for Excellence for Satellite Applications, with 24 collaborative projects, 31 jobs and £4.25 million of investment; hosting of the “Get into Rail” event to highlight opportunities in the sector; and continued growth at NETPark, with the £7.6 million Explorer buildings having opened, creating 41 jobs.

In relation to Business Durham property, the Committee were reminded of the visit by Members to Salvus House and informed that across the whole portfolio there was an occupancy of 82.4%, and this was very positive given the increase in floor space in the portfolio. It was explained there was the challenge for Business Durham to generate surplus that would then in turn help to pay for what Business Durham do, however, it was noted that Business Durham was well placed and good at managing properties and working with businesses.

Councillors noted that European Regional Development Fund funding had been secured for the Durham City Incubator, located at Salvus House, and also an Incubation Manager had been appointed in May.

The Operations Director noted that Finance Durham had 7 investments completed in 2017/18, worth £2.19 million. It was added there had been 15 jobs created to date, with 193 jobs predicted and that Finance Durham had helped lever £3.24 million of private sector funding. Members noted a further 4 deals were in the pipeline, and over 100 businesses had been supported to be “investor ready”. Members noted the “NE Fund” via EU funding, with a 20% allocation for County Durham as a Transition Region.

The Committee noted the Durham Business Opportunities Programme (DBOP) utilising current EU funding to support mainly smaller businesses. Members noted that Business Durham would signpost in terms of market opportunities and assist and identify strands of support. An example was given in respect of childcare, and helping businesses be prepared for the entitlement to up to 30 hours free childcare as set out by Government. It was added that there had been an incubator zone at the Oktoberfest Engineering Event, providing help to exhibitors in making contacts and with follow up and development work.

Members noted that looking forward it was highlighted that there would be work to maximise EU bidding opportunities, specifically with the County Durham Growth Fund and High Growth Start-up Project. It was noted that responding to Brexit would be a challenge, as previously mentioned, and that Business Durham would be engaging with and supporting companies. The Operations Director concluded by noting Business Durham would continue to identify opportunities, for example within the space sector and “Industry 4.0”, as well as look to influence the Local Industrial Strategy, the Shared Prosperity Fund and to address productivity issues.

The Chairman thanked the Operations Director and asked Members for their comments and questions.

Councillor M Wilkes noted the proposals in relation to the Aykley Heads site and noted it was a huge amount of jobs to have in a “cul-de-sac” and added he felt that a circular road was needed to mitigate any potential negative impacts.

He noted that he worried in terms of the number of time Europe had been mentioned in relation to funding. He added that he did not think this funding would be replaced in the future and that there had been no firm answers from Government on the issue. He asked how we could manage without any certainty from Government and asked would the Authority use its money to fill gaps. The Operations Director noted that Business Durham's property portfolio payed to the core Business Durham and therefore was effectively self-sustaining.

She reiterated that Business Durham looked to maximise EU funding, with a number of bids and that current programmes, with money committed ran through to 2020, and from 2019 there would be a "transition period". She agreed there had been a lot of EU funding in the past, with there now being a need to ensure foundations were solid.

Councillor P Howell noted he supported the work of Business Durham and asked if lessons had been learned in relation to the one business that had not been successful via Finance Durham. The Operations Director noted that discussions with partners had noted the requisite checks had been carried out and lessons would be learned.

Councillor J Atkinson noted that in terms of networking events, Local Councillors sometimes would only hear about events in their areas through second-hand information and asked if local Councillors could be invited to events so that they could then help to get the message out into communities.

Councillor R Crute noted, if the Committee's Work Programme would allow for it, that the impact of the Local Industrial Strategy on County Durham be looked at, in addition to links in terms of the CDEP and Business Durham. He noted other issues including the low business base in the County and issues in terms of apprenticeships. The Chairman noted that emerging issues would be look at, and this had been the rationale behind the Committee not taking on a focused piece of work within the 2018/20 work programme and agreed that the committee should receive detail of the Local Industrial Strategy at a future meeting.

Resolved:

(i) That the report and presentation be noted.
(ii) That the Economy and Enterprise Overview and Scrutiny Committee receive an update in relation to the work of Business Durham at a future meeting of the Committee as part of the 2019/20 Work Programme.
(iii) That the Economy and Enterprise Overview and Scrutiny Committee receive an overview of the Local Industrial Strategy at a future meeting of the Committee.

9 Quarter 4, 2017/18 and Quarter 1, 2018/19 Revenue and Capital Outturn

The Chairman introduced the Principal Accountant, Paul Raine to speak to Members in relation to the Quarter 4 Revenue and Capital Outturn and the Quarter 1, 2018/19 Revenue and Capital Outturn (for copy see file of minutes).

The Principal Accountant reminded Members of the areas reported upon, the General Fund Revenue Account, and the Capital Programme for the Regeneration and Local Services (ReaL) Service. In reference to Quarter 4, 2017/2018 Members noted the service was reporting a cash limit underspend of approximately £1.496 million at Quarter 4 2017/18, against a revised General Fund Revenue Budget of £25.266 million. Members noted the major variances were set out within the report with more details contained within Appendix 2 to the report.

As regards the Capital Programme, the Principal Accountant explained that against a revised budget now stood at £40.668 million there had been a spend of £38.942 million, with a breakdown of the major capital projects given at Appendix 3 to the report.

The Chairman thanked the Principal Accountant and asked Members for their comments and questions on the Quarter 4 2017/18 report.

Councillor P Howell noted his frustration in terms of forecasts being made and the large differences between Quarters, adding that an apparent £11 million differential did not suggest control. The Principal Accountant noted that in terms of the £11 million, this was not comparing like-for-like and that around £8 million of capital charges would come into the ledger at the year end and that CIPFA code was adhered to. Councillor P Howell noted he felt that at best the information could be misleading, though he noted he did not feel this was deliberate and added that any differences needed to be set out within the narrative of the report.

The Chairman noted she would raise the issues as set out by Councillor P Howell and that arrangements would be made for an appropriate senior officer from the Resources Service Grouping to attend a future meeting to resolve the budget issues raised.

Councillor S Dunn noted he did not read the report as a “balance sheet”, rather there were a number of programmes and projects that ran over a number of years and he added it did not feel it was the Committee’s remit to manage finances, rather to monitor projects, programmes and performance.

The Principal Accountant referred Members to the information relating to Quarter 1 2018/19 with the service reporting a cash limit underspend of approximately £0.395 million, against a revised General Fund Revenue Budget of £58.434.866 million. It was noted that from 2018/19 the former “Regeneration” and “Neighbourhoods” budgets were reported together and that the report to the Environment and Sustainable Communities Overview and Scrutiny Committee would note a corresponding fall within their budget report. Members noted the major variances were set out within the report and that the service grouping was on track to maintain spending within the cash limit and more details were contained within Appendix 2 to the report.

As regards the Capital Programme, the Principal Accountant explained that the revised budget stood at £57.516 million, with a breakdown of the major capital projects given at Appendix 3 to the report. Members noted the spend to date of £6.996 million and that it was anticipated that the capital programme would be spent fully by the year end.

The Chairman thanked the Principal Accountant and asked Members for their comments and questions.

Councillor P Howell noted in the table set out at paragraph 13 of the report there was reference to approximately £7 million of £57 million having been spent to date and asked as regards sticking to budgets and how to monitor progress in terms of the turning projects into actions. The Principal Accountant noted the previous year's spending profile in relation to the Capital Programme with a similar spend for Quarter 1 year on year. Councillor P Howell asked how one would know where the Council was at in terms of the RED Capital Programme and progress being made.

Resolved:

That the reports be noted.

10 Quarter 1, 2018/19 Performance Management Report

The Chairman thanked the Strategy Team Leader, Gemma Wilkinson who was in attendance to speak to Members in relation to the Quarter 1, 2018/19 Performance Management Report (for copy see file of minutes).

The Strategy Team Leader reminded Members of the different types of indicators reported, Tracker indicators and Target indicators and the performance reporting arrangements for 2018/19 were via a number of key performance questions (KPQs), aligned to the "Altogether" framework of six priority themes.

Councillors noted the five area of focus for "Altogether Wealthier" were: do residents have good job prospects; do resident have access to decent and affordable housing; is county Durham a good place to do business; is it easy to travel around the County; and how well do tourism and culture events contribute to our local economy. Members noted that there would be infographics relating to performance under each of those areas.

