

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 **Monday 6 November 2023** at **9.30 am**

Present:

Councillor B Moist (Chair)

Members of the Committee:

Councillors A Surtees, A Batey, G Binney, R Crute, D Freeman, P Heaviside, G Hutchinson, C Lines, J Miller, I Roberts, K Robson, K Shaw, M Stead and A Sterling

1 Apologies for Absence

Apologies for absence were received from Councillors M Currah, R Ormerod and Mrs R Morris.

2 Substitute Members

There were no substitute Members.

3 Minutes

The minutes from the meeting held on 18 September 2023 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 Major Programmes and Projects:

The Committee received a report of the Corporate Director of Regeneration Economy and Growth and presentation that set out the approach to the management, monitoring and performance of Major Programmes and Projects

delivered by the Regeneration, Economy and Growth Directorate. The report also provided an update on some programmes and projects as requested by Economy and Enterprise Overview and Scrutiny Committee (EEOOSC) (for copy of report and presentation slides, see file of minutes).

The Committee were provided with a detailed presentation that focused on:-

- REG Major Programme Portfolio and Capital Programme;
- Major Programmes Board and Portfolio Office Approach;
- Project Reporting Timeline;
- Controls and Guidance;
- Case Studies requested by EEOOSC.

The Corporate Director of Regeneration, Economy and Growth highlighted that the major programmes was an ambitious programme and in the process of pulling the report and presentation together for members, it was felt important that members were provided with detail of the approach to the management of the major programmes and projects, how they are monitored and the performance.

The Corporate Director of Regeneration Economy and Growth advised that the key aim was to provide assurance that appropriate standards and controls were in place to ensure programmes and projects were managed successfully within the delivery framework with appropriate levels of controls, challenge and intervention. In addition, the Corporate Director of regeneration, Economy and Growth continued by confirming that the report and presentation focused on the major programmes and projects of the REG Service Grouping and that detail had been provided in the form of case studies for some of the REG major programmes and projects which had been requested by members of the committee prior to the meeting. She highlighted that in relation to these case studies specific high-level overviews had been provided with budget information where commercially not sensitive.

The Corporate Director of Regeneration, Economy and Growth continued that in relation to the REG Major Programmes Portfolio it totals £878m with £628m committed or secured and a further £250m at different phases of development however this does not include where we have oversight of a project such as a joint venture with the private sector. It was highlighted that there was significant private sector investment in relation to the major programmes and projects of £1.4 billion with examples including Milburngate £130m, Aykley Heads £250m, Jade Business Park Phase 2 £100m and Forrest Park £120m. In addition, 70 major programmes and projects for the REG Service Grouping, the Service was also managing 103 non-REG schemes for other services totalling over £100m.

In relation to the REG Capital Programme it was confirmed that for 2023/24 there are 149 schemes totalling over £136m and it was highlighted that this will change throughout the year to reflect the receipt of windfall grants etc with the figures in the

table provided from 2018 to 2025 showing a significant increase in the value of the programme, highlighting the need for robust management.

The Corporate Director of Regeneration, Economy and Growth then passed across to Funding and Programmes Manager and the Strategic Programme Manager.

The Funding and Programmes Manager explained that she was responsible for the Portfolio Office (PO) and that the Strategic Programme Manager leads the Major Programmes Team managing projects across the county. It was confirmed that the Major Programmes Board (MPB) this was established in P2021 to oversee the REG portfolio and that it was chaired by the Corporate Director of REG. It was highlighted that the Board had an increasing portfolio to oversee and that it had developed a Portfolio Office (PO) which had devised the relevant documentation for the management of the programmes. The PO was a virtual information hub and centre of excellence for all programmes and projects receiving various information and collecting data for all the portfolio including detail of risks in relation to any project.

The members were then provided with a slide showing the Major Programme Board, project reporting timetable.

In relation to controls and guidance it was confirmed that in addition to the Process Flow Diagram followed by the MPB, there was a guidance framework to help sponsors, programme and project managers understand the requirements and outputs needed to set projects up and ensure delivery of activities in accordance with REG's Portfolio Office (PO). This guidance will facilitate consistent and effective project setup, development and delivery and will allow the MPB to track and assure the programme mandates and objectives and that the projects are achieving the expected outcomes.

