



## **Economy and Enterprise Overview and Scrutiny Committee**

**Date** Monday 14 November 2011  
**Time** 10.00 am  
**Venue** Committee Room 2 - County Hall, Durham

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### **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. Minutes of the meetings held 8 September 2011, 28 September 2011 and 6 October 2011 (Pages 1 - 24)
2. Declarations of Interest, if any
3. Items from Co-opted Members or Interested Parties, if any
4. Media Relations:  
Presentation by Diane Close, Overview and Scrutiny Officer, Assistant Chief Executive's.
5. Update on the County Durham Plan: (Pages 25 - 28)
  - (i) Joint Report of the Assistant Chief Executive and Corporate Director of Regeneration and Economic Development.
  - (ii) Presentation by Mike Allum, Strategic Planning Team Leader and Rick Long, Principal Planning Officer (Strategic Team), Regeneration and Economic Development.
6. Update on the Stock Option Appraisal: (Pages 29 - 32)
  - (i) Joint Report of the Assistant Chief Executive and Head of Housing.
  - (ii) Presentation by Marie Roe, Stock Options Appraisal Project Manager.
7. Minutes from the meeting of the County Durham Economic Partnership, held 18 July 2011 (Pages 33 - 38)
8. Such other business as, in the opinion of the Chair of the meeting, is of sufficient urgency to warrant consideration

**Colette Longbottom**  
Head of Legal and Democratic Services

County Hall  
Durham  
4 November 2011

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

Councillor J Moran (Chair)  
Councillor A Naylor (Vice-Chair)

Councillors J Armstrong, B Arthur, A Barker, C Carr, J Cordon, B Graham, B Harrison, J Hunter, P Jopling, R Liddle, C Potts, J Rowlandson, B Sloan, P Stradling, Andy Turner, M Wilkes, M Williams and A Willis

**Co-opted Members:**

Mr T Batson, Mrs O Brown, Mrs A Harrison, Mr A Kitching, Mr D Lavin and Mr JB Walker

**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 1A - County Hall, Durham** on **Thursday 8 September 2011 at 10.00 am**

**Present:**

**Councillor J Moran (Chair)**

**Members of the Committee:**

Councillors A Naylor, B Arthur, A Barker, B Graham, P Jopling, R Liddle, J Rowlandson, P Stradling, M Williams and A Willis

**Co-opted Members:**

Mr T Batson, Mrs A Harrison, Mr A Kitching, Mr D Lavin and Mr JB Walker

**Apologies:**

Apologies for absence were received from Councillor(s) C Carr, J Cordon, Andy Turner, M Wilkes and Mrs O Brown

**Also Present:**

Councillor(s)

**A1 Declarations of Interest, if any**

There were no Declarations of Interest.

**A2 Young People and Unemployment**

The Overview and Scrutiny Officer, Diane Close referred Members to the report as set out in the agenda papers setting out the background to the proposed review of Young People and Unemployment including:

- The National Policy Context;
- Local Policy Priorities within County Durham;
- Resources currently available;
- Partner Organisations and services delivering projects/support to unemployed young people.

Members noted that in addition to the report, the Economic Regeneration Manager, Graham Wood was in attendance to give the Committee the most up to date information relating to the issue.

The Economic Regeneration Manager thanked Members for the opportunity to address the Committee and explained that the most recent figure nationally relating to JobSeekers' Allowance (JSA) claimed by 18-24 year olds was 2.49 Million, a rise of approximately 22% over the last 4 months.

The Committee heard that for County Durham the number of those claiming JSA had risen across all ages by 13,670, equating to 4.7% of the working age population, comparing favourably with the regional percentage of 5%, however performing poorer than the national average of 3.8%. Members learned that however for young people aged 18-24 claiming JSA, the figures were 4,825 for County Durham, and increase of 465 from June 2011, giving a percentage of 9.6%, higher than the national average of 7.6%, though again lower than the regional figure of 10.2%.

The Economic Regeneration Manager referred Members to a graph showing the number of those claiming JSA from January 2006 to July 2011. Councillors noted that there was a significant spike in the figures in late 2008, early 2009 when the global recession hit which affected High Street jobs, together with construction and engineering sectors. Members were made aware that the graph also had the figures for those aged 18-24 claiming JSA and that that age range had experienced a lesser spike, perhaps due to the fact that the main industries affected would often require more experience than usual for those aged 18-24.

The Committee noted several maps of the County showing the density distribution of the Unemployment Rate, the total and for those aged 18-24. The Economic Regeneration Manager explained that for the total rate, the map showed the highest densities to lowest densities running from areas of East Durham, Derwentside, Wear Valley, Chester-le-Street and then Durham, albeit with a relatively lower density in the Peterlee area. Members noted that areas with problems identified over the last 2-3 years included: Crook/Spennymoor; Gilesgate; the north of Chester-le-Street; and Stanley/Consett.

In relation to youth unemployment, Members learned that there were differences in comparison to the total unemployment rate and that there were some areas that stood out, an example being the Easington/Horden area which had an overall lower rate, with a high rate of those aged 18-24.

In relation to those Not in Employment, Education or Training aged 16-18 (NEETs), Councillors were informed of the current figures and were asked to note that figures would need to be refined over the next 2-3 months as many of those having recently received exam results would now be at the point of choosing a destination.

The Economic Regeneration Manager added that the previous Government's "Young Persons' Guarantee" included a suite of programmes for Claimants aged 18-24, sectoral routeways, work focused training and the "Community Task Force". Councillors were reminded of the Future Jobs Fund (FJF) which had provided funding that was targeted at 18-24 years olds and unemployment hotspots had now ended.

Members noted that FJF had been a bid together with the Tyne and Wear City Region and the initial target for County Durham had been 1,010 jobs by March 2011.

The Economic Regeneration Manager explained that as the funding was coming to an end, the target was revised down to 872 jobs and this was achieved with the total amount of fund drawn down by Durham County Council (DCC) being £5.76 Million. The Committee learned that a national evaluation of FJF had shown a retention rate of 43% and that 10% of job starts were within the private sector, a high percentage given the criteria within FJF that stipulates “community benefit”. Members noted that 33 private companies had been engaged with via the FJF programme together with Community and Voluntary Sector (CVS) partners, such as the Citizens’ Advice Bureau. Councillors heard that the average cost per FJF job start was £6,500 and there was an ongoing evaluation as regards those jobs that have been sustainable, with many success stories for DCC, as reported in the Council’s “Durham County News” (DCN) publication. Councillors were reminded that the 6 months provided by FJF has led in several instances to jobs or extended training, for example with Derwentside Homes.

The Economic Regeneration Manager explained that the current approach to apprenticeships was based upon a national budget of £1.4 Billion for 2011-12, with a target of having 400,000 Apprentices in the 2014-15 period, an increase of 100,000 on current numbers. The Committee noted that DCC aimed for 10,000 places in “higher level” apprenticeships within its bid for funding. Councillors were reminded that in the 1980s-1990s the trend was for “modern apprenticeships” which mostly focused on administrative roles, where as the “new” apprenticeships are now being designed for industry in conjunction with the Sector Skills Councils, with levels of skill development in place to help produce individuals with the relevant skills employers need.

Members noted that “medium” level equated roughly to GCSE/NVQ2, the “higher” level to A-Level/NVQ3 and the highest being equivalent to NVQ4/pre-degree with over 200 different framework options across a variety of industries and vocations. The Economic Regeneration Manager explained that nationally over 85,000 employers had been engaged and there had been a clarification made on the County Durham Economic Partnership (CDEP) website as regards the role of the National Apprenticeship Service and what apprenticeships entailed for both the employer and apprentice. Members were referred to figures that showed that for Durham the number of apprentices that had started training for 2010/11 was 4,720 with 1,520 completing their training. The Economic Regeneration Manager explained that over recent years, DCC had undertaken the role of “apprenticeship brokering” working with schools and employers to make it clear for young people what the world of work entailed and would be expected of them as employees.

The Committee noted that as an employer, DCC had recruited 6 new apprentices in 2011, 11 in 2010 and 40 in the period 2008-10. As a provider, DCC had the Skills Funding Agency contract with £300,000 of funding and has approved frameworks within customer service, business administration and IT.

Members noted that in conjunction with CDEP, DCC has looked at what areas may need to have frameworks established such as retail, team leading and first line management, by analysis of the County Durham Economic Assessment (CDEA) data and looking at the numbers and types of planning applications the Authority receives.