In relation to "do residents have good job prospects" it was noted that there were some positives, with the employment rate for the working age population being at the regional average, though below the national average. Members noted that unemployment was on a downward trend, though was still greater than the national level, also this was reflected in youth unemployment. It was added that disposable household income per capita was lower than the regional and national levels, with the gap to the national level widening. It was suggested this could point to the County being more reliant upon lower waged jobs. The Strategy Team Leader noted in terms of apprenticeships, the percentage of 16-17 year olds in apprenticeships was above the regional and national averages. She noted that 949 apprenticeships through DCC schemes sustained for 15 months or more, equating to 88.4% of all apprenticeship start through those schemes. It was noted that of the 124 that did not sustain, there had been a number of reasons given, with the main being "personal circumstances", with 20 having left to enter employment. She added a full breakdown could be provided for Members' information.

Members noted information in relation to affordable housing delivery, and in terms of the previous item relating to the work of Business Durham. The Strategy Team Leader noted the changing focus in terms of homelessness preventions, with support for people to stay in their homes.

It was explained that a reduction in the number of households accessing the Housing Solutions Service was due to the Enhanced Housing Options Wizard no longer being available for clients to complete as the new Code of Guidance for the Homelessness Reduction Act stated that Local Authorities should not use such wizards as part of the advice and triage process.

Councillors noted the figures in relation to the Highways Transport Asset Management Plan (TAMP) with a “static” condition, however, this was in the context of severe winter weather having been experienced. The Strategy Team Leader concluded by referring Members to data relating to visitor numbers, jobs supported by the visitor economy and the amount generated by the visitor economy, with all showing positive signs of growth, with the Visit County Durham website having factsheets in terms of specifics sectors and geographical areas.

The Chairman thanked the Strategy Team Leader and asked Members for their comments and questions on the performance report.

Councillor J Atkinson noted he would welcome further information in relation to apprenticeships not sustained. The Strategy Team Leader noted she would provide the breakdown as noted and ask if information beyond 15 moths was known.

R Morris noted the widening gap between the County and the regional and national employment rate and youth employment figures was worrying. She added that employers worried in terms of skills for the future and felt this was something that could be addressed within the Industrial Strategy and asked what “horizon scanning” had been undertaken as she did not see much evidence of an offer in terms of young people. The Strategy Team Leader noted that the Business, Enterprise and Skills Strategy with the Council, Business Durham and businesses working together, was looking in terms of a skills base for sectors. She noted this was a live document and would seek an update in terms of this. R Morris added she felt there was a need to speed this up in order to see an impact. The Chairman noted the link to the Industrial Strategy.

Councillor S Dunn noted he was cynical in terms of apprenticeship figures and agreed with R Morris in terms of the need to identify what skills were needed to fill and create jobs. He asked why 15 months was deemed meaningful, and asked how many of the young people had their apprenticeship lead to a job in those areas in which they had undertaken an apprenticeship. He added that it was important to turn apprentices into the workforce of the future and to see them earn a respectable wage in the process. Councillor S Dunn also asked in relation to the condition of A, B and C principal roads, what proportion were footways.

The Strategy Team Leader noted in relation to footways she did not have the figures to hand and would look to provide this for Members. She added that she would also seek further information in relation to apprentices and moving into jobs in their sector.

Councillor R Ormerod asked if the disposable income figure was before or after housing costs were taken into account and noted the widening gap with national and regional figures was worrying. The Strategy Team Leader noted she believed it was after, though would check to confirm.

Councillor R Ormerod also asked as regards why the employment rate figures for County Durham appeared to be much more volatile in comparison to regional and national figures. The Strategy Team Leader noted this could be due to economies of scale at those larger sample areas, though would check with colleagues.

Councillor P Howell asked why the per capita household disposal income data was up to 2016 and not more up to date. He also noted that GVA figures would not include service area jobs, with there being a lot in the County. The Strategy Team Leader noted that the 2016 figures were the most up to date available from the Office for National Statistics (ONS) dataset. She added that she would check if GVA did not include service sector jobs, and that there were discussions ongoing in terms of looking at evidence bases. Councillor P Howell wondered if 2016 was the most up to date data in this respect, would another measure with more up to date data be a more preferable approach.

Resolved:

That the report be noted.

11 Overview and Scrutiny - County Durham Plan Workshop

The Overview and Scrutiny Officer reminded Members of the recently held workshop session in relation to the County Durham Plan, held 9 July 2018. It was noted that the Economy and Enterprise Overview and Scrutiny Committee led, with the Chairman introducing the session. Councillors noted the session was split into 5 themes and the comments made by Members and Co-opted Members had been collated to form a response to the CDP Preferred Option stage (attached at Appendix 2 to the report), with sign off from the Chairmen and Vice-Chairmen of the Committee and the Corporate Overview and Scrutiny Management Board with the response having been submitted.

Members noted that there would be a further workshop session in the New Year, 4 February 2018, to which all Overview and Scrutiny Members and Co-optees would be invited. The Chairman thanked the Members and Officers that attended and were involved in the workshop session.

Resolved:

That the report be noted.

12 Minutes from the County Durham Economic Partnership

The Minutes of the meeting of the County Durham Economic Partnership held 5 July 2018 were received by the Committee for information.

13 Children and Young People's Overview and Scrutiny Committee - NEETs

The Overview and Scrutiny Officer noted that Economy and Enterprise Overview and Scrutiny Committee Members were invited to the meeting of the Children and Young People’s Overview and Scrutiny Committee, tomorrow, as the Strategic Manager Progression and Learning, Linda Bailey would be in attendance to speak in respect of those Not In Education, Employment or Training, NEETs, an issue which also related to the work of this Committee.

Economy and Enterprise Overview and Scrutiny Committee

6 November 2018

EU Funding Update

Report of Ian Thompson, Corporate Director, Regeneration and Local Services

Purpose of Report

1. The purpose of the report is to provide an update, since the last report in September 2017 to Overview and Scrutiny, on the current status of the EU Structural and Investment Funds Programme.

Background

2. The European Structural and Investment Fund (ESIF) programme for 2014-2020 programme period allocated circa €537 million of funding for the North East LEP area, this includes a ringfenced allocation of €157 million for County Durham as a Transition Region. Following a recent uprating of the sterling value in August 2018, the ERDF allocation for Durham has increased from £74m to just over £86m, and there has also been an increase in the ESF allocation to £69m, this includes an additional £9m to fund the recently approved three-year extension to the YEI DurhamWorks scheme. This now gives a current notional allocation for County Durham of £154m. In addition to this funding, the County also benefits from a share of £10.5m EAFRD to support rural development in the NELEP area, and has two LEADER programmes worth £4m, delivering capital grants to support businesses, farming, tourism and services within rural areas of the County.

3. Following the referendum in June 2016, the Government announced that it would guarantee and approve EU funding for Structural and Investment Fund projects, including agri-environment schemes, to the point at which the UK departs the EU. In July 2018, this was strengthened by the Government confirming that any funding that projects secure through EU programmes, from now until the end of 2020, will be guaranteed by the UK government even in the event of a no deal Brexit scenario.

4. In light of this ‘business as usual’ position work has continued with partners to support the development of project applications and develop a pipeline of activity. There are currently a number of open calls out, inviting project applications for ERDF, as well as a review of the current opt ins with a view to extending these contracts.

Current Spend Position

5. Significant work has been undertaken by the County Durham Economic Partnership’s ESIF work streams, supported by the Funding and Programmes Team, to realise the opportunity and commit ESIF funding in County Durham. The tables below show the current ESIF allocation for County Durham by Priority Axis, the value of contracted projects that have been approved and are in delivery, projects within the pipeline that have submitted either full or outline applications, and the balance of allocation remaining to be committed.

ERDF	Innovation £million	SME Comp £million	Low Carbon £million	Climate Change £million	CLLD £million	Total £million
Allocation	**18.25**	**35.92**	**21.2**	**3.24**	**1.7**	**86.3**
Contracted	9.23	22.39	2.13	-	1.7	35.5
Pipeline	3.24	8.13	0	3.24	0	14.6
Commitments	**12.47**	**30.52**	**2.13**	**3.24**	**1.7**	50.1
Balance	**5.77**	**11.08**	**19.07**	**0**	**0**	35.9
% remaining	**32%**	**38%**	**79%**	**0%**	**0%**	**42%**

ESF	Inclusive Labour Markets					Skills for Growth		
	1.1	1.2	1.3	1.4	1.5	2.1	2.2	Total
Allocation	7.26	6.61	12.78	8.98	1.98	19.37	3.51	60.49
Committed	6.17	5.40	12.78	5.48	0.013	15.68	2.34	49.68
Difference	1.09	1.21	0	3.5	1.96	3.68	1.17	10.8
% remaining	15%	18%	0%	39%	99%	19%	33%	18%
			+ an additional £9m to fund 3 yr extension					£69m

6. As of the end of September 2018, a total of £35.5m ERDF has been contracted in County Durham, with a further £14.6m ERDF in full applications, this represents an overall commitment of £50m (58%), leaving a balance of £35.9m.