The Strategic Programme Manager commented that the MPB had established and agreed a programmes and projects business process which provides an agreed framework through which all REG programmes and projects both capital and revenue are delivered. Each stage of the process covers a prescribed set of activities, including expected deliverables required to navigate assurance Gateway checkpoints. Each Gateway will seek to revalidate programme and project assumptions, viability and progress against plan. It was highlighted that all projects have to go through four Gateway changes during the cycle and that the PO will support project and programme sponsors and those responsible for project delivery in navigating the business process.

Members then considered a slide showing the breakdown of the 70 projects by business unit and the project health indicators in relation to the various projects showing the status of the projects by cost, time, quality, scope, benefits and overall risk.

It was noted that EEOC had requested an update regarding a number of specific key projects including Durham Innovation District Aykley Heads, Jade Phase 2, The Story, DLI Museum and Art Gallery, Leisure Transformation Programme and Durham City Bus Station.

The Head of Corporate Property and Land provided an update on the Durham Innovation District Aykley Heads project, noting that the project was in the defining stages and was undergoing the procurement process which was an important milestone. She advised that the project was developing as expected in terms of timeline and costs and they would be in a position early 2025 to report to Cabinet the preferred partner for the development. As part of the process a business plan would be developed setting out detail on the Aykley Heads development and something that Overview and Scrutiny would like sight of going forward as the process progressed.

The Head of Economic Development provided an update on the Jade project and advised that indicators were rated green on all aspects apart from the timeline as the council were not in direct control of the timescales. Overall the project was provided with an amber rating due to inflation pressures, however the project was in a strong place. He advised that Phase 1 was a council funded project to deliver industrial space which was completed in 2021 and provided seven new industrial units which would provide approximately 200 jobs. Phase 2 was a private developer lead project and the team were focused on inward investment along with Business Durham and working with the market. It was noted that outline planning permission to develop Phase 2 had been agreed with the capacity to provide 1,000 new jobs. The project was in the defined stages and the developer was in negotiations to secure private investment funding and work was being done to secure LEP funding. It was noted that construction would start in the summer 2024 and tenants would occupy units by spring 2025.

The Head of Culture, Sport and Tourism provided an update on The Story and advised that the project was handover on the 26 October 2023. The original construction programme was extended due to various factors in relation to the historic building. She advised that completion had been rejected several times since April 2023 for not meeting DCC completion requirements. The fit out would be a long process to transfer 11 kilometre of archives and would be undertaken when rooms were at the correct environmental conditions. The building would house five services including archives and the registration service.

With regards to the DLI Museum and Art Gallery, the Head of Culture, Sport and Tourism advised that the project was currently at stage 4 of the process and indicators were rated green at this stage with an overall amber rating as they were still awaiting costing from the contractor. The programme started in February 2022 with a target completion of Q4 2024/25. It was highlighted that to get to stage 4 at this point was a remarkable achievement by the team.

Moving onto the Leisure Transformation Programme, the Head of Culture, Sport and Tourism advised of the different stages for each programme, Abbey was complete and at the handover stage, Peterlee was almost complete, Bishop Auckland was at the planning stage, Louisa Centre was on track, Spennymoor and Teesdale was almost complete. She advised that a comprehensive Cabinet report covering the whole Leisure Transformation Programme would be presented in due course. She highlighted the challenges and complexities of the project which included market changes, cost of living crisis, construction inflation, staff recruitment, market forces/procurement, operational impacts and unforeseen major repairs.

The Head of Transport and Contract Services provided an update on Durham City Bus Station and advised that they were in the final stages of handover. He highlighted that there were still some risks in relation to external works. It was noted that they were able to apply for a £3.6m grant which contributed to the overall funding of the project. In terms of timeline, the opening was delayed by 12 months with a revised opening date of November 2023.

The Corporate Director of Regeneration, Economy and Growth summarised that the major programmes have a value of £878m with £628m delivered, pipeline committed and secured. In addition, there was a further active pipeline development unsecured of £250m with 152 live schemes totalling £153m together with strong programme governance across all schemes in line with best practice.