The Economic Regeneration Manager explained that there were many challenges and opportunities for the Council, and that the main challenges included:

- Employer engagement – via National Apprenticeship Service (NAS)
- Raising the profile of apprenticeships
- Demonstration of the return on investments by employers – using data from CDEA to show how long it takes before the benefits are given back to businesses, around 2 years for engineering, 6 months for retail
- Embedding as a real alternative to academic studies – in light of the increase in University tuition fees, showing the progression routes through the various levels of apprentice qualifications
- How to support providers and simplify for Small and Medium Sized Enterprises (SMEs)

The Committee noted that opportunities that were presenting themselves included:

- Higher Level Apprenticeships
- Green and Low carbon Industries – such as offshore wind and the battery plant for Nissan
- Hitachi and supply chain – around 500 direct jobs and between 5,000-8,000 in the associated chain
- Capital Investments – opportunities presented by such works as new schools and Town Centre regeneration
- Targeted Recruitment and Training – approved by Cabinet in July 2011, via s106 monies in order to achieve longer term apprenticeships or shorter term “school experience time”, with 35 schemes ongoing – Sir Robert McAlpine with school building, Balfour Beatty with DurhamGate for example
- Procurement – commitments within contract to invest in apprentices not just internally at DCC, with contractors in addition

The Economic Regeneration Manager concluded by noting the impact FJF has had on improving the opportunities for young people in County Durham and now with the funding having ended; DCC would need to move towards a “supported apprenticeship scheme”, as well as embracing new opportunities such as a scheme from the Coalfield Regeneration Trust.

The Chair thanked the Economic Regeneration Manager for his presentation and asked Members if they had any questions that would help to steer the direction for a Scrutiny Working Group looking at these issues.

Mr T Batson thanked the Officer and noted the success of the Council in helping young people into employment and agreed that it should be attempted to factor in training and apprenticeship opportunities wherever possible through planning conditions. Mr T Batson added that also young people needed opportunities to relax and socialise and that recent cuts to funding appeared to have reduced those types of opportunities.

Mr JB Walker noted that the figures relating to the “not knowns” were worrying and that the end of Education Maintenance Allowance (EMA) and the lack of free bus passes may further limit the opportunities for young people. The Economic Regeneration Manager explained that at this time of year, post-exams and before colleges and sixth-forms started their terms, there would be a large number of young people that have left school and had still not yet determined what their next step would be.

Members noted that also many young people choose not to re-engage with the Connexions service and therefore they become more difficult to track. In relation to the loss of EMA, the Economic Regeneration Manager agreed this may limit some opportunities, however, it was noted that several colleges were providing buses that were picking up students in the local area and across the County.

Councillor P Jopling noted that there was a need for more engineering jobs and that it was perhaps prudent to work with schools to encourage mathematics and sciences in order to help provide the necessary interest in taking those skills further at college or through apprenticeships in order to provide the type of young people that employers in those sectors need.

Mr A Kitching noted that the graph showing the total monthly JSA count had double from 2008-11 and that this seemed to have been less for those aged 18-24 and asked if there was a specific reason for this and the stability of the figures after late 2008. The Economic Regeneration Manager explained that post-recession many schemes such as FJF had helped to balance and flatten figures. Members learned that with the help of the CDEP it would be possible to see how to best train young people in order to help provide sustainable jobs in emerging industries, high technology, research and development and the green economies as well as more established industries such as glass works and the food and drink sectors.

Councillor P Stradling encourage Members to think of how DCC would be able to put in place measures to ensure the benefit of the FJF programme was not lost now the funding has ceased and to look to areas such as Housing where the Council could help by working both in-house and with partners to deliver meaningful and sustainable apprenticeships. The Economic Regeneration Manager noted the Registered Social Landlords (RSLs) had played into FJF programmes and that DCC, through Targeted Recruitment and Training, could continue to offer opportunities through its Capital Programme.

Mr D Lavin noted that the subject to be addressed was a large one and that perhaps the Working Group that would be set up should be focused in order to deliver some positive directions for the Council. The Economic Regeneration Manager explained that since the formation of the Coalition Government many of the old schemes and programmes had been abolished, however, the Council's "Altogether Wealthier" theme tied into the Government's "Growth Agenda" and that there needed to be a focus on the needs of the labour market whilst ensuring those further from the labour market, notably families with generational worklessness where the Council had worked to mentor and progress them towards work, were not marginalised in the process.

Mr D Lavin asked what the process was as regards training in the retail sector and how that would lead to progression within that industry. The Economic Regeneration Manager explained that prior to the current Government there were many vocational diplomas within the retail sector. Members were reminded of pushes in areas such as health and social care in the recent past and added that rather a balance across several sectors would be more sustainable, with the food retail sector being a prime example, where large developments have enabled a large number of jobs to be created and where the companies have had their own in-house training in areas as diverse as customer service through to logistics and haulage.

The External Relations Manager, JobCentre Plus (JCP), Annette Harrison, a Co-opted Member of the Committee noted that the retail sector was a good example of where apprenticeships can lead through from “the shop floor” into management and that those people are retained locally within that business sector.

Councillor B Arthur asked if there was any avenue through which Area Action Partnerships (AAPs) impact upon the figures could be assessed. The Economic Regeneration Manager noted that he, together with colleagues from the Regeneration and Economic Development Directorate, worked with AAPs on employability projects and that around 9-10 of the 14 AAPs had employment opportunities for young people as a main priority.

Councillor A Willis asked whether there were figures relating to the numbers of apprenticeships made possible by Housing Associations. The Economic Regeneration Manager noted he could look to find these figures and report back to Members.

Councillor B Graham noted that that the Spennymoor AAP had worked with Carillion in relation to DurhamGate in conjunction with Bishop Auckland College in order to develop apprenticeships.

Councillor B Graham noted that in many cases, there was a need to have in place an infrastructure that would enable people to get to places of employment easily. The External Relations Manager (JCP) explained that JCP would offer “flexible support funding” and that by working with partners it may be possible to identify any gaps in provision for example in transport.

Councillor A Barker asked whether DCC was ensuring that the courses being provided by colleges and training providers were meeting the needs of the County in terms of types of jobs actually available and those we wished to create, in contrast to previous regimes where “hundreds of hairdressers were being trained without the jobs existing”. The External Relations Manager (JCP) noted that JCP was working with colleges to ensure that courses were developed that met the needs of employers, noting forklift truck licenses being another area abused by training providers in the recent past. The Economic Regeneration Manager reiterated that the consistent message from the Skills Funding Agency was that training for training sake was not acceptable and that training should be in response to local economic need. It was added though that in the current market, all schools, colleges, universities and training providers were fighting to attract young people and were operating “cross boundary” in order to secure young people on their courses.



**Resolved:**

- (i) That the report and presentation be noted.
- (ii) That following the meeting, draft Terms of Reference and Project Plan be developed for a Scrutiny Working Group focusing on “Increasing the Employment Opportunities of Young People (18-24)”, including an examination of how Durham County Council and its Partners can further develop support for and engagement with employers in County Durham.
- (iii) That the draft Terms of Reference and the Project Plan are considered by Members at the meeting of the Economy and Enterprise Overview and Scrutiny Committee on the 6 October 2011.

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## **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 **Wednesday 28 September 2011 at 9.30 am**

#### **Present:**

**Councillor J Moran (Chair)**

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

Councillors A Naylor, B Arthur, A Barker, B Graham, J Hunter, P Jopling, J Rowlandson, P Stradling and M Williams

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

Mr T Batson, Mrs O Brown, Mr D Lavin and Mr JB Walker

#### **Apologies:**

Apologies for absence were received from Councillor(s) J Armstrong, C Carr, J Cordon, B Harrison, R Liddle, B Sloan, Andy Turner, M Wilkes, A Willis, Mrs A Harrison and Mr A Kitching

#### **Also Present:**

Councillor(s) C Robson

#### **A1 Declarations of Interest, if any**

There were no Declarations of Interest.

#### **A2 Stock Options Appraisal:**

The Principal Overview and Scrutiny Officer, Stephen Gwilym reminded Members that at a previous meeting of the Economy and Enterprise Overview and Scrutiny Committee, Councillors had asked for further information relating to the Stock Option Appraisal for the County Council. The Principal Overview and Scrutiny Officer explained that Members comments from the Special Meeting would be fed into the ongoing consultation exercise.