7. In County Durham, £27m of ESF is contracted in County Durham, this includes projects that have received grant offer letters and Opt Ins that have been agreed at ESIF Sub Committee. There is a further £32m in commitments in either full applications or extensions to Opt In contracts that are due to be considered shortly. The resource remaining is currently £10m (18%).

Open Calls

8. There are currently three ERDF calls for projects currently open, with a deadline of 23 November 2018, as follows:

- PA1 Promoting Research and Innovation – call value £5.7m
- PA3 Enhancing the competitiveness of SMEs – value £11m
- PA4 Supporting the shift to a low carbon economy – value £19m

9. It is anticipated that there could be five new applications submitted by Durham County Council in response to these ERDF calls, these will be both for continuation of existing successful projects and new activity, around early stage business support and growth, sustainable transport and low carbon.

10. Further ERDF calls may be launched in March 2019 if there is still ERDF resource available. It is not currently known when further ESF calls will be launched, however a number of existing Opt Ins contracts are being reviewed, with a view to extending them.

11. The County Durham Economic Partnership continues to oversee the pipeline of projects within County Durham, with support provided locally to projects by the Funding and Programmes Team. It is currently working with partners to raise awareness of the opportunity for funding through these open calls and is providing advice and support to develop project applications.

Durham County Council Projects

12. The County Council has submitted a number of applications for ESIF Funding, as follows:

Approved projects

- *Youth Employment Initiative (YEI)*

DurhamWorks is a programme led by Durham County Council in partnership with external Delivery Partners. It supports 15-24-year-old unemployed County Durham residents into employment, education or training through intensive and long-term support; innovative and engaging activities to develop motivation, work-related skills and work experience and increased employment opportunities. An extension to the project was approved in August 2018, to allow a further three years of delivery, together with an additional £9m ESF grant. ESF Grant - £21,78m, Total Project - £29m

- *Community Led Local Development (CLLD) Preparatory Stage -*

Preparatory funding to develop Local Development Strategies and establish Local Actions Groups for two CLLD areas within County Durham – North Durham and South Durham. The completed strategies were approved in Summer 2016, consequently allowing full applications to submitted for the two CLLD areas (see below). ERDF Grant £7,130 per CLLD, ESF Grant £6,900 per CLLD

- *Community Led Local Development (CLLD) Implementation*

CLLD aims to increase employment and skills, social enterprise, and social inclusion in order to support the social regeneration of deprived areas. There are two programmes delivering within North Durham (Stanley, North Chester le Street and the western edge of the Derwent Valley AAP area) and South Durham (Bishop Auckland, Shildon and Spennymoor). It is a specific tool for managing ERDF and ESF in a complementary fashion at a local level to provide for smaller community led interventions in a similar way to LEADER.
North Durham - ERDF £744,202, £ESF 780,101, Programme Total £2.36m
South Durham – ERDF £986,501, ESF £1,019,899, Programme Total £3.1m

- *Business Energy Efficiency Project (BEEP)*

The project will provide an intensive package of support for SMEs on energy efficiency, renewable energy and business resilience to reduce greenhouse gas emissions and bottom line costs, enhancing competitiveness and supporting business growth. In association with the Durham Business Opportunities Programme, one to one best practice support, training and expert technical advice will be provided, backed by an interactive website and a programme of peer to peer business events and social media. A package of energy audits and financial grant support will encourage and enable businesses to take up no/low cost measures and to install appropriate technologies. ERDF Grant - £533,887, Total Project - £890,811

- *Durham Business Opportunity Project (DBOP)*

The project will provide a 3 year programme of business support to encourage and enable SMEs in County Durham to grow, through engaging the businesses and connecting them to opportunities. The project will focus on identifying potential market opportunities for businesses and helping them to realise these opportunities. The project will help to increase the demand for and take-up of regional/national business support products (where available) by County Durham businesses, and will fill gaps in the business support offer, where identified needs of County Durham businesses are not being met. This will result in better-connected, more competitive SMEs. ERDF Grant - £624,056, Total Project - £1,040,095

- *Community Enterprise*

The project aims to increase sustainable community enterprises and increase the number of people in the County who are enterprise ready. It will target both new and existing community enterprises with the potential to grow and employ more people. ERDF grant £525k, Total project £875,000

- *SME Digital Engagement Programme*

This is a three year programme of support to SMEs to improve their competiveness through take up of digital technology. The aims of the project are to: engage and energise businesses to consider how they can improve their business by adopting digital technologies, remove the practical and financial barriers to businesses in doing so and embed a culture where the desire and ability to exploit digital technologies becomes a core business skill. ERDF grant £2.4m, total project £4m

- *Durham Internships and Collaborative Enterprise*

The County Council is a delivery partner in a Durham University led project. There are three strands of support. Durham University is leading on developing a start-up academy providing a structured programme of support for students/graduates and a part funded internship scheme placing student/graduates into employment. Durham County Council is leading on developing an enterprise incubator, based at Salvus House with an associated accelerator programme of intensive and bespoke support. ERDF grant £613k

- *Solid Wall Insulation Innovation (SWii)*

The project will deliver a ‘whole place’ energy efficiency pilot programme in 210 fuel poor homes in two Durham former mining villages of South Moor and Evenwood that will specify develop and train – innovation solid wall insulation product system – next phase domestic smart heating control and peer to peer community energy efficiency, advice and support. ERDF £1.5m, Total project £2,510,704

Full Applications

13. The following projects have submitted full applications and are currently in appraisal:

- *Chester le Street Flood Alleviation Scheme*

The Chester le Street Flood Alleviation scheme aims to reduce flood risk to the businesses and properties around the Cong Burn River. It will include daylighting 90m of twin bore culvert, providing landscaping, footpaths and seating areas in the new 'blue green' space for public use. ERDF £3.24m, total project £4,68m

- *County Durham Growth Fund*

The project will provide grant support to SMEs in County Durham for capital investment projects to stimulate and enable sustainable business growth, based on a successful model previously delivered through the 'Let's Grow' programme. ERDF £6.09m, total project £15.2m

- Durham Advance

The project will offer a comprehensive package of advice, guidance and support to participants targeting those with health conditions and the over 50s. ESF £1.5m, total project £2.3m, total project £2,5m

- L!NKCD

The L!NKCD project will work with 1252 participants in County Durham using a caseworker model for delivery, providing a tailored package of support to participants including those with protected characteristics, workless housing tenants and offenders and ex-offenders. £2m, Total Project £3.33m

- DurhamDirections

The project will work to prevent young people from becoming NEET and address youth unemployment amongst vulnerable groups. Total ESF request £4.78m. The application for this was submitted before it was clear that the DurhamWorks project would be extended. Discussions will take place with DWP as to how to progress with the preventative activity proposed in this project that cannot be delivered through DurhamWorks. There the total value of this project will reduce significantly.

14. A list of all ERDF and ESF projects that have approved and delivering activity in County Durham is attached as Appendix 2.

LEADER and EAFRD

15. The LEADER Programme is a separate European Union initiative funded through RDPE, to support rural development projects initiated at the local level in order to revitalise rural areas and create jobs. There are two LEADER areas within County Durham and following a recent uprate in the sterling value, leading to an approximate 10% increase, the current programme budgets are: Durham Coast and Lowlands - £1.74m and North Pennine Dales - £2.34 million. Local Action Groups have been established, bringing together individuals from local public, private and community sectors. The Group is responsible for establishing the strategy and direction of the Programme and decision making; approving all project applications. The County Council is the Accountable Body and manages and administers the LEADER Programme. All applications for LEADER funding have to be approved by the end of March 2019, although projects have until December 2020 to complete the project and submit grant claims.

16. To the end of October 2018, the Durham Coast and Lowlands Local Action Group has approved 28 projects drawing down a grant of over £786k, creating 28 jobs. There are a further 12 projects at full application stage worth over £675k which would take up the remaining LEADER budget. There is also a reserve list of six projects that could be brought forward should resources become available.

17. There have been 25 projects approved within the North Pennine Dales LEADER Programme, drawing down £742k grant and creating 38 jobs, a further 20 projects are currently in the progress of developing full applications worth £1.2m, which are due to be considered in the coming months. If approved these would leave a balance of just £20k, 1% of the programme budget. Work is continuing on both programmes to ensure funding is maximised, and it is currently expected that the Programme will fully commit the allocation by the end of March 2019. These projects are in line with the LAG's priorities of developing rural tourism and supporting Micro and Small Enterprises and Farm Diversification within the LEADER areas.

