

## **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 **Thursday 27 June 2019** at **9.30 am**

#### **Present:**

**Councillor M Clarke (Chair)**

#### **Members of the Committee:**

Councillors E Adam, J Atkinson, R Crute, S Dunn, T Henderson, J Higgins, P Howell, J Maitland, R Manchester, R Ormerod, E Scott, T Tucker, M Wilkes and M Wilson

#### **Co-opted Members:**

Mr G Binney and Mrs R Morris

#### **Apologies:**

Apologies for absence were received from Councillor(s) A Batey, D Hall, L Maddison and P Sexton

#### **Also Present:**

Councillor J Considine

### **1 Apologies for Absence**

Apologies for absence were received from Councillors A Batey, D Hall, L Maddison and P Sexton.

The Chair noted his thanks, and those of the Committee, to Councillor A Batey for her work as the former Chair of the Committee and wished her well in her new role as Vice-Chair of Corporate Overview and Scrutiny Management Board. He also noted Committee's thanks to Councillor A Patterson for all her work as the former Vice-Chair of Corporate Overview and Scrutiny Management Board and wished her well in her new Cabinet role.

### **2 Substitute Members**

No notification of Substitute Members had been received.

### **3 Minutes**

The minutes of the meeting held 26 March 2019 were agreed as a correct record and signed by the Chair.

### **4 Declarations of Interest**

There were no Declarations of Interest.

### **5 Items from Co-opted Members or Interested Parties**

There were no items from Co-opted Members or Interested Parties.

### **6 Media Relations**

The Overview and Scrutiny Officer 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: the building of the new Horden railway station, highlighting that work has started on the new £10.55m railway station at Horden, to provide an economic boost to east Durham – with the future work programme for the Committee proposing a visit by the Committee in April/May 2020; preparations for Seaham Food Festival in June to feature more than 100 stalls and showcases the café's, restaurants and bistros in the town centre; an IPPR study which noted that one in four workers in the north of England were paid less than the "real living wage" of £9 an hour, with women being most affected, with one in three women paid less than the real living wage compared with one in five men; and the Finance Durham Fund, managed by Maven, celebrating investments of £3.4m in two years, backing ten businesses and created and safeguarded more than 250 jobs so far.

#### **Resolved:**

That the presentation be noted.

### **7 County Durham Economic Partnership - Overview of Activity**

The Chair welcomed the Chair of the County Durham Economic Partnership (CDEP), Professor Brian Tanner who was in attendance to provide the Committee with an overview of the activity in relation to the CDEP (for copy see file of minutes).

The Chair, CDEP thanked the Chair and Committee for the opportunity to once again speak in relation to the work of the CDEP. He explained that the Members noted that in participation of the drafting of "Vision 2035" the CDEP vision was for: a County of enhanced prosperity and well-being; a modern and dynamic County characterised by excellent quality of place, competitive business, a highly skilled labour market and high levels of economic activity; and sustainable places that people want to visit and in which to live, work and invest. The Chair, CDEP noted that how we achieved this would be the issue and that, as in previous years, the top priority was to improve the employment rate.

Councillors noted that in order to help judge levels of success, five measures were looked at: employment rate; gross value added (GVA) per head; number of businesses; household disposable income; and employment deprived index deprivation.

The Chair, CDEP noted it was important to understand that the targets set out were for 2030, and that while there was progress in terms of the employment rate, the other measures had lost some ground. He noted the current performance in terms of the employment rate was 74.4 percent, above the 73 percent target for 2030, although below the national average of 75.3 percent.

It was noted that the GVA per head was below the 2030 target of 87 percent, 83.1 percent and had fell from a 2016 value of 84.5 percent. The Chair, CDEP explained that the target for the number of additional businesses by 2030 was 4,300 and the current performance was 2,240, 105 less than the 2017 figure. He noted that the disposable household income was below the 2030 target, however had remained roughly static over the last few years. Members noted that in terms of the employment deprived, the index of deprivation, there had not been any new data since 2015, coinciding with changes in benefits, the move to Universal Credit. It was noted that accordingly this measure may be removed.