The Chair thanked the Portfolio Holder for Housing, Councillor C Robson and the Head of Housing, Glyn Hall who were in attendance to answer any queries from Members. The Chair also introduced the Housing Stock Options Manager, Marie Roe was in attendance to give Members an overview of the Stock Options Appraisal (SOA) process and also the outcomes so far, especially in relation to consultation (for copy of presentation, see file of minutes).

The Housing Stock Options Manager explained that Durham County Council (DCC) was landlord for around 19,000 homes with the housing management arrangements being one in-house management organisation (IHMO) Durham City Homes (DCH) managing around 6,100 homes, together with two arms-length management organisations (ALMOs) comprising of East Durham Homes (EDH) managing around 8,500 homes and Dale and Valley Homes (DVH) managing around 4,300 homes.

The Committee noted that in the past funding arrangements for Council Housing were such that rents and capital receipts were collected by Local Authorities and paid into a central fund administered by Central Government which in turn was then allocated to back to Local Authorities. Members were informed that in some cases, this had led to some Local Authorities receiving a “negative subsidy” whereby they received less from Government than they paid into the scheme, with the amount this financial year for DCC being around £4.5 Million less than paid in by the Authority.

The Housing Stock Options Manager confirmed that it was Government’s intention to move to “self-financing” from April 2012 and that the new system would be dependent upon Local Authorities being allocated a one-off “debt settlement” which in the case of DCC would be around £216 Million. The Committee noted that this would also in effect limit the ability for the Council to borrow money to enable investment into the Housing Service, Stock, Maintenance or Repairs as Government were driving to reduce the national budget deficit, putting a cap on borrowing at the £216 Million level.

Councillors were informed that in order to be able to set out how the Council would be able to repay its debt settlement and make the required investment in homes and services, a 30 year business plan was needed to ensure that the service would be “fit for purpose” as well as sustainable in the longer term. The Housing Stock Options Manager explained that accordingly an SOA was required and that it was agreed with stakeholders that this would be open and transparent and would involve customers at the heart of any decision making process.

The Housing Stock Options Manager admitted that the issues were very complex and therefore it was felt appropriate to appoint specialist advisers, in accordance with Government Guidance, to help guide the Authority through the SOA and to explain the best options for Durham to both the Authority and the stakeholders. Councillors learned that Consult CIH and their partners Savills were appointed in relation to the 30 year Financial Business Plan and Stock Condition Survey, with Trowers and Hamblins Solicitors appointed to look at the relative merits and implications of the several options available to the Authority. Members noted that the process had several elements:

- Stock Condition Survey – to determine required investment levels
- Definition of the SOA Project Objectives
- Establishing relationships with key stakeholders
- Identifying the Options available
- Consultation on those Options
- Taking a Decision on an Option

The Committee were reminded that in December 2010, Savills carried out a Stock Condition Survey based upon representative samples of stock from DCH and DVH and also validated the data held by EDH on the condition of their housing stock, noting the information as being “robust”.

Members noted the results showed that DVH and DCH stock had benefited from sustained investment and that the EDH stock would be the main area for investment in the first 5 years of the Business Plan in order to give an overall “Decent Homes Standard” across all of the Council homes, around £105 Million. The Housing Stock Options Manager added that the overall investment for all stock over the 30 years of the Business Plan was in the region of £797 Million, equating to around £40,000 per property and was in line with the national average. Councillors were reminded that EDH was entitled to “backlog funding” in relation to decent homes works and was awarded almost £70 Million in January 2011, though this still left a shortfall in relation to the amount estimated to deliver the improvements to the EDH stock. The Housing Stock Options Manager noted that there was a need for consistency in the long term for renewals and maintenance, however the investment needs for EDH fell in years 1-5 and for DCH and DVH in years 6-10, placing pressure on the Business Plan. Members were referred to a graph that demonstrated that for years 1-10 there was a required spend of £388 Million, that included the £70 Million “backlog funding”, and this was a shortfall of around £55 Million based on the £333 Million resources available over that period. Councillors noted that the £55 Million would rise to around £63 Million adjusted for inflation.

The Housing Stock Options Manager explained to the Committee that eight key objectives had been agreed with stakeholders through consultation, namely:

- Bringing long term funding to support the improvement and repair of high quality affordable homes
- Improving communication between the owning organisation and customers
- Protecting Tenants’ rights
- Strengthening customer involvement in services
- Delivering a good return of new social housing
- Achieving comparable quality between council owned homes and those of housing associations
- Local presence and management of housing services
- Meeting regeneration needs

Councillors learned that a Customer Working Group had been established, that included 3 customers from each of the areas and a leaseholder, and the Group had responsibility for the procurement and management of an Independent Tenant Adviser (ITA), Engage Associates and for the development of a Communication and Consultation Strategy and Tenant Empowerment Statement. The Housing Stock Options Manager noted that in addition to this, a Stakeholder Steering Group consisting of 3 DCC Councillors, 3 Officers, 1 from each Management Organisation and 10 customers had been established. Members were informed that the responsibilities of this Group included the overseeing of progress in relation to the SOA; ensuring project objectives were observed; making recommendations to DCC for decision; and focus on the options available via a “jury session”. Councillors noted there was a full Governance Framework that was available should Members wish to have further information.

The Committee learned that from the “jury session”, it was agreed to consult on:

- Retention of the stock and possible efficiencies
- Conventional transfer of the Stock – via a Large Scale Voluntary Transfer (LSVT)
- Unconventional transfer – via a Council owned Community owned organisation (CoCo)
- Or a mix of options and models

The Housing Stock Options Manager explained that Engage Associates led on the consultation with various events taking place, over 100, including use of theatre groups. Members learned that the Housing Stock Options Manager led as regards events for Board Members, Councillors and Staff. The Committee noted that from these events the key issues were:

- Transfer of stock was broadly supported as the best option for accessing additional finance
- Retaining organisational identity was important
- Transfer was not a certainty, the Department for Communities and Local Government (DCLG) may not agree and the Council would need to be prepared should that be the case
- The CoCo model makes good use of existing arrangements and would enhance customer involvement
- The CoCo model has not been tried and tested, a potential risk
- Outcome of any ballot of Tenants may be influenced by Customer understanding and perception of the Authority

The Housing Stock Options Manager added that any transfer would be conditional upon the value of the stock and distribution and that there had been concerns raised by Housing Staff as regards what stock retention could mean in terms of efficiency savings impacting upon jobs and services. Councillors noted that if the option for transfer was not taken forward, the options for retention included:

- Retaining the three existing organisations
- Reducing to two organisations, merging DCH and DVH
- Reducing to one organisation and preserving local delivery arms

The Housing Stock Options Manager concluded by noting the next steps in the process, those being:

- Completion of the consultation, drawing conclusions
- Continuing negotiations with DCLG on self financing and determine their thinking on stock transfer
- Continued work with the 3 organisations to ensure that there is a “Plan B” should DCLG not support the option of stock transfer
- To undertake further work on debt apportionment and on the feasibility of future housing provider organisations
- To prepare a report for Cabinet for December 2011 setting out the findings of the SOA, the outcomes of the consultation and the next steps the Authority could make.

The Chair thanked the Housing Stock Options Manager and introduced the Director of Financial Policy and Development, Consult CIH, Steve Partridge to speak in relation to the financial implications and options available to the Authority.

The Director of Financial Policy and Development noted that the Head of Public Sector - Communities and Governance, Trowers & Hamblins Solicitors, Ian Doolittle would speak as regards the legal and organisational ramifications of the various options available, and that he would concentrate upon the issues of self financing and the implications of each model accordingly.

Members had already learned from the previous presentation of the current financing arrangements and the move to self financing of the Housing Revenue Account from April 2012 and the Director of Financial Policy and Development explained that the indicative settlement from Government was around £216 million, a "Tenanted Market Value", although this could change in the final determination in November 2011. Councillors acknowledged that the rent levels for the 3 organisations averaged at £59.38, £1.70 below target and the management costs and day to day revenue maintenance spend were around £17 Million and £12 Million respectively.

Members were reminded that there were already a number of efficiency savings built into the organisations through the implications of the Authorities Medium Term Financial Plan (MTFP).

