

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 30 October 2014 at 9.30 am**

Present:

Councillor R Crute (Chairman)

Members of the Committee:

Councillors E Adam, A Batey, J Clare, J Maitland, H Nicholson, P Stradling, O Temple and A Willis

Co-opted Members:

Mr I McLaren

1 Apologies for Absence

Apologies for absence were received from Councillors J Armstrong, J Bell, I Geldard, R Ormerod, J Rowlandson, S Zair and Mr E Henderson.

2 Substitute Members

No notification of Substitute Members had been received.

3 Minutes

The Minutes of the meetings held 22 September 2014 and 6 October 2014 were agreed as correct records and were signed by the Chairman.

4 Declarations of Interest

There were no Declarations of Interest.

5 Items from Co-opted Members or Interested Parties

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

6 Media Relations

The Overview and Scrutiny Officer, Diane Close referred Members to the recent prominent articles and news stories relating to the remit of the Economy and Enterprise Overview and Scrutiny Committee (for copy see file of minutes). The articles included: 24,000 young people taking up apprenticeships and work experience placements in the North East; 140 firms signed up for an "Oktoberfest" engineering and manufacturing showcase; further progress in respect of the Hitachi site; and funding plans being approved for an extension of NetPark at Sedgefield.

It was noted that Hitachi had secured an order from Scotrail for 70 electric units as part of the upgrade to the Glasgow to Edinburgh route.

Resolved:

That the presentation be noted.

7 Youth Employment Initiative - Update

The Chairman thanked the Policy, Planning and Partnerships Officer, Children and Adults Services, Stephen Crass who was in attendance to give an update to Members in relation to the Youth Employment Initiative (YEI) (for copy see file of minutes).

The Policy, Planning and Partnerships Officer reminded Members of the background to the YEI, with the YEI being to "support the sustainable integration into the labour market of young people (aged 15-24) not in Education, Employment or Training (NEET)". Members noted that the YEI was not just to help those furthest from the labour market, but all young people from those lacking basic skills up to unemployed graduates. It was added that County Durham was eligible for €24.0 Million (approximately £20.5 Million), which comprised of 3 elements: €9.0 Million YEI funding; €9.0 Million from the European Social Fund (ESF); and €6.0 Million of match funding. It was explained that the funding was conditional on being committed by 2015, and with spending to be completed by 2018.

Members were given evidence relating to: unemployment rates of 16-24 year olds, noting the gap between County Durham and the North East Local Enterprise Partnership (NELEP) and National rates; the impact of recession upon young people in employment; Job Seekers Allowance (JSA) claimants aged 18-24; and the number of young people 16-18 participating in learning. The Policy, Planning and Partnerships Officer expanded on the issue of those claiming JSA, noting there was further work required to unpick where young people were moving to after school, whether that be into employment, back into education, to be supported by their families; or to become part of the "grey economy". The Committee noted the "not known" figure, below that of the region, however, higher than the national figure.

Councillors were made aware of "geographical hotspots" of youth unemployment, being: East Durham; Bishop Auckland, Shildon, Ferryhill in the South and West; and Stanley in the North of the County.

Members also noted the groups of people overrepresented in the 16-18 NEET cohort including: pregnant/teen parents; young people with special educational needs; young people with challenging behaviour/mental health issues; care leavers; young carers; supported by the Youth Offending Service (YOS) and Looked After Children.

The Policy, Planning and Partnerships Officer noted Key Stage 4 attainment in County Durham in comparison to the figures for England, and noted that the proportion of 18 year olds entering university is lowest in the North East, however, the growth in university applicants from the North East is amongst the highest of all UK regions.

The Committee noted the cost to the economy of youth unemployment, with research estimating that the overall loss to the UK economic output in 2012 was £10.7 Billion and the cost of every young person who has been NEET over their lifetime would be £56,000 in higher public finance and £104,000 in economic terms. Members were given a breakdown of the reasons employers gave for not employing young people, those being: lack of experience (29%); lack of skills (23%); poor attitude (18%); lack of qualifications (15%); poor quality application (13%); and "other" (2%). It was added that consultation with young people had shown that they believed that the main barrier they faced was a lack of work experience and also the competition from older people (over 25 years of age) who have such experience.

Councillors learned of the "Simpl Challenge", operated by the Federation of Small Businesses (FSB) North East in partnership with the County Durham Community Foundation, County Durham Economic Partnership and Durham County Council (DCC). It was explained that the Simpl Challenge looked for new ideas from business and the community to tackle youth unemployment in County Durham. It was added that each Simpl Challenge was based around a question, and a "Dragons' Den" style event would look at the best ideas, with funding available to take the best ideas forward.