Members were referred to a graph showing the change in employment rate over the period June 2016 to September 2018 and there was a steady increase over time, a real increase, not a "statistical blip". The Chair, CDEP noted that as the 2030 target had been reached it could be the time to shift focus from the employment rate to "better jobs" or perhaps better described as "more fulfilling jobs". Members were referred to a map of the County showing the large geographical disparity in terms of employment deprivation.

Councillor M Wilkes left the meeting at 9.40am

Councillors noted that GVA was a measure of the value added by the processes, products and services provided in County Durham, a measure of our productivity. Members noted a graph showing that there was a widening gap between the County Durham GVA and that of the North East and England.

The Chair, CDEP explained that this meant that the value of jobs in the County were low, or they were not very productive, or both. He added that figures in terms of the GVA per filled job and Members were referred to a further graph showing this trend over time from 2002 to 2017, with the projection of trend up to 2020 also shown. It was noted that the GVA per filled job reflected the quality of job and while the figure for County Durham was below the national average it was rising.

The Committee were informed as regards business survival rates for the County and noted that over the last five years there had been an average of 1,700 new businesses created each year, with an average of around 1,300 businesses failing each year, with 1,510 failing in 2017. The Chair, CDEP noted that this represented a large churn of businesses and there was a challenge in being able to help support and extend the life of businesses. It was added that three-year survival rates had increased since 2010, though there was approximately a one in two chance of a business failing in the first three years. Members noted it was how support to businesses in those initial stages was important in being able to maintain and sustain those businesses. The Chair, CDEP noted the work of Business Durham in terms of such support and noted that a large proportion of the programmes were EU funded.

Councillors noted that addressing mental health issues in small and medium sized enterprises (SMEs) was seen as being an important step to help with productivity. The Chair, CDEP explained that around 97 percent of businesses had less than 50 employees and therefore did not have the large human resources structures in place that could help deal with such issues. It was added that there was a need to address the issue, remove the stigma attached to mental health issues, and to identify where there was risk. Members noted that the Director of Public Health, Amanda Healy, was working with the CDEP in this regard, with a specific role grant funded for this year.

The Chair, CDEP noted a restructure of the CDEP Board, with a portfolio approach aligned with the National Industrial Strategy (NIS). It was explained that there were six portfolios linked to the six pillars of the NIS; Resources; Business Competitiveness; Ideas and Innovation; Infrastructure; Inclusive Growth; and People. It was added that there were also three cross-cutting portfolios: Public Sector; Voluntary Sector; and Business. The Chair noted that the Council's Corporate Director of Regeneration and Local Services, Ian Thompson was a non-portfolio Board Member.

The Committee noted that in terms of challenges ahead, there was the uncertainty around Brexit, with estimates showing that a no-deal was likely to have a greater negative economic impact on the North East than any other part of the UK and that it would be a major long-term impact.

The Chair, CDEP added that current uncertainty was also impacting, he noted anecdotal evidence that EU companies were working on a no-deal scenario and therefore their planning and investment would be on this basis.

He added that another issue was a low level of research and development (R&D) spend and also that businesses may not be equipped to face the impact of artificial intelligence.

The Chair, CDEP noted that challenges ahead included issues such as spend within higher education institutions and business, noting a substantially lower spend in the North East compared to other areas such as the East Midlands. He added that looking Innovate UK funding by location within the County, there was spikes within NETPark, Durham City and Newton Aycliffe, a high concentration geographically.

Councillors were informed that the UK Shared Prosperity Fund (SPF) was intended to at least match the €13 Billion that the UK regions would have received under the next EU Programme. The Chair, CDEP noted that Leaders of less-developed regions, including Councillor S Henig as Leader of Durham County Council (DCC), had wrote a letter to the Minister to urge Government to bring forward the plans in terms of matching EU funding and bring forward long overdue consultation on the matter.