The Director of Financial Policy and Development reiterated that the capital investment required over the next thirty years was £797 Million, noting that approximately 50% of the spend would need to come in years 1-10 and the other 50% in years 11-30 and that all scenarios looked at, the £70 Million of backlog funding was assumed. Members heard that the settlement valuation set a borrowing cap, though the Authority would benefit as in being a large Council it could secure low interest rates on any borrowing.

The Committee were referred to a graph setting out the capital expenditure need and the capital finance available over the 30 years of the proposed business plan and noted the small shortfalls in years 1-5, the great shortfalls in years 6-10, a surplus in years 11-20 and stability in the final 10 years of the plan. Members were aware that whilst on paper it may be possible to defer some of the issues for 10 years until the surplus was available, in real practical terms it would mean that some properties would not see investment for 20 years which was unacceptable. The Director of Financial Policy and Development explained that business plan assumed that all of the available headroom would be used in trying to meet needs, however, borrowing would be capped for many years. The Committee were informed that the move to self financing was potentially better to the Authority, over the 30 years in cash terms, by an amount of around £440 Million in comparison to the old subsidy system and that the real challenge was managing the pattern of spending needs and debt cap in order to meet needs and so that regeneration was not constrained.

The Director of Financial Policy and Development explained that work had identified a series of options and that multiple combinations had been narrowed down to the workable options and then further to a smaller number of possible combinations by looking at: the number and shape of providers; who owns the stock and the options for the stock itself.

Councillors learned that there was the option to maintain one provider or to combine back office, or frontline services, or both into one of two providers and in relation to stock there was the retention of the stock as existing via ALMOs/IHMO, a conventional LSVT or transfer to a CoCo.

Members noted that a detailed Asset Management analysis was being undertaken by Savills and this would indicate the options as regards the local management of the stock.

The Director of Financial Policy and Development explained that in order to give a business plan that was viable in terms of self financing then there would need to be further efficiencies of around £2 Million each year over the 30 year period, though deferral of investment in the stock would carry risks of further deterioration and placing limited on possible regeneration.

The Committee noted that one of conditions of Transfer being approved by Government would be similar levels of investment as currently and that there was still uncertainty on issues such as taxation, especially VAT, that could lead to an adjustment of around £66 Million. Members were informed that if the stock was valued as per the existing LSVTs in the County, then the valuation of £5.6 Million would require virtually all debt to be written off and noted that in recent transfers the Government had pressed on the issue of the VAT shelter, if added back in at a valuation of around £56 Million this would require an overhanging debt clearance of £160 Million, with the VAT adjustment being only £66 million as previously noted. The Director of Financial Policy and Development explained that there would need to be further support, whether that be from Government, the Council or purchasing providers.

The Chair thanked the Director of Financial Policy and Development and asked if the Head of Public Sector - Communities and Governance, Trowers & Hamblins Solicitors, Ian Doolittle could now speak to the Committee as regards the options available to the Authority. Members noted that the Head of Public Sector - Communities and Governance had the task as a Lawyer to look at the implications of the 3 main options available and set out the advantages and disadvantages of each.

Councillors noted that the first option of stock retention had the advantage of not requiring a ballot of Tenants as no transfer of stock would take place, however, consultation would still need to take place and Government guidance on this was due shortly. Members noted that there could be issues of possible TUPE transfer for staff if ALMOs were taken back "in house" or reorganised, though these would be predictable on the whole. The Head of Public Sector - Communities and Governance added that the retention of the stock would currently not require any further Government consent under Section 27 of the Housing Act 1980 and that existing management agreements would need to be varied or terminated. The Committee learned that Tenants' rights would be unaffected and there would be likely minimal service disruption. However, the Head of Public Sector - Communities and Governance was keen to stress that the major disadvantages of stock retention were the inability to access private sector finance above the self financing borrowing cap, there would only be a basic business plan delivered and there would be limited scope for effective asset management.



The Committee noted that a LSVT was a tried and tested option, allowed access to borrowing above the self financing cap and avoided financial and policy risks inherent in the self financing regime. Members noted that another advantage would be the ability to use the “ALMO” brand to mitigate TUPE issues or to affect a transfer to an existing well resourced Registered Provider.

The Head of Public Sector - Communities and Governance explained that the disadvantages were that there would be need for a ballot of Tenants and Government consent, there was uncertainty relating to sufficient support from Government via policy in relation to debt repayment to be able to achieve fundable valuation for all of the stock and that there would be substantial set up costs, including funding fees. Members noted that in this option existing Management Agreements would be replaced by Transfer Agreements and the Council would only have a minority interest in transferees.

The Committee learned that the option of transferring to a CoCo had several advantages including affording access to private finance over the borrowing cap, avoids Government restrictions currently in place for LSVTs by leaving self financing debt in place at Public Works Loan Board (PWLB) rates and creates a structure that is inherently a partnerships between the Council and Communities, rather than a separation. Members were keen to note that there were also disadvantages to the CoCo model in that the options was novel and had not clear policy guidance from Government and that the Transferee’s obligation to service the self financing debt limits the scope for raising additional finance. Councillors were informed that the Authority would need to be comfortable with the debt arrangements, parting with stock whilst retaining the debt. In addition, the Head of Public Sector - Communities and Governance explained that whilst the set up costs of a CoCo would be less than a LSVT, they would still be significant.

The Chair thanked the Head of Public Sector - Communities and Governance and asked if the Portfolio Holder wished to comment prior to Members’ questions. Councillor C Robson noted that the issues were complex, sensitive and emotive and that the Team working on the SOA, together with Consultants, was doing an excellent and thorough job obtaining the best advice possible. Councillor C Robson noted that a difficulty was being able to explain to the public the advantages of moving to different arrangements given the high levels of performance from the ALMOs/IHMO and this challenge was an important one. The Head of Housing added that Members had now been given a comprehensive picture of the current position and the next steps in the process.

Councillor P Stradling asked whether there was any timescales in clarity being given by Government in relation to the several policy issues speakers mentioned. The Director of Financial Policy and Development explained that Government had indicated that it was willing to look at the merits of any stock transfers on a case-by-case basis and that guidance relating to VAT issues were due “Autumn”, however the exact date was not known.

Mr JB Walker noted that there was inherent risk in going to private finance, citing Southern Cross as an example where problems could arise. The Director of Financial Policy and Development explained that hedge funds and the like would not be the source of additional borrowing, rather a limited number of well established banks that already lend to Housing Associations such as RBS, Lloyds, Barclays and several others and that a CoCo model would have advantages of being able to borrow at low interest rates.

Mr T Batson noted that there were issues that any merging of existing organisations could lose the local representation people have come to cherish and asked if the retention option could have affects on other issues such as the Council Tax rate.

The Housing Stock Options Manager explained that there were several issues that needed to be taken into account during the process and that an example of a difficulty in being able to communicate to customers was when a event was organised at Sherburn Sports Centre where 25 customers had been asked to attend to speak to the Independent Tenant Adviser and nobody turned up on the day as it was on the day that the decisions regarding the future of Leisure Centres across the County had been announced. Members acknowledged that in the change to Unitary status, moving through the MTFP and the reductions in funding from Government it would be challenging to engage and explain the options as available in relation to the Council's Housing Stock. The Housing Stock Options Manager added that if stock was retained, DCH and DVH have noted that they could envisage a merger between the two being viable. The Director of Financial Policy and Development reminded Members that there was no subsidy of Council Housing through Council Tax, rather it was subsidised via rents and RTB receipts.

Mr D Lavin asked if there could be an estimate placed upon the cost of a TUPE transfer should housing stock be retained and whether there would be any options where a CoCo would not be used as it had not stood up when considered by the former Derwentside District Council. The Head of Public Sector - Communities and Governance estimated that, based upon figures of around 1-2% of the facility, giving a rough figure of around £2 Million. The Director of Financial Policy and Development noted the point regarding the CoCo for Derwentside, however, he added that the tougher financial climate meant that such options to enable borrowing beyond the self financing cap were required at least for consideration.

The Principal Overview and Scrutiny Officer summed up noting that the Committee's views in terms of the ongoing consultation would be noted, that the Committee endorsed the ongoing work and that Members' concerns as regarding the models being consulted upon being clearly explained to customers would also be taken onboard by the SOA Team.

**Resolved:**

- (i) That the reasons for the Stock Option Appraisal and the findings of the Stock Condition Survey and Financial Analysis be noted.
- (ii) That the views expressed by Members in relation to the Council's proposal to transfer the housing stock and proposed combination of models for implementation be noted and fed into the ongoing work of the Stock Option Appraisal Team.