Councillor A Batey noted there was a regular reporting mechanism in place and various information data produced, however she would like to see more regular updates communicated to Overview and Scrutiny and residents on how projects were progressing. She queried the definition of the DLI project as it was still being referred to as the DLI building and highlighted that there was a need to communicate the name and scope of the project with residents. In relation to the Leisure Transformation Programme, she was disappointed that there was no reference to proposals for Chester-Le-Street and Seaham Leisure Centres, even though a consultation process had been undertaken requesting Chester-Le-Street resident's views on the proposals. In addition, the Louisa Centre was falling behind on timescales and she felt that residents in North Durham and other communities within the county were being disadvantaged by missing out on improved leisure provision. She highlighted that neighbouring authorities were cutting their leisure offer such as Gateshead and suggested that this would provide an opportunity for Durham County Council to attract clients from outside the county with an improved leisure offer.

The Corporate Director of Regeneration Economy and Growth commented that the Service was not involved with setting the Overview and Scrutiny forward plan, however she would discuss with the Chair and Vice-Chair regarding providing more regular updates on the major programmes and projects. In relation to the Leisure Transformation Programme, she advised that a comprehensive Leisure

Transformation Programme report would be presented to Cabinet later in the year which would include updates on Chester-Le-Street and Seaham Leisure Centres.

In relation to the DLI Museum and Art Gallery project, the Head of Culture, Sport and Tourism commented that branding was a long process which involved research teams, branding experts and stakeholders. She agreed that this was the appropriate time for branding and further work on the project name would be undertaken in the coming months.

Councillor Batey asked for clarification as to when the Leisure Transformation Report would be going to Cabinet. The Corporate Director of Regeneration, Economy and Growth responded that the report would be going to Cabinet by the end of the year.

Councillor K Robson asked whether there was a service link from the railway station to Durham City bus station. The Head of Transport and Contract Services commented that there was no service link as people tended to walk or make their own way to the bus station due to the close proximity, however he was currently looking at linking services from the City Centre and universities to the railway station.

Councillor K Robson then queried as to whether the authority when developing new buildings looked at recouping some of the costs via staffing levels, lighting etc and asked for more detail as to the police having accommodation within the police station.

The Head of Transport and Contract Services commented that with regards to efficiencies, the authority would look to reducing costs where possible and added that the new bus station had sustainable and improved lighting, including a mezzanine floor for improved surveillance and an open area which would hopefully deter antisocial behaviour and be more efficient and cost effective to clean. He also confirmed that the bus station provided office space for police presence, however this would not be occupied 24 hours a day.

Councillor J Miller agreed that it was the appropriate time to define the DLI Museum and Art Gallery project and that clarity needed to be provided on what would be available to residents of the county as soon as possible. He referred to the bus station and was pleased to note that there would be some police presence and highlighted his concern and the importance of discussions to resolve the current industrial action by bus drivers as many residents of County Durham rely heavily on public transport. The Head of Transport and Contract Services could not comment on the industrial action, however explained that work was ongoing to promote bus travel with the introduction of reduced fares across the whole of the North East to encourage a more desirable form of transport. He added that infrastructure improvements and work with bus operators would continue to monitor usage and

bus provision and advised that feedback would be reported to the Economy and Enterprise Overview and Scrutiny Committee in due course.

Councillor C Lines was reassured that robust control processes and governance structures were in place and referred to the £628m public sector investment that leveraged the £1.4b private sector investment and asked for clarification as to how Durham were performing in relation to other local authorities. The Corporate Director of Regeneration Economy and Growth advised that the £1.4billion private investment was a cautious estimate and was a big challenge for County Durham, however overall it was a good return.

Councillor K Shaw commented that in relation to the Leisure Transformation Programme he was more comfortable in relation to the progress of the programme now that it had been confirmed that a report would be going to Cabinet in either November or December.

In response to a question from Councillor A Surtees regarding how the new power station would affect the development planned at the Jade site, the Head of Economic Development advised that the infrastructure support was ongoing to improve the junction with the challenge being ensuring that the energy supply to the sites was in place. He advised that he would provide further detail in relation to the impact on the development, however he confirmed that there was nothing to suggest that this would be a risk to the Phase 2 development on the Jade site. The Head of Transport and Contract Services added that there was pressure on the A19 junctions, however work was ongoing to improve capacity together with work on the cycle bridge to encourage sustainable travel.