Members were reminded of the partnership approach undertaken with a continuation of place-based investment, human capital and business growth. It was explained that the CDEP was working to: continue to understand and tackle barriers to investment; continue to respond to change and effectively collaborate; and to promote Durham as an area to do business and play to our strengths. The Chair, CDEP noted the continued delivery in terms of sites such as NETPark, Forrest Park, Aykley Heads and Integra 61. He added as regards business growth and the investment that had been made at Spectrum in Seaham and the work in terms of people, skills and growth, including DurhamWorks, Skills Support for the Unemployed and Department for Work and Pensions (DWP) Support. The Chair, CDEP concluded by noting the “Durham, Powered By People” brand was important in helping bring people into Durham to invest and work and build their businesses, with partners including: DCC; Business Durham; Durham University; North East Local Enterprise Partnership (NELEP); North East Chamber of Commerce; and Federation of Small Businesses (FSB).

The Chair thanked the Chair, CDEP for his update and asked Members for their questions and comments.

Councillor E Adam thanked the Chair, CDEP for his presentation and noted some good news, some uncertainty and many positives.

He asked as regards business survival rates, noting his concern at the number of failures, in terms of: were figures since 2010 as regards new businesses and was the annual figure always net positive; and how much help and support was given to those businesses that were failing.

*Councillor R Crute left the meeting at 9.55am*

The Chair, CDEP noted that the figure for new businesses up to July 2018 was 2,240. He added that year on year figures varied, and that 2018 had lost ground, being 105 fewer businesses than 2017, however, there was an on average increase in the number of businesses. In relation to business support he noted the excellent work of Business Durham and the facilities at Salvus House, Aykley Heads, with the Durham City Incubator, in partnership with Durham University and New College Durham, with a variety of businesses being offered support and mentoring. He added the mentoring was an important factor and should be encouraged as there was not an associated cost other than people's time. Councillor E Adam asked whether mentoring was enough. The Chair, CDEP noted that unfortunately some businesses would fail, for a variety of reasons, and that it was important to push the numbers of those surviving through a mix of activities and to ensure when EU projects come to an end that the support does not just stop.

Councillor R Ormerod agreed with the shift to "better jobs", however, asked how this would be achieved, noting that inevitably some jobs would not be high paid. He asked what the Council could actually do in improving the job quality offer. The Chair, CDEP noted that there was remuneration as an element, however, empowerment within a job was also important. He added that if there was no scope for creativity or innovation then this could be an issue. He referred to "The Deal", a scheme developed by Wigan Council as a model for new structures. The Chair, CDEP explained that in creating new high-level jobs, lower-level jobs should not be forgotten and indeed that the high-level jobs can often lead to those other jobs within supply chains.

Councillor E Scott noted that if jobs were not fulfilling, within which sectors were these new high-level jobs being created. The Chair, CDEP noted this was not clear and added that there were very few large employers within County Durham, with 88 percent of jobs being within microbusinesses which varied widely from town centre traders to high-tech start-ups. Councillor E Scott asked if anyone had the information as regards this. The Chair, CDEP noted that it may be possible to look at the details in terms of spend.

Mrs R Morris asked as regards the 74.4 percent employment rate and whether this was for the end of the quarter in December 2018. The Chair, CDEP confirmed this was the case.

Mrs R Morris asked if the figure in June would be different, given information from the NELEP noting a worrying drop in the region and was the County outperforming the region. The Chair, CDEP noted that County Durham was performing better than the region and quarter one statistics followed this trend. Mrs R Morris noted interest in the latest figures and asked as regards workforce, human growth and future jobs. She explained she was not sure she bought into “better jobs”, rather she felt that listening to industry to find out what skills they needed to fill jobs was important, having a skills base which she felt was not there in the County. She added that she felt that a good economic strategy was a good education strategy, looking to help train young people and retrain those over the age of 50 linking businesses, skills and education together, especially in the science, technology, engineering and mathematics (STEM) fields.