## **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 6 October 2011 at 10.00 am**

#### **Present:**

**Councillor J Moran (Chair)**

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

Councillors A Naylor, A Barker, C Carr, B Graham, J Hunter, P Jopling, C Potts, J Rowlandson, P Stradling and M Wilkes

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

Mr T Batson, Mrs O Brown, Mrs A Harrison and Mr D Lavin

#### **Apologies:**

Apologies for absence were received from Councillor(s) B Arthur, J Cordon, R Liddle, B Sloan, Andy Turner and A Willis

#### **A1 Minutes of the meeting held 15 July 2011.**

The Minutes of the meeting held on 15 July 2011 were agreed by the Committee as a correct record and signed by the Chair.

The Principal Overview and Scrutiny Officer, Stephen Gwilym noted that in relation to the Stock Option Appraisal project, a Special Meeting of the Economy and Enterprise Overview and Scrutiny Committee had been held on 28 September 2011 with the views of the Committee having been captured and fed into the ongoing consultation process.

#### **A2 Declarations of Interest, if any.**

There were no Declarations of Interest.

#### **A3 Items from Co-opted Members or Interested Parties, if any.**

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

#### **A4 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 of slide, see file of minutes), namely the success of two young men winning a competition and securing apprenticeships places and issues relating to landlords being punished for having empty properties under new proposals from Government.

Councillor P Stradling asked for updates as regards such proposals to be brought to Members at this Committee and Councillor A Barker noted that there should not be a false sense of security in relation to punishments for landlords, noting that the licensing scheme in place at Easington had not prevented problems with empty homes.

#### **Resolved:**

That the presentation be noted.

#### **A5 Quarter 1, 2011/12 Performance Management Report:**

The Chair introduced the Customer and Services Intelligence Manager, Graham Tebbutt who was in attendance to speak to Members in relation to the Quarter 1, 2011/12 Performance Management Report (for copy, see file of minutes).

The Customer and Services Intelligence Manager explained that whilst now within Quarter 2, the deadline for those figures was not until the following week. Members were reminded of the changes in performance reporting and noted the actions from the Regeneration and Economic Development (RED) Service Plan, information regarding benchmarking and areas of improvements such as progress on delivering Equality and Diversity, Carbon Reduction, Investors in People and in response to external inspections.

The Committee learned that the loss of the Area Based Grant (ABG) funding was significant and that the imminent completion of funding initiatives such as Local Enterprise Growth Initiative (LEGI) would further impact upon performance in the next quarter. Councillors noted the reduction in the number of 18-24 year olds in receipt of JobSeekers Allowance (JSA) and also in the number of total JSA claimants for the County. Members noted that the County Durham Economic Assessment (CDEA) had noted a JSA increase, however, this could be linked to seasonality, some forms of summer employment coming to an end. The Customer and Services Intelligence Manager added that the employment rate of the working age population had steadily reduced over the last 12 months, with the County Durham Economic Partnership (CDEP) noting this as a critical economic indicator. Members also noted that the total number of homelessness presentations had risen significantly in comparison to the same period last year and Members may wish to look at this issue in more detail in the future.

The Customer and Services Intelligence Manager gave Members an overview of the good figures in relation to user perception of cultural events and Local Authority Tenant satisfaction with landlord services.

The Committee noted the improvements in private sector rented properties as a result of intervention by the Council and that the occupancy levels of council owned business support centres was approaching its target of 74%, being at 73%. Members were informed that the target for achievement rate for people enrolled on accredited courses supported by the Council's Adult Learning Service was at 81.2%, very close to achieving the target of 82% with finalised data being due to be published in December 2011.

The Customer and Services Intelligence Manager explained that three key performance issues going forward were:

- Only 75% of major planning applications being processed within the 13 week timescale, below the target of 79.9%, due to several reasons including IT issues, the recent staffing restructure and associated relocations.
- The percentage of bus services running on time, 89.9% with the target being 95%. It was explained that it was thought that there may have been issues on the survey day at two particular bus stations and number of surveys at each location will be increased to improve data quality, notwithstanding if a pattern is established further investigations would be undertaken.
- The number of empty properties being brought back into use through council intervention was 11 over the last period, against a target of 20. Members noted that it was felt that a new approach being taken by the Housing Renewals and Improvement Team which came into effect at the end of July 2011 would begin to impact positively on performance in due course.

In relation to the Actions against the Council Plan, Members noted that 48 of the 49 actions in relation to the Altogether Wealthier theme were either on track or had been achieved. The outstanding action, infrastructure and public transport improvements on the Priority 4 corridor along the A690 was proposed to be deleted from the Council Plan due to funding restrictions. Councillors noted the key updates from the RED Service Plan in relation to the Altogether Wealthier theme and the progress on the Stock Options Appraisal, Members having been made aware of details at the Special Meeting of the Committee. The Committee noted that performance information in relation to the In-house Management Organisation, Durham City Homes and the two Arms Length Management Organisations (ALMOs), Dale and Valley Homes (DVH) and East Durham Homes (EDH) would be reported to Committee from Quarter 2 onward after checks on data quality had been made. The Customer and Services Intelligence Manager concluded by explaining that the key risk to the delivery of the objectives of the Altogether Wealthier theme was the loss of the ABG and other significant risks included the worsening condition of the private housing stock, reduced allocations of grants based on the Council's new deprivation status and diminishing capital resources based upon depressed land values and slow growth in the private sector.

The Chair thanked the Customer and Services Intelligence Manager and asked Members for their questions.

Mr T Batson asked whether training for businesses in relation to “buy local” would include information to help in relation to Small and Medium sized Enterprises (SMEs) being able to take on apprentices. The Economic Regeneration Manager, Graham Wood explained that as part of sustainable procurement, apprentices were encouraged, noting a recent ICT Tender that had secured two apprenticeships within the contract.

Councillor P Stradling asked whether there could be an example given of how the Council’s change in deprivation status had prevented the Council from accessing or being awarded funding.

The Head of Planning, Policy and Performance, RED, Andy Palmer reminded Members of the reasons behind the change in the deprivations status, the amalgamations of the 7 former District Authorities under the Local Government Reorganisation (LGR) for County Durham, and noted that the largest risk was the loss of ABG, not the change in deprivation status.

Councillor M Wilkes noted the figures within the report referring to the number of homes still not at the decent homes standard, and indeed that there had been an increase from 36% to 37%. The Customer and Services Intelligence Manager explained that naturally as properties went through their improvement “life-cycle” they would eventually return to a non-decent standard and require some capital investment and that whilst there had been a slight slippage in respect of the percentage figure, the capital programme for RED included works in order to address those issues. The Manager, Durham City Homes (DCH), Simon Bartlett explained that the way in which statistics were gathered meant that at the end of the financial year, a number of properties would automatically fall into the non-decent category and then an inspection would take place to ascertain if that were in fact the case and accordingly, Quarter 1 always recorded a large number of properties becoming non-decent. Councillor M Wilkes asked what the targets were for non-decent homes across the 2 ALMOs and DCH. The Manager, DCH noted that for DCH and DVH the target was 0%, and for EDH it was higher, with the percentage being around 35% non-decency for EDH currently.

Councillor C Carr asked whether changes in European Grant Funding would affect County Durham and which projects would be affected. The Head of Planning, Policy and Performance, RED explained that there was a series of Masterplans related to Town Centres across the County, with the regeneration of Consett having been considered by Cabinet last month. Members were made aware of pressure to relax funding criteria across the European Union due to the Eurozone crisis and that this would need to be monitored against how funding would be allocated for the RED Capital Programme. The Committee noted that in the slightly longer term, it would be possible for the Council to lobby together with neighbouring Local Authorities for an “intermediary region” post 2013 or for a “Nutt2” region together with Tees Valley and that both these proposals may enable greater access to funding streams. The Economic Regeneration Manager explained that as the land and property market was depressed, capital receipts for the Authority were diminished, meaning less money for capital programmes, although this was true of the private sector and not just for Local Authorities and the public sector, with only food retail seeming to have any growth. Accordingly, Members noted that this was why Masterplans included several types of development in order to include element to ensure medium and long term sustainability. Councillors noted that by the end of the financial year, it was planned for several more Masterplans to be submitted for consideration by Cabinet including ones for Bishop Auckland, Stanley, Seaham and Murton.