18. The European Agricultural Fund for Rural Development (EAFRD) worth a total of £10.5m to the NELEP area supports the development and growth of SMEs, tourism infrastructure and food processing within the designated rural areas of Durham, Northumberland and rural Gateshead. The Programme closed at the end of May 2018. To date, £2.14m has been contracted (of which £1.1m has been approved in Durham, funding 1 food processing, 8 business support and 3 tourism projects). There is a further £1.6M in full applications currently being assessed and £7.3m in pipeline applications in development.

Future Funding post Brexit – UK Shared Prosperity Fund

19. The Conservative Party announced in its 2017 manifesto to create the UK Shared Prosperity Fund (UKSPF) to replace the money that local areas in the UK currently receive through European Structural Funds. On 24 July 2018, the Secretary of State, James Brokenshire submitted a Written Ministerial Statement which provided further information, clarifying that the objective of the UKSPF would be to 'tackle inequalities between communities by raising productivity, especially those parts of our country whose economies are furthest behind'. The statement promised that administration of the UKSPF would be simpler than that for current EU funds and that Local Industrial Strategies will be the key mechanism for identifying and prioritising funding needs.

21. The statement confirmed that Government would work with all mayoral combined authorities and LEPs to develop Local Industrial Strategies (LIS) over a phased approach, with all Local Industrial Strategies across England agreed by early 2020. This is supported by a review into LEPs, which made recommendations to strengthen them in the context of their role in delivering economic growth funds. The North East LEP is in the next wave to develop its LIS from Autumn 2018, and is currently preparing for this.

22. The written statement also proposed there would be a formal consultation on UKSPF later in the year. In preparation for this, over the summer cross government consultation events took place, intended to give partners the opportunity to discuss the design of the UKSPF and shape the consultation.

Preparations for UKSPF

23. Within Durham, the Council has been working with its partners to develop its thinking on what an 'ask' for Durham would be in relation to the proposed UK Shared Prosperity Fund. In January 2018 a Shared Prosperity Working Group was formed, under the County Durham Economic Partnership and has prepared a draft position paper for Durham. The key principles emerging from this are that County Durham should not receive less funding than under the current ESIF programme, and receives a status that is equivalent to an EU Transition region and a ring-fenced budget. That the new fund is allocated on need and is more flexible than current arrangements, tailored to local priorities and delivered with less bureaucracy.

24. A North East Brexit Group has been established, under the LEP and brings together key networks representing business, education, trade unions, local authorities and voluntary organisations. Its purpose is to monitor economic evidence and the views, experiences and response of business, education and other organisations in the NELEP area as the UK moves through the Brexit process. The Brexit Group commissioned a future funding commission to identify the level and types of funding that has come into the North East over the last 20 years, especially from European Funding, to identify the activities that have supported, and the benefits realised from it, with a view to this informing the expectations for future funding. The Group has also produced a BREXIT Sector Study report, which seeks to understand the impact, challenges and opportunities that leaving the European Union will have on the North East's economy.

25. An All Party Parliamentary Group (APPG) on post-Brexit Funding has been established by a group of Westminster MPs, with secretariat support provided by the Industrial Alliance. The aim of the group is to help shape plans for the UK funding that is planned to replace EU funding that will not exist following Brexit. The APPG launched an inquiry in the summer, seeking views from stakeholders. Local partners within the North East responded, including the County Council, other local authorities and the NE Brexit Group. A copy of the Brexit Group's APPG submission is attached at Appendix 3.

Recommendations

26. Economy and Enterprise Overview and Scrutiny are recommended to:

(i) Note the content of the report.
(ii) Receive further reports as the programme continues.

Background papers

- Report to the Corporate Management Team – European Funding Update, 17 October 2018
- Economy and Enterprise Overview and Scrutiny Committee, EU Funding Update, 26 September 2017
- Economy and Enterprise Overview and Scrutiny Committee, EU Funding Update, 3 November 2016
- Economy and Enterprise Overview and Scrutiny Committee, EU Funding Update, 10 March 2016

- Economy and Enterprise Overview and Scrutiny Committee, EU Funding Update, 20 February 2015
- Report of Economy and Enterprise OSC – Update on EU Funding programme 30 October 2014.
- Report of the Corporate Management Team – EU Funding programme 1 October, 2014
- Youth Employment Initiative – Cabinet Report, 10th June 2015

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Appendix 1: Implications

Finance –
Financial implications are considered for individual ESIF applications.

Staffing – None

Risk –
The revision and implementation of the EU Governance process will mitigate against risks associated with applying for European funding

Equality and Diversity – None

Accommodation – None

Crime and Disorder – None

Human Rights – None

Consultation – None

Procurement –
Discussion with Corporate Procurement has resulted in the inclusion of the Procurement Gateway within the EU Governance process. Procurement is considered for each individual ESIF application.

Disability Issues – None

Legal Implications –

Legal advice is sought from Legal and Democratic Services where necessary, for example, for any State Aid implications for individual applications

Appendix 2 – All approved projects delivering in Durham.

ERDF

	ERDF Approved		
PA1 – Innovation	**More Developed**	**Transition**	**Total**
The Innovation Pathway - RTC North Limited	£818,551	£215,080	£1,033,631
Innovate2Succeed - RTC North Limited	£406,606	£93,394	£500,000
North East Innovation Supernetwork - North East Business & Innovation Centre Limited	£446,433	£75,006	£521,439
Emerging Electronics Manufacturing Centre - Centre for Process Innovation (CPI) Limited	£255,284	£2,340,516	£2,595,800
North East SME Innovation Programme - North East Business & Innovation Centre Limited	£622,799	£197,639	£820,438
Northern Accelerator - Newcastle University	£282,461	£181,244	£463,705
Creative Fuse - Newcastle University	£746,869	£91,165	£838,034
Northern Centre for Emerging Technologies - Gateshead Council	£3,240,880	£0	£3,240,880
CIF ESM Outreach - Centre for Process Innovation (CPI) Limited	£402,763	£897,588	£1,300,351
Development of a North East Water Hub - Durham University	£271,519	£116,364	£387,883
Innovation Durham - Teesside University	£0	£690,511	£690,511
Collaborative Outreach in Applied Surface Engineering Technologies (COAST) - Centre for Process Innovation (CPI) Limited	£0	£2,709,735	£2,709,735
SME SPOTLIGHT - Photonics and Emerging Technologies for Healthcare SME Support Programme - Centre for Process Innovation (CPI) Limited	£0	£848,784	£848,784
Pathways to Innovation - RTC North Limited	£590,625	£196,875	£787,500
Arrow - Newcastle University	£1,356,949	£339,237	£1,696,186
Intensive Industrial Innovation Programme North East (IIIP-NE) - Durham University	£846,827	£626,880	£1,473,707
GX - NewcastleGateshead Initiative	£573,121	£63,680	£636,801
Total	**£10,861,687**	**£9,683,698**	**£20,545,385**

	ERDF Approved		
PA3 – SME Competitiveness	**More Developed**	**Transition**	**Total**
North East Business Support Fund 3 (NEBSF3) - Northumberland Business Service Limited (NBSL)	£2,272,640	£1,609,508	£3,882,148
Designing Better Business - RTC North Limited	£1,184,378	£290,960	£1,475,338
Enterprise Support in the North East - North East Enterprise Agency Limited (NEEAL)	£546,474	£338,500	£884,974
Advancing the Competitiveness of NE Automotive SMEs3 - NE Automotive Alliance	£569,698	£132,359	£702,057
SME Growth via Facilitated Market Access and Energy Management – NEPIC	£384,456	£95,047	£479,503
Digital Futures - Generator North East Limited	£765,000	£102,000	£867,000
Sunderland Software City (Phase 3) – Sunderland City Council	£1,081,554	£120,173	£1,201,727
Internships and Enterprise - University of Sunderland	£1,635,300	£261,825	£1,897,125
Better off in Business - Prince's Trust	£251,226	£18,910	£270,136
Creative Industries SME Business Support & Development - Northern Film & Media Limited	£384,532	£22,547	£407,079
Expanding North East Presence in International Markets - North East Worldwide Limited	£1,760,206	£587,498	£2,347,704
Durham Business Opportunities Programme (DBOP) - Durham County Council	£0	£624,056	£624,056
North East Business Support Fund 4 - County Durham (NEBSF4-CD) - Northumberland Business Service Limited (NBSL)	£0	£2,266,881	£2,266,881
Durham Internships and Collaborative Enterprise (DICE) Project - Durham University	£0	£613,105	£613,105
Community Enterprise Durham - Durham County Council	£0	£525,000	£525,000
Durham SME Digital Engagement Programme - Durham County Council	£0	£2,400,000	£2,400,000
Scale-Up North East - RTC North Limited	£1,875,000	£625,000	£2,500,000
Total	**£12,710,464**	**£10,633,369**	**£23,343,833**