The Chair, CDEP noted the excellent FE College in Durham, New College Durham, with the work of the Principal, John Widdowson and his staff, including Dawn Fairlamb, Vice Principal – Economic Development and Student Progression. He added that the Vice-Principal was on the CDEP Board and was Portfolio Holder for People. He explained that careers advice in schools was under stress, central funding having disappeared, and school’s own budgets being squeezed. He noted that it was an issue and that in the past business leaders had been encouraged to come into schools. He noted that an issue in terms of mentoring was being able to find time within the school timetable.

Councillor P Howell asked for clarification in terms of the base regarding employment. He referred to the map which showed deprivation, the information being old, from 2015. He noted the map within the presentation showed high deprivation in Newton Aycliffe, however, there was the large industrial estate and a number of skilled jobs. He emphasised we needed up to date information in order to see what initiatives we needed. Councillor P Howell noted he was disturbed by the widening GVA gap between the County and both the regional and national figures. He added that he was worried in terms of the business survival rate, albeit being better than the UK average, and would welcome initiatives in this regard. The Chair, CDEP agreed as regards support for new businesses and reiterated that there had been no new data as regards deprivation, and no indication of any new data coming forward. He added that while this was employment deprivation, other measures of deprivation were similar and information on these could be found at the [durhaminsight.co.uk](http://durhaminsight.co.uk) website.

Councillor J Atkinson noted the 1,300 business failures and asked what processes were in place to ensure that those business start-ups were realistic and viable, what advice is given in this regard. The Chair, CDEP note that it was inevitable that some businesses would fail, and that businesses would be offered help as previously mentioned.

Councillor J Maitland asked as regards the measure relating to GVA, with the data being reported upon from 2017, she asked if we had received 2018 data yet, given it was now 2019. The Chair, CDEP noted that the 2017 data was the most up-to-date available from the Office for National Statistics (ONS). He added there was always a fluctuation in terms of numbers and that the CDEP looked at confidence intervals to ascertain where actual trends were occurring.

Councillor S Dunn reiterated a point he had made at a previous meeting in respect of being able to understand the number and types of jobs, and the number of people having multiple part-time jobs as this implied the statistics were skewed and multiple part-time jobs were not likely to be “better jobs”. He added that if there was not up-to-date statistics gathered nationally in terms of deprivation, would it be possible to look to evaluate this for the County ourselves to see which of our communities need help the most.

Councillor S Dunn noted the comparison with the East Midlands and looked at the investment strategy the Council was undertaking, in terms of Salvus House, Jade Industrial Park; NETPark, Integra 61 and Aykley Heads. He noted that he felt the strategy was correct, looking to invest now to be ready for those better-quality jobs in the medium and longer term. Councillor S Dunn noted concern in terms of the EU funding that would be lost and the impact this could have in terms of the large number of microbusiness in the County. He noted the prospect of “no-deal Brexit” and that Government had not yet guaranteed that the SPF would be allocated by deprivation and felt that without up-to-date deprivation statistics, Government may say it was not possible to use this as a criterion. The Chairman, CDEP noted [durhaminsight.co.uk](http://durhaminsight.co.uk) used the ONS data mentioned and noted he felt all the points raised were valid ones. The Chair agreed that a lot would depend upon how the SPF was allocated.

**Resolved:**

That the report and presentation be noted.

## **8 Quarter Four 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 Four, 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 (K PQs), aligned to the “Altogether” framework of six priority themes. It was added that currently there was a review in terms of the County Durham Vision and this would be reflected in future performance reporting.

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

In relation to “do residents have good job prospects” it was noted that a lot of the issues that had been covered by The Chair, CDEP in his presentation, including the employment rate for the working age population having increased. The Strategy Team Leader noted that the report had a breakdown of the employment rate statistics by several criteria: gender; private-sector; full-time; part-time; and with or without a disability.

She highlighted that the gap between the County Durham and national statistics in relation to the employment rate for those with an Equality Act core or work limiting disability and also noted that the County Durham employment rate for part-time was in line with national statistics. It was noted that the definition of part-time was made by the respondent themselves to the surveys carried out to collect the data, accordingly those working several part-time jobs and considering that as full-time equivalent may not be identified from the survey.