Mr D Lavin noted there was an indicator in relation to the percentage of occupation of Council controlled factory unit and asked for more information regarding this. The Customer and Services Intelligence Manager explained that they were not factories, rather council owned units, for office space, retail opportunities and so on.

Councillor B Graham asked if it was possible to have figures relating to the number of local people employed as a result of the DurhamGate project. The Economic Regeneration Manager noted he could look into the figures in that regard. The Head of Planning, Policy and Performance, RED added that at DurhamGate there was a desire to work with the Developer in relation to Targeted Recruitment in order to not only provide jobs in the short term, also in the longer term with a few thousand over the next 10 years.

Councillor C Carr asked whether SMEs were taking on apprentices, as Beamish Museum had, or whether they were finding it too difficult in the current economic climate. The Economic Regeneration Manager noted that this was an element of the Working Group set up by the Committee looking at Increasing the Employment Opportunities for Young People. In addition the CDEP had established a task and finish group looking at how to promote apprenticeships within County Durham including engaging with SME's highlighting the advantages to both the company and the young persons of offering apprenticeships. and that one of several priorities was the roles of brokering and ambassadors for SMEs in order to match young people to opportunities.

**Resolved:**

That the report be noted.

**A6 Forecast of Revenue Outturn, Quarter 1, 2011/12:**

The Chair introduced the Finance Manager, Resources, Azhar Rafiq who was in attendance to speak to Members in relation to the Forecast of Revenue Outturn, Quarter 1, 2011/12 report (for copy, see file of minutes).

The Finance Manager, Resources explained that the report followed the usual format for budgetary reports and was the first of the 3 in-year reports, looking at the figures for the first 3 months of the financial year and the projected outturn for the year end. Members noted the three components for the RED budget, those being:

- RED Revenue Budget (General Fund) - £39.617 Million
- Housing Revenue Account (HRA) - £57.631 Million
- RED Capital Programme - £107.064 Million

The Committee noted the underspend of approximately £300,000 for the RED General Fund noting that the key variances broken down by Service areas were in relation to Economic Development, Planning and Transport. The Finance Manager, Resources highlighted the overspend in Business Services of £232,423, noting this was due increased National Non-Domestic Rates (NNDR) costs on vacant units due to a change in rate relief rules.

Members were reminded of the Medium Term Financial Plan (MTFP) savings required for the 2011/12 period and noted that whilst corporately it was a 30% saving, for RED it was approximately 47%. The Committee noted that all areas identified within the MTFP for RED were on track, though the loss of ABG would have a negative effect upon regeneration performance indicators.

The Finance Manager, Resources noted that the HRA was solely funded by rental income and capital receipts from "Right to Buy" sales and not subsidised by Council Tax income. Members learned that the HRA had an overall surplus and that this would be balanced against the overspend in the capital programme in order to reduce the Council's reliance on borrowing.

The Committee noted the items reported under Risk Based or Volatility Reporting with the two areas that were not on track relating to the income from Building Control fees and rental income from Business Space, both due to economic conditions leading to an downturn in activity.

In relation to the Capital Programme, the Finance Manager, Resources explained the differences between current figures and those reported previously to Council and the reasons for the variances, noting that future reporting would include further narrative for Members' information.

Councillors noted the position of Earmarked Reserves for the RED service grouping and noted that the cash limit for RED was expected to rise to £2.7 Million incorporating the 2011/12 forecast underspend and that this money would be retained within RED and not return to the corporate core.

The Chair thanked the Finance Manager, Resources and asked Members for their questions.

Members noted the bad debt write-off of £381,000 within the table on page 31 of the Agenda Paper and queried this amount. The Finance Manager, Resources noted that this was a typographical error, and that whilst the figure was listed as 381 within the column for the hundreds of thousands pounds, the amount was actually just £381.

Councillor M Wilkes asked why there appeared to be costs of approximately £21 Million in relation to agency costs, with the Council employee figure being around £24 Million and if there was a £2.7 Million underspend that would be retained within RED for use supporting the capital programme, was this necessary given that with a budget of around £107 Million, Quarter 1 had only saw a spend of £10 Million against the capital budget. The Finance Manager, Resources explained that the majority of the £21 Million in "agency costs" was in fact subsidy to bus companies for contracted services. Councillor M Wilkes acknowledged this, adding that employee costs of £24 Million seemed to be very high, a third of the budget for in effect "administering" the remainder of the money. The Finance Manager, Resources explained that that RED did not only comprise of regeneration schemes and projects, there were ongoing capital schemes together with statutory services such as Planning, Housing, Transport and indeed the MTFP set out staff savings of around £3.8 Million, equating to over 200 posts to be removed next year, and the number of services reducing within RED from 5 to 4.



The Head of Planning, Policy and Performance, RED added that there was a saving of 33% set out within the MTFP for management and back office staff, though the majority of RED staff worked in statutory services. In relation to the apparently large cash limit, the Finance Manager, Resources explained this allowed flexibility for services to spend over the longer term, for example with Masterplans, and that as the money was ringfenced within RED this enabled better longer term budget planning.

Councillor P Jopling asked whether figures for the shortfall in revenue from industrial units included those owned by the Council and why so many were not occupied, was it an issue of the rent levels. The Finance Manager, Resources explained that the figures related solely to those within the Council's ownership and that a Business Case Study was being developed in relation to this issue by the Business Service Section.

**Resolved:**

That the report be noted.

**A7 Durham City Homes - Update on progress made in relation to recommendations contained in the Scrutiny Review Report 2010:**

The Chair introduced the Principal Overview and Scrutiny Officer and the Manager, DCH to give an update in relation to the recommendations contained within the Scrutiny Review Report from 2010 (for copy, see file of minutes).

Members noted the progress made against the report recommendations, with the inclusion of performance reporting from Quarter 2 of DCH, DVH and EDH. The Committee also noted the reference to specific meetings to allow Members to input into the Stock Option Appraisal project, which had resulted in the Special Meeting of the Committee held on 28 September 2011 with Members' views being fed into the consultation process.

Members noted the progress in relation to the recommendations and Councillor M Wilkes noted that a particular issue he had raised during the review in respect of Local Members being informed about "estate walkabouts" had been resolved and that he was telephoned on the morning of such walkabouts and kept well informed, a definite improvement.

**Resolved:**

That the report and Action Plan in relation to the progress against the specific review recommendations be noted.

## **A8 Economy and Enterprise Overview and Scrutiny Review - Increasing Employment Opportunities of Young People (18-24):**

The Chair introduced the Overview and Scrutiny Officer to give an update in relation to the Working Group set up by the Committee to look at the issue of “Increasing the Employment Opportunities of Young People (18-24) (for copy, see file of minutes).

Members were reminded that a Special Meeting of the Economy and Enterprise Overview and Scrutiny Committee had been held on 8 September to gather information from Officers and Members to draft Terms of Reference and an associated Project Plan for the project looking at Increasing Employment Opportunities of Young People (18-24). Councillors noted that the review would run for 3 months, with any additional meetings to those listed in the Project Plan being scheduled should evidence lead Members to have additional lines of enquiry.

Councillor M Wilkes asked why figures within this report in relation to the numbers of young people in receipt of JSA differed from the Performance Report received by Members at Item 5 on the Agenda. The Principal Overview and Scrutiny Officer noted that the figures within the Performance Report related to the difference between Quarter 1 figures for each year, with those referred to in this Item being for the Quarter 2 to Quarter 4 increase for the last year.

### **Resolved:**

- (i) That the report be noted.
- (ii) That the Terms of Reference and associated Project Plan for the Scrutiny Working Group “Increasing the Employment Opportunities of Young People (18-24) be agreed.

**Economy and Enterprise  
Scrutiny Committee**

**14 November 2011**



**The County Durham Plan**

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**Joint Report of Lorraine O'Donnell, Assistant Chief Executive  
and Ian Thompson, Corporate Director, Regeneration and  
Economic Development**

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**Purpose of the Report**

- 1 To provide Members of the Economy and Enterprise Overview and Scrutiny Committee with supporting information in advance of a presentation by Mike Allum, Strategic Planning Team Leader and Rick Long, Principal Planner, Strategic Planning Team, Regeneration and Economic Development focusing on the County Durham Plan.