	ERDF Approved		
PA4 – Low Carbon	**More Developed**	**Transition**	**Total**
Business Energy Efficiency Project (BEEP) - Durham County Council	£0	£533,887	£533,887
Grid Emulation System - GES - Offshore Renewable Energy Catapult	£2,822,350	£32,845	£2,855,195
Going Ultra Low North East - North East Combined Authority	£1,463,427	£60,975	£1,524,402
SWIi (Solid Wall Insulation innovation) - Durham County Council	£0	£1,506,423	£1,506,423
Total	**£4,285,777**	**£2,134,130**	**£6,419,907**
	ERDF Approved		
PA8 - CLLD	**More Developed**	**Transition**	**Total**
North Durham CLLD (Preparatory Work) – Durham County Council	£0	£7,150	£7,150
South Durham CLLD (Preparatory Work) - Durham County Council	£0	£7,150	£7,150
North Durham CLLD Implementation – Durham County Council	£0	£744,202	£744,202
South Durham CLLD Implementation – Durham County Council	£0	£986,501	£986,501
Total	**£0**	**£1,745,003**	**£1,745,003**
Total ERDF Approved	**£27,857,928**	**£24,196,200**	**£52,054,128**

ESF

Priority Axis 1 – Inclusive Labour Markets	**ESF Approved in County Durham**
1.1 – Access to employment for job seekers and inactive people	
ESFA Opt-in	£2,333,333
DWP Opt-in	£1,608,000
North East Mental Health Trailblazer – Northumberland County Council	£325,263
Total	**£4,266,596**
1.3 – Youth Employment Initiative	
DurhamWorks – Durham County Council	£21,780,000
Total	**£21,780,000**
1.4 - Active Inclusion	
ESFA Opt-in	£756,000
Big Lottery Fund Opt-in	£1,500,000
Total	**£2,256,000**
Priority Axis 2 - Skills for Growth	
2.1 – Enhancing Equal Access to Lifelong Learning	
ESFA Opt-in	£8,333,333
Total	**£8,333,333**
EAFA Opt-in	£1,869,167
Total	**£1,869,167**
ESF Total	**£38,505,096**

Appendix 3

APPG on Post-Brexit Funding for Nations, Regions and Local Areas

North East Brexit Group Response

September 2018

Introduction

The North East Brexit group brings together key networks representing businesses, education, trade unions, local authorities and voluntary organisations. Its purpose is to monitor economic evidence and the views, experiences and response of business, education and other organisations in the North East Local Partnership area as the UK moves through the Brexit process. In this work our shared aims are to:

- understand potential opportunities and impact areas in the context of the delivery of the North East Strategic Plan
- identify and address relevant support needs of businesses and employees, and interventions to support the regional economy
- ensure that national policy reflects an understanding of the economic structure, ambitions and conditions of the North East.

We welcome the opportunity to submit a joint response to the APPG on Post Brexit Funding Call for Evidence. This paper reflects an agreed position from the North East organisations or the North East teams from national bodies[1]. Individual signatories to this paper may also submit evidence through their own sectoral networks or as membership organisations.

This response has been informed by both the policies within the NE Strategic Economic Plan (SEP) and our delivery experience. The SEP is the regionally agreed economic plan, which provides the current policy framework for European Structural Investment Funds, Local Growth Funding and other investments, and leverages public and private funds. The SEP draws from a comprehensive evidence base about:

- The industrial strengths and opportunities, innovation and wider business growth opportunities within the region
- Infrastructure needs and priorities
- The position with reference to human capital, in particular the size, scope and trends within our population and labour force and the current and future skills position required to fulfil our economic aims.

Overall budget

What would be an appropriate annual budget for the new UK Shared Prosperity Fund?

The budget for the UK SPF should be set in context of the total quantum of funding for regional development. As noted by the APPG, the EU "is currently the biggest single financial contributor to regional and local economic development across the UK". Nevertheless, we question the premise that a domestic UK SPF 'does not require new money,' irrespective of the funding that will revert to the UK following EU exit. We would welcome the opportunity to explore expanding funding for regional and local economic development following the UK's departure from the EU. Moreover, the North East LEP has currently been awarded a £270m Growth Deal and consideration needs to be given if other domestic funding such as Local Growth Fund, Regional Growth and skills funding is rolled into the new UK SPF.

The structural causes of unequal growth and prosperity across the UK are significant, while the level of public investment to address it – even with ESIF – has been inadequate. Expenditure on regional programmes, including matched funding, peaked at levels of just under 1% GDP, but has fallen latterly to a typical level of 0.2% GDP[2]. Invariably, these funding constraints have limited scope to dramatically reduce spatial and socio-economic disparities. Indeed, recently we are witnessing a period of divergence, rather than convergence, in productivity growth between more and less prosperous areas across the country.

Britain has one of the highest levels of regional inequality of any major European nation. GDP per head in London is £46,000, almost 2.5 times higher than the North East figure of £19,000[3]. The Chief Economist at the Bank of England has said that "regional inequality is right up there as among the

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[1] The Brexit Group is an informal group including participants from the following; CBI North East, North East Chamber of Commerce, North East Federation of Small Businesses, Entrepreneurs Forum, North East EEF, Northern TUC, Association of Colleges, North East Local Enterprise Partnership, North East Combined Authority.

[2] Northumbria University (2018) Evidence Report on the role of EU funding in the North East. Not available in the public domain

[3] Ahmed, K, Britain's inequality map – stark and growing, BBC, 2 December 2016 http://www.bbc.co.uk/news/business-38186047 Accessed: 03.01.18

most important issues that we face today as a country.” We consider this a missed opportunity and that UK SPF is an opportunity to ‘rebalance the economy’ as set in the Industrial Strategy[4].

Current national expenditure on regional and local economic development reinforces these disparities. Rather than stimulate growth by targeting investment where it is needed, national spending tends to be concentrated in areas that already have a strong economic advantage. IPPR estimate that the North has missed out on £63 billion investment due to chronic underfunding of its infrastructure needs. Over the last decade, an annual average of £708 was spent on transport per person in the capital, while £289 was spent for each person in the north of England. The analysis demonstrates how levels of public investment support growth in prosperous areas; this opportunity should be afforded to all regions of the UK rather than concentrated disproportionately in London and the South East[5].

In addition, funding for economic development has been disproportionately cut in recent years as Government reduced resources in several key areas vital to generating growth, exemplified by the removal of financial support for business growth activity and diminished capacity to proactively seek inward investment. This has not been replaced at regional or local level. Between 2010/11 and 2014/15 local resources for economic development were reduced by almost 49% nationally, whilst in the North East this amounted to 62%[6].

If the UK SPF is to enhance the prosperity of all places and communities in the UK, it needs to be substantial and complement a funding package that acknowledges regional development as a spending priority, irrespective of the multitudinous calls on money set to be repatriated from the EU.

The amount of ESIF funding passed to regions amounts to £1 billion per year for the whole of the UK. The North East has long been a beneficiary of these funds and the current ESIF programme brings over €560 million to the region for investment in R&D and innovation, infrastructure, economic assets, business support, employment and skills over seven years. Throughout the 2014-20 programme, these resources will support over 13,500 businesses and 160,000 people, considerably enhancing the scale of public intervention and pioneering new approaches to existing Government programmes. A replacement for EU funds is therefore of critical importance to us meeting our aspirations for our region, its communities and businesses. The UK SPF will be essential if the North East is to achieve its ambitious economic aims to create 100,000 more and better jobs by 2024, as set out in the SEP.

Should there be a multi-annual financial allocation, and if so why and for how long?

Multi-annual financial allocations (over at least a 7-year period) aid strategic decision making, breed confidence and stability, encourage private sector investment, promote job creation and opportunities for growth. Long-term, sustained funding supports sub-national economic development by explicitly tackling inter-regional and intra-regional disparities that take time to diminish. Regional development requires a long-term perspective; many projects are major infrastructure schemes and revenue programmes that need to be built or run over several years. Even under the current system, most interventions are delivered over at least a three-year time frame. It is therefore important that UKSPF is a strategic devolved multi-annual programme that enables projects of strategic and regional significance to be funded. Annual funding allocations would limit strategic planning and longer-term investments that enable us to determine their effectiveness, allowing time for virement so that successful programmes can be scaled up, opportunities identified, and gaps addressed.

Synchronising funding cycles across government is challenging and priorities are subject to change given national and sub-national spending reviews. Yet, HMT has established precedents for allocating guaranteed funding beyond fixedterm Parliaments, notably on defence and transport. The consistent, availability of Structural Funds over a longer-time horizon has partially helped to counteract cyclical and fiscal fluctuations in central government spending. Regional and local actors have a great deal of experience aligning different national, regional and local funds to develop and deliver the SEP, as the current agreed regional framework for economic development. The LEP Review demonstrated that LEPs are well positioned to administer and manage the Fund, building on the successful management of Local Growth Funding.