The Strategy Team Leader noted that while the gross average full-time weekly pay for those in County Durham had increased by 2.4 percent, the national increase was by 3.4 percent, a widening gap. It was noted the number of jobs safeguarded by Business Durham was set out, showing the statistics over the last five years, with a large figure in 2016/17 being as a result of the successful ResQ investment at Spectrum Business Park in Seaham.

The Committee were referred to the infographics relating to “is County Durham a good place to do business?” and it was explained that £4.3 million had been invested via Finance Durham in 2018/19, in 11 investments, with £2.75 million committed for 2019/20. Members were also asked to note the £17 million of inward investments and the value of £54.8 million in terms of GVA from jobs created or safeguarded from the activities of Business Durham. The Strategy Team Leader noted the business survival rates, showing the rate in County Durham over years one to four as being greater than the national rate. It was added that the County Durham Plan (CDP) had approximately 2,800 comments in response to the pre-submission draft, consultation having closed on 8 March 2019. Members noted that the CDP would be submitted to the Planning Inspectorate in June 2019, with an examination in public to be held later in the year.

The Strategy Team Leader explained that in terms of “do residents have access to decent and affordable housing?” statistics showed that the number of empty properties brought back into use had exceeded target and in relation to the duties under the Homelessness Reduction Act, the statistics were set out including an increase in the average number of days spent in temporary accommodation. She noted it had been anticipated that there would be an increase in demand following the introduction of the Act, however, it was not as much as expected. The Strategy Team Leader noted the number of net homes completed continued on an increasing trend and informed Councillors that the definition of affordable homes had been revised and this would be taken into account for reporting purposes.

In respect of “is it easy to travel around the county?” the Strategy Team Leader explained that figures showed the trend continued in terms of decreasing numbers of local passenger journeys on the bus network and a decreasing number of concessionary travel passenger journey. It was added that this mirrored national trends.

Members noted that the Transport Focus Bus Passenger Survey Autumn 2018, when compared to the same period in 2016, showed increased overall satisfaction, increased satisfaction in terms of value for money, increased satisfaction in relation to journey time, though with a decrease in satisfaction in relation to punctuality.

The Strategy Team Leader explained that there were a number of transport infrastructure works that had taken place or were in progress, including: Deerness Bridge; Horden Train Station; and those associated with the Cycling and Walking Delivery Plan 2019-2029. She added the results from the National Highways and Transport Survey 2018 were set out, with some variations in comparison to 2016, though with all County Durham satisfaction figures being above national figures.

In relation to “how well do tourism and cultural events contribute to our local economy?”, the Strategy Team Leader explained that the number of visitors to the County had increased, following the trend over the last few years, and highlighted our performance compared to regional neighbours. Members were asked to note the increased satisfaction with the visitor information network, 93 percent, and statistics relating to a series of events over the year: 2018 Tour Series; Brass Festival; Durham Book Festival; North Pennines Stargazing Festival; and the Bishop Auckland Food Festival.

The Chair thanked the Strategy Team Leader and asked the Committee for their comments and questions.

Councillor R Manchester noted the levels in relation to GVA and while there had been increases the gap to the national figure was widening. He asked was this due to the County having a lower starting point in terms of GVA. The Strategy Team Leader noted that there would be a variety of factors, including the value of jobs, and she would discuss with colleagues as regards this.

Councillor J Atkinson noted in relation to the Future High Street Fund, four County Durham towns were put forward, he asked why those four in particular. The Strategy Team Leader noted she would look into the matter and report back to Members.

Councillor P Howell noted low numbers of people engaged in terms of the job programmes set out in the report. The Strategy Team Leader noted that a number of the schemes began at different points in the year and dealt with different cohorts of people with differing backgrounds and issues. She added there were a number of reasons why people may drop out of such programmes and added further information on this would be brought to a future meeting.