**Background**

- 2 All local Planning authorities have a statutory requirement to prepare and maintain an up to date Development Plan for their area. The Development Plan comprises the Regional Spatial Strategy and the Local Development Framework which the Council is now developing, referred to as the County Durham Plan. Members will recall that the Economy and Enterprise Scrutiny Committee Work Programme for 2009/2010 identified that the Committee would receive an Overview of the development of the County Durham Plan.
- 3 On the 6 July, 2011 a special joint meeting was held between Members of the Economy and Enterprise and the Environment and Sustainable Communities Overview and Scrutiny Committees when Members received a presentation providing an update in relation to the Core Strategy followed by focus group work. The special meeting provided Members with the opportunity to participate in the second stage of the public and stakeholder consultation exercise in relation to the development of the County Durham Plan.
- 4 Discussion within the groups focused around five key questions with comments from the various groups collated into a response on behalf of the Overview and Scrutiny Members. This response was then fed into the extensive consultation exercise for the development of the Core Strategy which concluded on the 8 July, 2011. The questions considered by Members were as follows:
  - Have we got the policy direction right? With the focus on increasing economic performance.
  - Does the distribution of housing, retail and industry reflect this?

- Other key issues in the plan are tourism, the rural economy and town centres, what are your thoughts on these?
- We are looking to increase renewable energy but only to a point which County Durham has the capacity to generate and also to provide the necessary waste strategy. Do you agree?
- Have we missed anything?

### **Current Position**

- 5 The responses from the consultation exercise are now being collated and used to inform the further development of the Core Strategy, helping to decide which strategy and proposals would be pursued. Further public events have also been held for the residents of Durham City during October, to update them on progress in developing the design principles that would guide the master planning of key strategic sites around Durham City.
- 6 It is therefore timely that Members of the Economy and Enterprise Overview and Scrutiny Committee receive an update in relation to the development of the Core Strategy and Draft Plan, providing a further opportunity for Overview and Scrutiny Members to comment.

### **Next Steps**

- 7 Members of the Economy and Enterprise Overview and Scrutiny Committee will have the opportunity at the meeting on the 14 November, 2011 to provide comments in relation to the development of the Core Strategy and the Draft Plan.
- 8 It is intended that the Economy and Enterprise Overview and Scrutiny Committee receive a further update in relation to the progress of the County Durham Plan at the meeting on the 29 March, 2012 prior to the publication of the County Durham Plan.

### **Recommendations**

- 9 That Members of the Economy and Enterprise Overview and Scrutiny Committee provide comments in relation to the development of the Core Strategy and the Draft Plan.
- 10 That the Economy and Enterprise Overview and Scrutiny Committee agree to receive a further update in relation to the progress of the County Durham Plan at the meeting on the 29 March, 2012 prior to the publication of the County Durham Plan.

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## **Appendix 1: Implications**

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**Finance** - There will be a need to update the evidence base studies in the future in order that they remain robust. This will be carried out in-house where specialist skills and knowledge are available.

**Staffing** - None

**Equality and Diversity** - Equality and Diversity will be built into the wider LDF preparation process, particularly through the methods used for consultation, and through an Equalities Impact Assessment.

**Accommodation** - None

**Crime and Disorder** - None

**Human Rights** - None

**Consultation** - The extensive consultation process began on the 11<sup>th</sup> June 2010 and ran for 8 weeks concluding on the 6<sup>th</sup> August 2010 with further additional engagement leading up to the publication of the Draft Plan in July 2011.

**Procurement** - None

**Disability Discrimination Act** - None

**Legal Implications** - None

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**Economy and Enterprise  
Overview and Scrutiny Committee**

**14 November 2011**



**Housing Stock Options Appraisal  
Project**

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**Joint Report of Lorraine O'Donnell, Assistant Chief Executive  
and Glyn Hall, Head of Housing**

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**Purpose of the Report**

1. To provide members of the Economy and Enterprise Overview and Scrutiny Committee with an update in relation to the progress of the Stock Options Appraisal Project prior to consideration of the completed report by County Council at the meeting on the 7 December, 2011.

**Background**

2. Durham County Council is landlord for around 19,000 homes in County Durham. Durham City Homes, our in house organisation, manages 6100 homes with the two Arms Length Management Organisations (ALMO's), Dale and Valley Homes and East Durham Homes, managing 12,900 homes in the County.
3. On the 29 June, 2010 Durham County Council took the decision to undertake an option appraisal available for the future financing, ownership and management of its housing stock. The option appraisal will assist the Council in understanding the range of actions it may take to access the funding it needs to continue to invest in its homes, neighbourhoods and services over the next thirty years.
4. The main drivers for the Councils decision to undertake an option appraisal of its housing stock are:
  - The completion of the decent homes programme in the Durham City area and the approaching completion in the Wear Valley area together with the need to determine a long term plan for investment into all of the Council's housing stock.
  - A need to identify a long term funding solution for council housing stock in the former District of Easington. East Durham Homes are eligible to access around £65M of investment to improve its homes. However, East Durham Homes estimate that they will need an additional £37M to achieve the standard of decency its customers aspire to.

- The Council has inherited three housing management arrangements and must determine if these are efficient and achieving value for money.
  - Proposals to reform the housing subsidy system. This would enable the Council to retain its rental income for investment into the homes and services in exchange for a readjustment and redistribution of the council's housing debt.
5. The Economy and Enterprise Overview and Scrutiny Committee's review of Durham City Homes recommended that the Committee be engaged in the appraisal work in respect of the future provision of housing services within Durham City. As a result of this members at the Committee meeting on the 4 April, 2011, considered a report and presentation providing information on the key drivers for the Council's decision to undertake an appraisal, the options available to it for future financing, management and ownership of its housing stock. In addition information was also shared at the meeting detailing the process that will be followed to appraise the options and an update on progress in delivering the project to date. It was agreed by members at the meeting that they would receive further reports detailing the progress made in relation to the Stock Options Appraisal and providing members with a further opportunity to make comments in relation to the appraisal process.
  6. At the meeting of the Committee held on the 15 July, 2011, members considered a report and presentation from the Housing Stock Options Manager detailing the potential options for the future financing, ownership and management of the Council's housing stock. It was decided at the meeting that a special Economy and Enterprise Scrutiny Committee be arranged to allow members the opportunity for a detailed discussion in relation to the various options.
  7. A special meeting of the Economy and Enterprise Scrutiny Committee was arranged for the 28 September, 2011 to allow members the opportunity to respond to the progress to date, potential options and next steps in relation to the Stock Options Appraisal as part of the consultation process. At the meeting the following comments were made by members:
    - The Communication and Consultation Plan is robust, inclusive and widespread. The Committee was particularly pleased with the number of consultation events undertaken and the range of stakeholders engaged in the process including the Economy and Enterprise Overview and Scrutiny Committee.
    - The Committee endorsed the work undertaken to date as part of the Stock Options Appraisal process, particularly that of the project lead and the expert advisors CIH and Trowers and Hamblins.



- In relation to the preferred option, the Committee emphasised the importance of ensuring that whatever the preferred option agreed upon for consultation by Cabinet/ Council this model must ensure that there are opportunities for community involvement and engagement within the organisational operating processes of that model.
- In addition, the Committee accepted that significant levels of investment are needed in the thirty year business plan and that a significant proportion of this needs to be made in the first ten years. It is imperative that early negotiations with the Government need to take place on the possibility of Stock Transfer and also the conditions associated with self-financing.

### **Next Steps**

- 8 The presentation at the Economy and Enterprise Overview and Scrutiny Committee on the 14 November, 2011 will provide a further opportunity for Members to comment on the progress and next steps in relation to the Stock Options Appraisal process prior to the consideration of the completed report by County Council at the meeting on the 7 December, 2011.

### **Recommendations**

9. That the members of the Economy and Enterprise Scrutiny Committee note the information and comment upon the progress and next steps in relation to the Stock Options Appraisal process prior to the consideration of the completed report at the County Council meeting on 7 December, 2011.

### **Background Papers**

Housing Stock Options Appraisal (Economy and Enterprise Overview and Scrutiny Report – 15 July 2011).

Durham City Homes Review Report – December 2010.

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## **Appendix 1: Implications**

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**Finance** - The stock options appraisal project will be funded from the housing revenue account.

**Staffing** - The project will be managed by Marie Roe, Housing Stock Options Appraisal Manager.

**Risk** - The Authority is running a significant risk of poor quality homes and services if it does not identify an appropriate solution for the long term financing of improvements to its stock.