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[4] A. Haldane, ‘One car, two car, red car, blue car’, Speech given at Materials Processing Institute Redcar, 2 December 2016, Bank of England, London 2016

[5] https://www.theguardian.com/politics/2018/aug/01/transport-spending-gap-london-north-of-england-ippr Accessed: 23.08.18

[6] Association of North East Councils response to the Fairer Funding Review for Local Government

While we fully appreciate the imperative to design fit for purpose successor arrangements, we are significantly concerned about the implications of not having a fund designed and fully in place by March 2019 that can be utilised in 2020/21. The economic stimulus provided by continuous EU, regional and local investments could be lost and the impact of this cliff edge effect on the economy and labour market should not be underestimated.

Would it be appropriate to roll in other budget lines (e.g. the Local Growth Fund in England) into the UK Shared Prosperity Fund?

The value of the individual funding streams integrated in a Single Pot must be transparent and reflected in the overall quantum of the UK SPF. Furthermore, the aim and function of the fund should be clearly specified. There are benefits to establishing a fund that brings together resources for economic growth; creating a flexible fund which avoids a restrictive siloed approach. In the North East, therefore UK SPF would fund activities across innovation, skills, business support, economic and social infrastructure, transport and employment support to meet the distinctive needs, assets and opportunities to the region.

Restrictions on eligibility is a recurrent frustration with Structural Funds leading to lots of different funding streams and 'initiative-itis'. It makes sense to adopt holistic approaches - widening eligibility criteria, eradicating artificial constraints such as age cohorts and project types - and enabling places to make decisions across different types of intervention.

Allocation across the country

How should the UK Shared Prosperity Fund be divided up between the four nations of the UK?

UK SPF must be targeted to reflect local economic conditions, recognising the latent potential and opportunities for growth in many areas and not allocated on a competitive basis or according to some other mechanism e.g. the Barnett Formula. Individual areas should then be free to allocate funding from within their allocations to projects at a panregional or multi-country basis.

Would rolling forward the existing shares going to England, Scotland, Wales and Northern Ireland be a sensible way forward?

Given the limited time available to implement a UK SPF, it would be helpful if Government were to guarantee funding continuity and retain existing spending shares across both countries and regions. This would minimise disruption and maintain investment in local economies during a transitional period. In parallel, an analysis should be undertaken to ensure that future UK SPF allocations reflect local economic conditions, opportunities for economic growth and rebalance the economy.

Should the allocations within the devolved nations be an entirely devolved matter?

Allocations to devolved nations should be a matter for the UK Government, but how money is distributed within devolved nations is not an issue for the North East. But our view is that policy and project selection decisions relating to funding allocated to NE England should be fully devolved.

In England, should the funding to local areas be allocated by an appropriate formula, and if so what are the best statistical measures?

An allocation of needs-based funding like the NUTs system adopted by the EU has worked effectively. Allocations must be calculated using a fair and transparent formula with consideration given to deprivation, unemployment levels, productivity differentials, sectoral imbalances and the challenges likely to arise from Brexit.

Is there any role for competitive bidding between areas for funding?

We do not believe that the UK SPF should include significant levels of competitive bidding. In the North East, we have been a longstanding beneficiary of ESIF funding alongside being successful in competitions such as the Local Growth Fund, which has delivered major strategic projects across the region. Although the NE has successfully delivered EU funding, and delivered amongst the strongest outcomes in the country, we have a concern that moving to an alternative model of competitive bidding would exacerbate existing regional disparities, resulting in perverse outcomes from competitive bidding processes – which may not allocate resources where they can have biggest overall impact on rebalancing objectives. .

We are particularly concerned by recent guidance from Government to use Land Value Uplift to make investment decisions and allocate funding. Given the varying nature of Land Values across the country, this approach disadvantages those areas with lower land values, or with larger ratio between different land uses, which would affect parts of the North East and North compared to Greater South East. If competing nationally for funds, the Land Value Uplift metric creates an unfair playing field – contradicting Government key policies around re-balancing the economy. The industrial strategy demonstrates Government's commitment to ensuring that "every part of our country realises its full potential" through the introduction of new policies to improve skills, connectivity and infrastructure, innovation for example. There is growing evidence that the UK is now producing diseconomies in certain areas, manifested by acute housing shortages, congestion and air pollution in the capital contrasted with slower rates of growth and a higher prevalence of deprivation elsewhere. More affluent areas may be building on a stronger existing economic base, and interventions may appear to generate stronger VFM, although it is less clear if this is the case if diseconomies and deadweight are properly taken into account.

It is much better to award long-term resource settlements and encourage areas to deliver the best outcomes from their respective allocations. One exception is that if there is a drive to stimulate certain types of economic development based on competitive strengths in innovation or smart specialisation, it may be appropriate to introduce a bidding process. However, this should be distinct from the needs-based exercise used to allocate most of the fund. The UK SPF should also be sufficiently flexible to join up these areas of activity across sectors and within places.

In England, should sub-regions (e.g. LEP areas, combined authorities) be the basis for financial allocations, as with EU funding at present?

Yes. The North East SEP as a regionally agreed economic plan should provide the framework for national investment in the regions and devolve responsibility to sub-national structures, such as LEPs, which have already developed significant delivery expertise and an ability to deliver much more quickly than national bodies. Furthermore, the LEP Review positioned LEP areas to be the geography to which UK SPF is allocated and therefore, the framework for managing and delivering domestic funds as LGF could be replicated for UK SPF. Devolution implies an element of regional differentiation to ensure investment can be tailored to the socio-economic geography, diverse needs and areas of opportunities for business and communities throughout the UK. We have considerable experience of establishing systems and procedures to manage and account for funds through the framework outlined in the SEP. Our approach is informed by a multi-sectoral partnership that has guided us through past EU funding programmes and continues to evolve to track changes in national government policy.

Activities to be supported

As with present-day EU funding, should economic development and convergence remain the primary objectives of the new Fund?

The UK SPF should deliver the principles set out in the industrial strategy to reduce inequalities between communities and places by promoting sustainable and inclusive growth. However, we consider there to be weaknesses in solely prioritising productivity measures. Tackling spatial disparities in economic performance, and targeting investment on economic opportunities and potential which promotes economic rebalancing should be retained as an explicit objective in UK policy making.

Investing in services that support disadvantaged and hard-to-reach communities neglected by mainstream state provision is also vitally important. In doing so, it will help tackle the UK's current skills gaps and productivity challenges and deliver a thriving labour market in line with the government's Industrial Strategy. To deliver these objectives, a new initiative should be led through partnerships that develop community-driven solutions which build social cohesion and opportunities for people on the margins of society. This vision should be part of a long-term investment strategy, which can deliver significant long-term savings by helping to tackle some of the UK's most entrenched inequalities.

Are there activities beyond the scope of present-day EU funding that should be supported?

Partners should determine the priorities they wish to fund in line with their SEP and Local Industrial Strategy that identifies regional and local needs and opportunities for economic growth.

A key opportunity with a domestic fund is the freedom to finance activities ineligible for EU funding, such as certain business investments and infrastructure improvements. There may be a need for different investment priorities resulting from changes in the UK's international relationships i.e. FDI and business support.

The UK SPF should integrate investment in infrastructure, business support, employment and skills, through a mix of capital and revenue funded interventions and empower partners to join up these activities within a place. Without this focus, regional disparities will continue to widen and further alienate communities disillusioned with the status quo.

Government should review EU plans for the next round of structural funding to explore objectives or activities that are also relevant to the UK. There is value in sharing experience and learning across the EU, and therefore it is important that Government facilitates strong learning and collaboration with EU regions and networks post Brexit.

Current limitations on size of project, bureaucratic restrictions and perceptions of risk have squeezed out some of the non-profit sector and smaller, community projects. Places must have the flexibility to fund large scale, multi-year projects as well as smaller scale initiatives, which often support the most vulnerable in society and those furthest from the labour market. Both types of project are important and the UKSPF should be responsive to this.

Should there be guarantees that specific activities supported at present by EU funding (e.g. ESF support for training) will continue to receive funding?

It is important to have an evidence based approach to regional policy, ensuring that regions focus on the right interventions based on clarity about what works for businesses and the community and are able to deliver to high level of quality. Regions should be able to select their priorities to address their needs and ambitions based on what is set out in the SEP.

Regardless, a stable funding environment is vital to preserve the infrastructure, networks and capacity needed to continue delivering regeneration. A significant proportion of European funding has financed support for businesses and people alongside physical regeneration and this mix should continue.