Councillor Surtees referred to the DLI Museum and Art Gallery project and suggested a possible name for the new building could be the Durham Innovation Centre Coffee Shop and Art Gallery. She highlighted concerns in relation to the £600,000 revenue pressure for running the building and commented that in the current financial climate, the money could be used for other local infrastructure work needed within the county. The Head of Culture, Sport and Tourism advised that the running costs were consistent with the size of the building and highlighted that County Durham was about pride of place. She added that currently there was no art gallery or culture space within Durham City and referred to the development of the Aykley Heads site and the potential vibrancy of the location which would be more attractive to organisations and provide economic and social gains.

Councillor B Moist noted the comprehensive report and presentation and had total confidence in Officers and the processes undertaken to manage the programmes. He asked whether the establishment of a Major Programmes Board had improved the efficiencies and effective delivery of the programmes and felt that the report focused more on processes and was unclear on actions taken. He referred to the bus station project and noted there were degrees of success, however the project had been delayed by 63 weeks, therefore questioned whether the project had been

successful. In relation to The Story, he asked that details of cost in relation to the project be presented to Economy and Enterprise Overview and Scrutiny Committee following completion of the project. He also asked if there were any estimates in relation to the DLI Museum and Art Gallery construction costs and suggested it be categorised as an amber rating bearing in mind construction inflation costs. With regards to the Leisure Transformation Programme, he highlighted that the delivery completion date had not been provided and he was unclear what the reference to the cost-of-living crisis was in relation to. He then asked whether there were any other projects scheduled to be included in the Leisure Transformation Programme. He noted the amber ratings in relation to the bus station costs and timeframe and felt that both ratings should show red. He queried what could have been done to provide an amber rating and asked that a cost analysis be undertaken. He concluded by saying that he had benefitted from the recent training by the Service Grouping in relation to major programmes and was happy to meet with the Corporate Director of Regeneration Economy and Growth, with Councillor A Surtees to discuss further updates and data in relation to the major programmes and projects.

The Corporate Director of Regeneration Economy and Growth confirmed that the systems in place do help in the management and delivery of programmes and projects and that it was considered national best practice. She highlighted that the programme was bigger than in previous years and continued to grow, with better delivery and processes in place which provided accountability and clarity with regards to who was responsible for progressing projects. It was noted that costs were set out in the Cabinet report and were the forecasts to which the Service worked towards, and any changes would result in further reporting to Cabinet. With regards to The Story and the DLI MAG projects, she was happy to provide further information to a future Economy and Enterprise Overview and Scrutiny Committee meeting.

Councillor E Scott reminded Members that the DLI had always been the DLI Museum and Art Gallery and would not be helpful to re-write history. She agreed that further clarity was required which they were currently working on and commented that it would not be wise to make announcements before they had been agreed.

Councillor R Crute highlighted the need to separate from what the building was in the 1970's and provide a new identity for this century. He made reference to The Story which was built to house the DLI collection in its entirety along with the written records. He added that focus needed to be on promoting what it was going to be and to get that message out to the residents of County Durham sooner rather than later.

Councillor M Stead commented that the colour system used was clear and was easily understood as to the various project stages and added that the colours would change as the projects progressed. He was delighted that the Major Programmes

Board had been developed and noted it was a blueprint for other authorities. He referred to the DLI and highlighted the importance of branding correctly and it was his understanding that 11 kilometres of the DLI collection had never been seen and queried whether it was possible for both buildings to house the collection. With regards to the bus station, he asked whether lessons had been learned from the development which could be taken forward. The Corporate Director advised that as part of the Major Projects Board there were failsafe's in place with regards to complex projects and a lesson's learnt report would be prepared to improve awareness and increase expertise for future projects.

Resolved:

- (i) That the report and presentation be noted.
- (i) That the Chair and Vice-chair meet with the Corporate Director of Regeneration, Economy and Growth to discuss regular reports on the progress of major programmes/projects coming to future meetings of the Economy and Enterprise OSC.