**Equality and Diversity** - One of the stock options appraisal project's key objectives will be to address inequality in the quality of housing.

**Accommodation** - None.

**Crime and Disorder** - Crime and disorder reduction targets will be reflected in the stock option appraisal's objectives.

**Human Rights** - None.

**Consultation** - Extensive consultation is to be undertaken with key stakeholders.

**Procurement** - An independent Tenant Adviser has been appointed via the procurement process for the duration of the project.

**Disability Issues** - Appropriate opportunities for all stakeholders to contribute to the stock options appraisal will be provided.

**Legal Implications** - Significant legal implications for the Council in terms of the future management and ownership of its housing stock.



County Durham  
Economic Partnership

**MINUTES**

<b>Meeting</b>	County Durham Economic Partnership Board
<b>Date of Meeting</b>	Monday 18 July 2011
<b>Time of Meeting</b>	13.00 – 15:30
<b>Venue</b>	Committee Room 1B, County Hall

**Attendees:**

Ken Jarrold	Chair
Tarryn Lloyd Payne	DCC, CDEP Secretariat
Joanne Willey	DCC, CDEP Secretariat
Ivor Stolliday	Chair of Visit County Durham
Cllr Neil Foster	Cabinet Portfolio Holder for Economic Development and Regeneration
Sarah Robson	Chair of Place Shaping Working Group
Ian Thompson	Director of Regeneration and Economic Development
Stuart Thompson	Federation of Small Businesses
Bryan Hoare	Durham Business Club
Brian Manning	Chair of Employment and Skills Group
Alex Nelson	Chair of the Transport and Planning Forum
Melanie Sensicle	Visit County Durham
Paul Chapman	Job Centre Plus
Jonathan Walker	North East Chamber of Commerce
Paul Kelly	Durham County Council
Pauline Lubacz	Durham University

**Guest speakers**

Peter McDowell	Durham County Council
Kaye Rideout	Avanta
Stuart Matthew	Ingeus
Lesley Anne Kirk	Ingeus
Andy Palmer	Durham County Council

**Apologies**

Ian West	Seaward Group
John Lyle	Derwentside Engineering Forum
Sue Parkinson	Chair of the Business and Enterprise Working Group
Ray Hudson	Durham University
John Widdowson	Chair of the Employment and Skills Executive Group
Adrian White	Durham County Council
Glyn Hall	Chair of Housing Forum
Cllr Eddie Tomlinson	Chair of Rural Working Group
Graham Wood	Economic Regeneration Manager

## **1. Minutes of last meeting, 4 April 2011**

The minutes were agreed as a true record.

## **2. Matters Arising**

- The CDEA will be shortly uploaded to the website. Partners will be informed by email with a link.

## **3. Chairs Remarks**

Ken Jarrold's remarks covered the following areas:

*The Economic situation in the UK, and internationally*

- The Federal debt crisis in the USA [the main export market for County Durham firms], the continuing debt crisis in the Eurozone and the lack of demand in the UK economy were all causes for grave concern. UK households have seen the biggest fall in disposable income for more than 30 years.

*Recent Meetings*

- Ken attended a scrutiny meeting and there had been a good discussion about the economic issues facing the County. Members had expressed some concern about the modest targets in the Delivery Plan. Ken had stressed the need for realism.
- Ken attended the NECC Durham Committee meeting and was pleased to see 3 of its Board members are also members of the CDEP Board. The Chair of the Committee had concluded that the CDEP "had taken a huge step forward".
- The Queens Lifetime Achievement Award for Enterprise has been awarded to Ron Batty who was CE of the CDC Enterprise Agency.

Ken highlighted the main points from the paper he produced following individual meetings with Board members. The Board agreed that this was an accurate record and endorsed the key issues and priorities.

## **Update Items**

### **4. Business Engagement – Peter McDowell**

Peter introduced the report and set out the purpose. Comments were received from the Board:

- Feedback from board members focused on a need for further understanding about the purpose of the forum, what it would do, what incentive was there for businesses to attend.

**ACTION:** It was agreed that the report would be reviewed by Ian Thompson and the DCC Business Services to make changes in light of the comments received. A further report would come back to the Board.

## 5. BDUK Update

- BDUK stands for Broadband Development UK and has been created within DCMS as a delivery vehicle for the Government's policies on broadband
- A bid was submitted to Government by DCC for funding however the bid was not successful.
- Further improvements to the bid are being made following the feedback received
- It is hoped that the bid will be approved and the money received soon
- Paul Chapman noted that there are Digital Champions in every Job Centre and emphasised the opportunities for joint working

## 6. Spending Cuts

### *Durham County Council*

- The workforce will be reduced by 1,600 over the next 3-4 years
- A large number of applications have been received for Early Redundancy/Early Retirement
- 240 members of staff have already left through natural means since January 2011
- There have been 53 compulsory redundancies since January 2011
- 400 members of staff are going through retraining and change management programmes
- A package of support is being made available to staff to help with job hunting and business start ups.

### *Businesses*

- Figures showed that there were 7% fewer business start ups compared to the same period in 2010.

### *Good news*

- There is growth for ROMAG
- Paper Chase have opened a store in Durham creating 7 new jobs
- International Cuisine will create 150 new jobs
- Rushlift have won a major new contract that will create 30 new jobs
- The GT group will create 200 new jobs

It was agreed that the Board would receive a report on employment at each meeting and that colleagues from Job Centre Plus would assist with the preparation of the report.

## 7. LEP Update

- The LEP Board has been established and has 2 members based in County Durham, they are: David Land of Thyssen Krupp (also a member of the CDEP Employment and Skills Group) and Arnab Basu of Kromek
- Paul Woolston of PWC LLP will chair the LEP

**ACTION:** Ken Jarrold will write to the 2 Durham members to explore opportunities for working together including attendance at CDEP Board meetings.

## 8. Work Programme

Paul Chapman informed the group of the structural changes to Job Centre Plus. Paul will be the new representative on the Board. Paul emphasised that JCP will retain responsibility for the vast majority of unemployed people.

Kaye Rideout provided an overview on Avanta and the services they will be providing for the work programme.

Stuart Murphy and Lesley Anne Kirk provided an overview on Igneous and the services they will be providing for the work programme.

It was clear that the Work Programme had a number of features that distinguished it from previous programmes including;

- A commercial approach
- Competition
- Intensity
- Flexibility
- A local approach

### **ACTION:**

A copy of all presentations will be circulated with the minutes.

Ken Jarrold thanked all speakers and wished them well in what will be an immensely challenging task ahead given that there needed to be “jobs to go to” if the programme was to succeed.

## 9. Altogether Wealthier Delivery Plan

Andy Palmer introduced the delivery plan and informed the Board that this had already been approved by working group chairs.

Comments:

- It was noted that there was no mention in the plan about how AAP's will be engaged
- There is no theme on perception and profile of the County

### **ACTION:**

Andy Palmer and Paulina Lubacz to discuss AAP involvement. The Plan to be amended to include a theme on perception and profile.

## 10. Working Group Chairs Update

### *Place Shaping*

The last meeting took place in June and discussed Strategic housing, sites and numbers, the Stanley Masterplan, RDA assets and a presentation on the housing regeneration programme.

### *Transport*

The last meeting scheduled in June was cancelled. The next meeting will take place in October.

### *Employment and Skills*

The group has not recently met and is in a period of refreshment. The future of the group is yet to be decided as there are proposals about merging with Tyne and Wear and Northumberland in order to have a stronger voice working closely with Andrew Hodgson Vice Chair of the LEP.

Previous updates mentioned the group planned to submit a bid for RGF for the young ambassador's scheme; however advice was given not to go ahead as it was felt the project was not big enough.

*Voluntary and Community Sector*

Due to the state of the economy, there is a lot more demand and fewer resources available.

*Visitor Economy*

The National Tourist Board is now divided into 3 groups: Industry advisory Board, Destination Forum and the Visitor Economy Forum.

North East Tourism Alliance is engaged with the LEP.

There is a Visitor Economy Representative on the LEP Board

*Culture*

The Cultural Partnership has met twice. Tony Durcan has been appointed as independent chair.

**11. Any other business**

There was no other business discussed.

**12. Date and times of next meeting**

Monday 31<sup>st</sup> October, Committee Room 1B – 13.00 to 16.00

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