Bringing about inclusive growth and raising productivity will require increased investment in skills development as the rapid pace of technological change and globalisation intensifies competition. The new funds must:

- ensure places can support people who are displaced or excluded from the labour market into employment
- facilitate labour market retention and progression by upskilling
- provide the skills base to take advantage of emerging economic opportunities from investment in innovation, infrastructure and development

Achieving an appropriate balance across all these funding priorities is critical, recognising that labour market conditions vary across the country. Delivering improved labour market outcomes in relation to employment rates, skills levels and wages relies on local knowledge of key sectors that are sustainable, offer good quality employment, and the support people need to access jobs in these industries. Building sustainable infrastructure is an emerging requirement for places to remain competitive while decarbonising their economy. Opportunities to advance this agenda remain largely untapped due to complexities and operational constraints of existing programmes.

There should be a smooth transition to the UK SPF to ensure that activities currently funded through EU or domestic funds continue to support strategic economic plans.

Management

As a UK fund, should the UK government set the broad guidelines for the priorities to be supported by the Shared Prosperity Fund?

The UK SPF should facilitate local and regional priority setting within an overarching strategic framework, enabling areas to realise national objectives in a way that is sensitive to the opportunities and challenges of shaping growth and prosperity in different places. Successive programmes have drawn significantly on local understanding of the priorities, assets and needs of communities within a common strategic economic framework to inform investment decisions, for example the North East LGF funds major projects for the region. Therefore local partners with a sound grasp of economic conditions, such as LEPs should be trusted to use the funds to deliver these ambitions with minimal guidance from Government.

Partnerships between the public, private and social partners such as trade unions and the voluntary sector must be retained in future governance arrangements and stakeholders should be involved in all aspects of the design, management and evaluation of programmes. Local stakeholder knowledge has allowed sound decision making but also steered changes and adjusted programmes to take account of emerging local challenges as they arise. Collaboration has beneficial impacts beyond the initial funding period and building institutional capacity should be recognised as an outcome, alongside quantifiable outputs and results.

Joint working encourages sectors to coalesce around a shared vision for an area, which in turn levers the necessary buy-in to agree priorities, align resources and scale up activity focused on inclusive growth and improved productivity. In addition to shaping the programme at a strategic level, an inclusive and participative decision-making process ensures partners focus institutional capacity on working towards common objectives and take collective ownership for delivering better outcomes to maximise the impact of intervention.

A long-term fully devolved funding programme, aligned to the Strategic Economic Plan and emerging local industrial strategies, will allow effective strategic management and long-term investment decisions to be made. The LEP Review positioned LEPs as the mechanism for the allocation, administration and management of the Fund, which will enable significant capital projects and revenue programmes with medium-term outcomes to be developed. Reserves or underspends should be managed in a way that incentivises expansion of effective programmes and the development of tools that address specific needs e.g. JEREMIE. The ability to combine and manage funds at local programme level is essential to deliver more cohesive, integrated and impactful interventions. Despite attempts to combine EU funding streams, the different accounting systems and sets of rules constrained the development of joint programmes. The UK SPF should include people, business and place driven funding and avoid a silo approach controlled by different government departments.

Government should set broad guidelines; regardless of Brexit, the UK will still be bound by a form of State Aid rules (whether convergent with EU or WTO rules) and this is a matter for the centre to resolve. The criteria for the UK SPF will therefore need to comply with this legal framework.

How should the impact and desired outcomes of the Fund be defined and measured?

Inevitably, policy makers will want to understand the impact of Shared Prosperity Fund on metrics like unemployment, jobs, GVA and wages. But, while these indicators are tangible, they do not capture full added value in relation to partnership working, resource pooling, sustainable growth, sectoral development, job quality or improved living standards. It is also important to take into account the ability to lever other investment, whilst ; iconic culture-led regeneration in the NE has enhanced the region's image, quality of life, tourism and talent retention and support for a network of innovation assets critical to the development of regional catapults.

The rigidity of a national assessment framework highlights a missed opportunity to capture the benefits and durable legacy of investing resources in overcoming discrete regional and local challenges. In future, there should be wider thematic objectives, priorities for intervention and targets determined sub-nationally at the appropriate geography linked to the industrial strategy. Instead of apportioning outputs and results based on funding allocations, places should define which indicators are most relevant according to the challenges and opportunities to be addressed by each area. Regional and local actors should also agree the balance between productivity and inclusivity outcomes to deliver a sustainable return on investment.

How can the promise that the Fund will be "cheap to administer, low in bureaucracy" best be delivered?

Simplification should be a key objective in designing the UK SPF. Aligning programmes nationally, regionally and locally by prescribing the amount of resources to be contributed by other public or private funders through a match funding regime is no longer appropriate. The intervention rate (requirement for partners to provide a specified percentage of match funding) has proven difficult in an era of declining public funding and reduced levels of private finance. Its removal would enable places to capture leverage instead by devising a holistic funding package derived from various sources and denominations. The fund should have the flexibility to lever in private funds and public funds, or offer a wholly financed approach, together with the ability to fund revenue and capital interventions, as determined collaboratively by regional and local partners. Improved flexibility would accelerate coordinated physical regeneration, business growth and labour market interventions to maximise opportunities to bring about sustainable, inclusive growth. Regionally, we can align and integrate sectoral and place-based investment in science, research and innovation, skills and infrastructure, underpinned by effective partnership working to target resources effectively.

Retaining capacity to identify, develop and deliver projects is crucial, particularly by those who best understand the needs and priorities of an area and therefore how to target funding efficiently and effectively. The programme/fund should be sufficiently well resourced and embedded throughout the project cycle from development to closure. Large and complex programmes require oversight to reassure funders that place making institutions have the capacity to operate on the principle of subsidiarity; making effective decisions at the most appropriate spatial tier to deliver national objectives, better meet the needs and build opportunities for regions and local communities. Managing the cost of delivery must be balanced against designing a programme that meets national priorities as well as fulfilling regional and local needs. LEPs are therefore well positioned to manage the Fund effectively, cheaper than other mechanisms as LEPs can replicate the management and delivery of LGF using the assurance framework and LEP governance structures.

During the transitional period, there should be minimal system changes pending consideration of the longer-term reforms that will be required to administer the UK SPF.

Where should local authorities fit into the management of the new Fund?

Traditionally local government has performed a strong role in local economies, overcoming market failures by investing in commercial property, housing, transport and skills development alongside managing the regeneration of cities and localities. Under the current ESIF programme, local authorities play an invaluable role guiding local expenditure and overseeing programmes, which must be maintained. The LEP Review positions LEPs as an appropriate mechanism for managing funding, and therefore local authority engagement will continue through LEP board membership and executive and office groups.

It is important that the UK SPF is open to all sectors of the economy. UK SPF funding therefore should improve upon, rather than replace, those reductions in spending on public infrastructure projects because of austerity, which has acutely and disproportionately affected local government.

How should programmes and projects be monitored and evaluated?

Monitoring and evaluation should be devolved to the sub-regions. The replacement of regional governance arrangements (Programme Executive Group and Local Management Committee) with a national management committee has resulted in disjointed programme, monitoring and evaluation activity, which is onerous to resource and has led to a slow and cumbersome system. Using national evaluation criteria to assess programmes designed to meet regional needs makes it difficult to capture the beneficial impact of this funding on sub-national economic development. Moreover, a centralised, national approach has made it difficult to ensure relevant considerations inform future policy and programme design. Devolved and local authorities are subject to strict scrutiny and auditing rules and have a strong track record managing funding programmes. Proportionate reporting and record keeping requirements, relative to project size, would simplify the process, generate savings and produce a leaner, more effective system.

Funding should be made available to ensure that the monitoring and evaluation at project level as well as programme level is meaningful. Enough resources should be put in place to undertake evaluation throughout the programme, including ex ante, ongoing and ex post evaluation.

Greater emphasis should be given to learning what works, what may be done differently and how challenges can be overcome, coupled with assessing value for money, measuring results and appraising outcomes. Most importantly, evaluation must be better used to shape future projects and programmes, with learning shared across the regions.

Economy and Enterprise
Overview and Scrutiny Committee

6 November 2018

Regional Funding – Local Growth Fund and Investment Pipeline

Report of Ian Thompson, Corporate Director, Regeneration and Local Services

Purpose of the Report

1 The purpose of this report is to provide Economy and Enterprise Overview and Scrutiny Committee with detail of progress in relation to the Local Growth Fund (LGF) funded projects and project investment pipeline for County Durham.

Background

2 The Economy and Enterprise Overview and Scrutiny Committee has previously received detail of regional funding and the projects supported. When agreeing the committee's work programme for 2018/19 it was agreed that a progress report would be provided.