7 UK Shared Prosperity Fund Update

The Committee received a report of the Corporate Director of Regeneration Economy and Growth which provided an update on the UK Shared Prosperity Fund Programme and the Rural England Prosperity Fund for County Durham, including governance and performance management arrangements and an update on programme implementation (for copy see file of minutes).

The Head of Economic Development introduced the report, highlighting that the report provides members with an update on the Shared Prosperity Fund Programme, the Rural England Prosperity Fund for County Durham including governance and performance management arrangements, an update on programme implementation and progress of the Levelling Up Fund. In relation to the UK SPF, members were reminded that this was Government's replacement for multiple strands of EU funding. He continued that DCC was the lead local authority for the UK SPF, Multiply and REPF programmes in County Durham and was responsible for the funding received from Government, allocating the funding, managing calls for projects, commissioning activities and delivering activities together with partners.

The Funding and Programmes Manager commented that DCC was the accountable body for the UK SPF. The funding was allocated across a three-year period and it was highlighted that this was not along funding period. She reminded members that County Durham had a UK SPF allocation of £30.8 m which was predominantly a revenue grant scheme, with an element of capital funding. She continued that the UKSPF Investment Plan had been developed and was used to guide investment decisions. Since the investment plan was submitted, the IES had been approved

and a Delivery Plan for the strategy had been developed setting out the actions to be taken. This process and the timing of the strategy and plan had allowed the UKSPF to be flexed to deliver a number of actions within the IES Delivery Plan. She continued that paragraph 18 of the report shows that just over £29m of the fund had been committed leaving just over £1m to be committed and it was confirmed that proposals are in development to ensure the take up in full of the remaining balance.

In relation to the investment priority of Supporting Local Business, the funding and Programmes Manager commented that the year 1 allocation of funding focused on preparing for the delivery for the delivery of activities in Years 2 and 3 and to prepare this groundwork for future years delivery, two research and facilitation projects were commissioned. The first piece of research was Understanding Rural Durham and the second piece of work was to prepare the ground for creating an integrated partnership delivery approach to supporting enterprise and business start-up, the Enterprising Durham Framework. Concerning business productivity and growth an open call was sent out for a partner to deliver a grant scheme to micro and small rural enterprises (The Durham Productivity and Growth Programme). A joint call was issued with the North of Tyne Combined Authority in February 2023 to deliver innovation and R&D activity, the In-Tune project which was led by Durham University. Finally in relation to this priority members were made aware of the establishment of Enterprising Durham a programme of enterprise and animation across County Durham to be delivered with a wide range of partners.

In relation to the investment priority of Communities and Places it was confirmed that a project had been developed in relation to community infrastructure, focusing on investment in and access to community assets and buildings. It was highlighted that the project aims to increase community resilience and sustainability through a co-design process with communities. Concerning Place Branding it was confirmed that investment had been made into a Place Branding project which was being led by VCD which will enable the development of a brand for County Durham. A project had also been developed and approved focusing on town centre vitality which will deliver a series of cultural engagement events across the county for the next two years.

Concerning the People and Skills investment priority, members were informed that provision was made within the County Durham Investment Plan for the continuation of existing EU funded Voluntary and Community Service activity 'at risk' in years 1 and 2 of UK SPF, supporting those furthest from the labour market. An employment support project had also been developed and had been designed to ensure that residents' opportunities in the labour market are improved and to support the ongoing growth of the county's economy. The Skills Support project in County Durham will form part of a co-ordinated approach to improve skills across the county. Finally, under this priority a project developing new careers offer in direct response to identified gaps in current provision.

The Funding and Programmes Manager continued that in relation to the Rural England Prosperity Fund an open call was launched in July 2023 for projects to deliver capital investments to develop, extend, restore or refurbish local tourist assets and infrastructure to improve the visitor experience. A total budget of £600k had been allocated to this call. The decision in relation to successful applications was expected in the next month or so.

In relation to governance arrangements, the Funding and Programmes Manager confirmed that the CDEP + board, advise, support, challenge and influence the delivery of the UK SPF and the REPF within the county. The Board advise on the design, commissioning, and performance management of both the UKSPF and the REPF, specifically it was responsible for advising on the strategic fit and deliverability of UK SPF and REPF investment activities during the programme period. The Funding and Programmes Manager confirmed that it had been agreed that this function was delegated to the Partnership's Technical Funding Group which meets on a monthly basis to advise on projects being brought forward and reports to the Board on a six-monthly basis.