Councillor E Adam asked if it was possible to drill down into the reasons as regards which businesses did survive at the regional level, as the regional figures were better than those for County Durham.

He also asked if we could try to understand why this was and also look at why businesses appeared to fail at year three. The Strategy Team Leader noted she would look into the issue and find information relating to specific geographies and business sectors.

Councillor P Howell commented that performance in relation to the percentage of unclassified roads requiring maintenance had increased and the bridge stock condition has also deteriorated, he asked what the service was doing in this respect, and how Members were made aware of issues in relation to bridges in their area. The Chair of the Environment and Sustainable Communities Overview and Scrutiny Committee, Councillor E Adam responded, noting that the highways maintenance had been picked up by the Environment and Sustainable Communities Overview and Scrutiny Committee and that the Member had received a response in relation to his query regarding a specific bridge. The Strategy Team Leader noted that she would feed into a future report the relevant information from the Transport Asset Management Plan. The Principal Overview and Scrutiny Officer, Stephen Gwilym suggested this would be the Local Transport Plan, not the Transport Asset Management Plan.

Councillor T Tucker commented that 357 households had been supported under the Homelessness Reduction Act within 56 days and asked as regards those outside of the 56 days. The Strategy Team Leader that these household would fall under relief and referred Members to the link provided on the dashboard which would take them to the relevant information.

Councillor R Ormerod highlighted the recent success of the Durham City Ladies Football Team and attendances of 1,700 at New Ferens Park and noted he felt this was something we should be celebrating. The Strategy Team Leader noted she would highlight their success to the relevant colleagues.

Councillor S Dunn explained he felt it would be remiss if he did not mention the success of our tourism and cultural events, and the level of performance in comparison to our regional neighbours. He added that all involved should be congratulated for their work and the return upon the investment was excellent.

**Resolved:**

That the report be noted.

## **9 Refresh of the Work Programme**

The Chair asked the Overview and Scrutiny Officer to speak to Members in relation to the Review of the Committee's Work Programme (for copy see file of minutes).

The Overview and Scrutiny Officer explained that the report followed on from the report presented at the March meeting of the Committee and set out the 2019/20 Work Programme. She highlighted the work that had been undertaken by the Committee within the past year and noted the draft work programme was set out at Appendix Two to the report including issues such as: DurhamWorks; Digital Durham; Private Rented Sector; Business Durham, Masterplans; Transport Activity; the Housing and Homelessness Strategy; Local Industrial Strategy; and Selective Licensing.

The Overview and Scrutiny Officer noted potential visits for the Committee to Integra 61 and Horden Rail Station and Special meetings that would look at issues such as: an update on the recommendations from the Retail Support review and the Town and Village Centres Report; Selective Licensing; Employment Statistics; and Housing.

The Chair thanked the Overview and Scrutiny Officer and asked Members if they agreed the proposed work programme for the Committee as set out at Appendix Two of the report. He noted that of course the Committee would be flexible, in order to be able to look and any issues that may arise, noting the issues associated with Brexit.

Mrs R Morris noted she had no issues with the work programme as set out, however, she highlighted that an important issue would be to look to the types of jobs we wanted and needed for our County, to futureproof our young people. She added that she felt it was important to look at what skills we need, as seen from the business perspective, and to look at what barriers may be in place. The Chair noted this fitted with the meeting scheduled for February, looking at the Local Industrial Strategy.

Councillor P Howell noted he felt looking at budget reports in a timely manner was important, for example looking at Quarter One in June rather than September.

Councillor E Adam noted business failures within their first three years and asked was this something the CDEP or Business Durham were looking at. The Overview and Scrutiny Officer noted it was an issue being looked at.

**Resolved:**

That the Work Programme for the Economy and Enterprise Overview and Scrutiny Committee for 2019/20 be agreed.

**10 Minutes from the County Durham Economic Partnership**

The Minutes of the meeting of the County Durham Economic Partnership held 26 April 2019 were received by the Committee for information.

Signed by Councillor: .....  
(Chair of the meeting held