3 Since the recession of 2008, the growth in jobs has started to close the employment rate gap with the national average, but productivity levels remain challenging, policy changes and the impending BREXIT have led to greater uncertainty amongst the business sector. Business confidence is mixed in County Durham and we need to ensure that opportunities for funding are maximised and support our plans for economic growth and investment.

4 As previously reported, since 2014 the government have awarded Growth Deal funds to Local Enterprise Partnerships for projects that support economic growth. This was to provide a competitive based single pot investment approach that supports infrastructure and business development through collaboration between local authorities and business. Growth Deals have promised over £13billion nationally however, it has now been confirmed that there will be no more LGF rounds and future resource to support such economic growth will be made available through the emerging Shared Prosperity Fund (SPF).

5. The North East Local Enterprise Partnership (NELEP) have worked with partners to develop a project pipeline and have submitted projects to government that help deliver its economic ambitions set out within the North East Strategic Economic Plan (SEP) in order to secure its Growth Deals. The SEP was refreshed in 2017 and in light of the new national Industrial Strategy and the call for areas to develop Local Industrial Strategies (LIS), NELEP is again reviewing its SEP in 2018 and are having conversations with government to develop a North East LIS. Durham County Council and Durham partners are continuing to engage with the NELEP to ensure that Durham's priorities are reflected within the refreshed SEP and the emerging LIS. The NELEP are continuing to place its vision for *more and better jobs* at its core aiming to create an extra 100,000 more and better jobs by 2024.

Local Growth Fund (LGF) 2015 – 21 Programme

6 A £270m LGF capital programme, that forms a key element of the North East Growth Deals agreed with government between 2014 and 2017, has been developed through the NELEP and has been central to the delivery of the North East SEP. The investment is helping to; drive private sector growth and productivity; creating new strategic economic assets and infrastructure; enhancing transport corridors; driving innovation; improving business support; and developing skills infrastructure to ultimately deliver the '*more and better jobs'* ambition for the North East.

7 Over the programme the NELEP released calls inviting project proposals from the private and public sector and worked with local authorities to develop a project investment pipeline. All projects required full business cases, underwent robust appraisal and are considered by the NELEP's Investment Panel. The capital programme has focused over 50% on infrastructure with the other 50% allocated to projects related to key economic drivers including innovation and skills. The programme is now mid-way through its six year programme 2015-21 and the NELEP Board have approved over 95% from its budget with a pipeline of projects in programme to come forward in 2018/19.

8 County Durham did not benefit from any direct project investment as part of LGF Round 3, with the majority of the awarded investment going to the International Advanced Manufacturing Park in Sunderland. However, as part of the programme underspend has been made available, along with wider resources such as the Enterprise Zones funds. LGF Round 3 bids were reconsidered for investment and as a result investment is being secured for Jade Business Park and Integra 61 within the county. Business cases have been appraised by the NELEP Investment Panel and approved by the NELEP Board, however the final funding agreements are still to be agreed and delivery programmes finalised. Both these investments will see improvements to the transport infrastructure and site enabling works which will support the creation of over 5,000 jobs within the county.

9 Table 1 overleaf lists the Durham County Council projects that have been awarded LGF funding since 2014. All of the listed projects are included with the Regeneration and Local Services Capital Programme to appropriately phase and match the forecasts for delivery in line with each individual project delivery timescales. All projects are monitored by NELEP and progress reported to the NELEP Board.

10 The county has also benefitted from NELEP wide projects such as the North East Rural Growth Network which was awarded £6.2m to support rural business development and the Local Sustainable Transport Fund Package which was awarded £7.5m and seen investment directed toward Durham Rail Station and Wheels to Work schemes in the county. Other projects that have received funding within the county but that have been led by partners include: National Centre for Healthcare Photonics Stage one and two £8.4m; and Rural Skills Development (East Durham College) £10m.

Table 1: Local Growth Fund Programme – Durham Project								
Project	**LGF Round**	**Total Award (£m)**	**Spend 15/16 (£)**	**Spend 16/17 (£)**	**Forecast 18/19 (£)**	**Year**	**DCC Capital**	**Project Stage**
Infrastructure for Forrest Park	1 & 2	13m	6.2m	1.03m	356.3k	15/16-17/18	Yes	Final implementation
NETPark Infrastructure Phase 3	1	5m	35k	1.2m	405.5k	15/16-17/18	Yes	Final implementation
Horden Rail Station	Transport Majors	3.34m	-	250k	616.2k	16/17-18/19	Yes	Outline planning permission to be submitted Q3
NETPark Explorer	2	3.2m	-	2m	436.5k	16/17-18/19	Yes	Final implementation
Auckland Castle Welcome Building Infrastructure Works	2	2.16m	-	2m	151.8k	16/17-18/19	Yes	Final implementation
Durham City Incubator	2	1.25	-	1m	171.3k	16/17-18/19	Yes	Final implementation
Jade Business Park	Prog/EZ site	3.3m	-	-	TBD	18/19 – 20/21	TBD	Final agreement awaiting decision
Integra 61 (partner led)	Programme	1.5m	-	-	TBD	18/19 – 20/21	TBD	Final agreement awaiting decision

County Durham Investment Pipeline

11 With a good track record of being awarded regional/national project funding to support economic growth through funding rounds such as LGF, National Productivity Investment Fund, Acceleration Construction and Housing Infrastructure Fund, having an approach to managing an investment pipeline and developing major projects is an important part to deliver growth within the county. Within Regeneration and Local Services service grouping, a flexible investment pipeline approach is taken to ensure that the county can remain responsive to opportunities. This enables us to:

a) Identify priority ideas early, develop robust business cases and enable project proposals that are ‘investment ready’

b) Accelerate delivery plans

c) Stimulate market investment through joint ventures, collaborations and seed funding

d) Help tackle barriers to growth like low land values and land assembly by supporting the delivery of site infrastructure including roads and utilities like power, water and gas to improve ‘readiness’ for investment - enabling the delivery of otherwise marginal or unviable sites.

e) Take advantage of our assets through direct promotion with the Department of International Trade, Northern Powerhouse, NELEP, Transport for the North and other direct Governmental Departments.

f) Inform strategy development with County Durham based evidence and opportunities. This helps to ensure that the county’s strategic priorities are recognised at a regional, pan regional and national level. This is delivered through lobbying as well effective representation at organisation like NELEP/NECA etc.

12 Our ambitions for growth and spatial plans for development are predicated on market appetite and ability to secure investment. To facilitate this process it is imperative we set priorities.

13 To enhance connectivity and business routes to market the A19, A1(M), A167, East Coast Mainline and Durham Coast Line transport corridors within the county present priorities to facilitate economic growth. Improvements to the infrastructure itself, business parks, town centres and housing sites will provide better connected places to stimulate future jobs growth and investment. As previously reported to Scrutiny, major projects (in varying forms of development) include:

a) Durham City Park
b) Integra 61
c) Newton Aycliffe Business Park and Forrest Park
d) Horden Rail Station
e) Jade Business Park Enterprise Zone
f) Durham City Relief Road
g) NETPark
h) Auckland Project
i) Large housing sites

14 We will continue to take advantage of and promote our success in a wide range of projects and investments across the county that have already levered considerable private investment. We will also continue to develop and manage our project pipeline to ensure that projects have the opportunity to be fully developed, promoted and delivered. This will continue to involve partner collaboration and a proactive approach to appropriately, planning and developing projects to take advantage of funding opportunities as they arise.

15 Future potential funding opportunities to support economic growth include Shared Prosperity Fund, Major Routes Network and Housing Infrastructure Fund amongst others. At present, there is particular government emphasis on housing growth, with a commitment to deliver an average of 300,000 homes a year nationally by mid 2020, which may lead to more targeted resources.

16 As opportunities to support and inform strategy development like the Local Industrial Strategy and Shared Prosperity Fund progress, a flexible investment pipeline will help ensure that Durham's priorities are reflected within regional and national policy and will help to secure future funding to address our needs and growth potential.

Next Steps

17 The council will continue to develop and manage its project pipeline to ensure that projects that have secured LGF are fully developed and delivered as planned and opportunities to secure additional investment are maximised.

Recommendations

18 The Economy and Enterprise Overview and Scrutiny Committee are asked to note the contents of the report.

19 That a further progress report in relation to the development of the Local Industrial Strategy is presented to Economy and Enterprise Overview and Scrutiny committee later in 2018/19 work programme.

Background Papers:
None

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Appendix 1: Implications

Finance –

There are no financial implications at this stage. Projects that have been awarded LGF are included within current capital programmes and each project sets out individual match funding and cash flow requirements as part of their respective business cases.

Staffing – None

Risk – None

Equality and Diversity – None

Accommodation – None

Crime and Disorder – None

Human Rights – None

Consultation – None

Procurement – None

Disability Discrimination Act – None

Legal Implications – None