In relation to the update on the Levelling Up Fund, The Funding and Programmes Manager reminded members that in 2021, Central government announced £4.8 billion LUF to provide investment in infrastructure, town centre and high street regeneration, local transport projects and cultural and heritage assets. The first round of bidding was launched in March 2021 and DCC was awarded £20m with further guidance for Round 2 levelling Up bids released in March 2022 with the deadline for bid submissions the 6 July 2022. A number of proposals were developed and the council submitted five bids however the bidding criteria was changed resulting in funding only awarded to lead local authorities which had been unsuccessful in Round 1. In relation to Round 3, it was confirmed that there was £1billion to be allocated however the Service Grouping was awaiting guidance on the criteria for the allocation of funding.

In response to a query from Councillor A Sterling regarding the Levelling Up Fund and if the council intended to re-submit the five bids that had been unsuccessful in Round 2, the Head of Economic Development hoped that clearer guidance would be provided in Round 3 and advised that colleagues would focus on the guidance to shape and submit the bids.

Councillor A Surtees made reference to a project in Easington in relation to Community Assets and Woodland Area which had been submitted for Levelling Up Funding. Funding had already been allocated to the Horden bid and queried why the council had not back filled the funding gap as a result of the unsuccessful Levelling Up Funding bid. The Head of Economic Development responded that £6m of funding had been available to Horden through the Towns and Villages programme and that when the LUF bid was unsuccessful the council was still committed to the £6m for Horden. He continued that there was still safeguarded funding available in the Towns and Villages programme for match funding, however

he was unsure as to where the funding was committed to and that it may be needed for match funding for LUF Round 3.

Councillor C Lines expressed concern regarding funding availability via the REPF stating that it would not make much of a difference to rural communities. He highlighted the physical and digital remoteness of the rural communities and the delays with regards to Project Gigabit and asked whether Government could be lobbied for more funding. The Head of Economic Development advised that the REPF was a small pot of money and only one of the funds available. He added that in relation to the UK SPF there was more flexibility in how it was used. The Funding and Programmes Manager added that the REPF was a means of allocating to areas that have not benefitted from the UK SPF and advised that she would look at the Delivery Plan to address the points raised.

Councillor B Moist commented that Members understood that there was not enough funding however, he felt that the issue was with the governance of the funding. Local authorities were told where funding had to be provided rather than being able to direct where it was needed most. In relation to the investment priority Business Productivity and Growth and the partnership project with Umi, he asked whether Umi were on a fee basis and asked for further detail in relation to the town centre Vitality project and who would manage the project. The Head of Economic Development advised that Umi had submitted an expression of interest and were successful working with business Durham and RTC North as delivery partners for the Durham Productivity and Growth Programme. The Funding and Programmes Manager added that an open call had been issued for one integrated partnership to deliver the project and confirmed that the project would be led by Business Durham. Umi had been used by Tees Valley and had a lot of experience in delivering this type of project. The Funding and Programmes Manager commented that the Vitality project was a wayfinding pilot directing to places within towns and will be managed by the Regeneration/Economic Development Team.

In response to a question from Councillor J Miller regarding investment in front streets, the Funding and Programmes Manager advised that she could provide the events programme and made reference to the Town and Villages Programme that complimented the Events Programme. She added that there would also be the Community Infrastructure Project which targeted rural isolated communities and the Place Lab Programme which still needed to identify settlements. The Head of Economic Development added that it was mainly revenue activity that was funded via the £25m Town and Villages Programme and confirmed that there was still funding to be allocated in the final tranche. He confirmed that this could be looked at when considering future areas for funding.

Resolved:

That the report be noted.

8 Any Other Business

The Chair reminded Members that the Environment and Sustainable Communities Overview and Scrutiny Committee was hosting an informal information session on the 27 November focusing on Fuel Poverty, the session would be held via Teams and Members of the Economy and Enterprise Overview and Scrutiny Committee would be invited.