Members were referred to the "Journey to Employment" and noted that the three stages were: engagement and action planning; building skills, capability and experience; and aftercare and retention. It was explained that there were several existing programmes in place, however, it would be key for the YEI to complement those schemes and not displace those already engaged in other employability activities. The Policy, Planning and Partnerships Officer explained that there had been several activities identified within 4 broad themes, the themes being: supporting young people's transitions; raising aspirations for vulnerable young people; supporting young people into employment; and re-engagement activities.

The Policy, Planning and Partnerships Officer concluded by noting the next steps in terms of the YEI, included further research; defining the YEI ambition; refining activities to be commissioned; communications; determining and understanding the delivery model; commissioning; delivery; and then evaluation.

The Chairman thanked the Policy, Planning and Partnerships Officer and asked Members for their questions on the presentation.

Councillors asked several questions in relation to: the breakdown of the total funding available; the inability to direct funds towards those in full-time education that may be at risk of becoming NEET; “poor attitude” and “lack of skills” being given as reasons why employers did not employ young people.

The Policy, Planning and Partnerships Officer explained that the total funding for County Durham was £20.5 Million, with £7.7 Million being YEI funding, aligned to £7.7 Million ESF allocation with a requirement to match fund the ESF allocation with £5.1 Million. Members noted that, initially, Government advice was that funding could be directed to those in Key Stage 4, in full-time education and being identified as being at risk of becoming NEET. However, it was explained that recent Government guidance stated that YEI funding could only be directed towards young people who were already NEET. The Chairman asked whether it was possible to direct other funding at those vulnerable to becoming NEET. The Policy, Planning and Partnerships Officer explained that it may be possible to give support to those young people using ESF monies, as EU rules govern this spend. The Policy, Planning and Partnerships Officer noted that there was further work to be done with employers locally to understand what skills they required and to educate young people on what employers actually wanted from them.

Councillors asked further questions relating to: whether “hotspot areas” received more of the resources to target youth unemployment and training; if volunteering was supported as an option to help develop young people’s skills, in the context of a lack of jobs being available post-education; low-skills churn, with lower level jobs being contracted out, preventing progression within businesses; what employers were doing to provide young people with the skills that employers want; apprenticeships and developing bespoke training to cater for niche market businesses.

The Policy, Planning and Partnerships Officer confirmed that “hotspot areas” did receive a higher proportion of resources and though the number of NEETs in some areas were low, they represented an important proportion of young people. It was noted that following reforms to Further Education, there was an expectation for courses to contain “proper” work experience, however funding reductions in respect of work experience, advice and guidance in schools was a result of national policy. Members noted that young people needed the skills to be able to search, apply and interview for jobs, and be aware of their obligations once employed in order to sustain their position.

The Committee noted that there was a stipulation that YEI funds must be targeted and there was a recognition that there were some incentives to employers to engage and Business Advisors looked to create regional links and make young people aware of the opportunities that exist. It was explained that there were a number of good apprenticeship schemes being offered in the County, not simply graduate training programmes, and they were leading to genuine career pathways.

Several Members noted that young people believed they were getting the skills they required from academic and vocational courses and there was a need to recognise and highlight the difference between what young people were being offered and what specialist skills local employers need.

Resolved:

- (i) That the Economy and Enterprise Overview and Scrutiny Committee note the report and presentation.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee receive a further progress report on the development of the Youth Employment Initiative within County Durham at a future meeting of the Committee.

8 Business Durham - Update

The Chairman thanked the Managing Director, Business Durham, Dr Simon Goon who was in attendance to give an update in relation Business Durham (BD) (for copy see file of minutes).

The Managing Director, BD referred to the press articles mentioned in the previous item, noting these as signs of increased confidence of business in the County. It was also noted that there had been increases in enquires and more discussions about growth in the economy. It was explained that the challenge for County Durham was to manage limited resources and to be ready to react to opportunities as they appear.

The Committee were reminded that the aims of BD were to deliver the environment for business and economic growth and to increase the size of the private sector to rebalance the County's economy by:

- Increasing rates of business survival
- Increasing rates of business start-up
- Increasing numbers of businesses attracted
- Increasing numbers of jobs safeguarded/created

Councillors learned that the work of BD was underpinned by the ambition of raising the economic aspirations of its client groups with three priorities for BD being to:

- Deliver a financial sustainable service
- Be more proactive in engaging with business and sector development
- Operate more effective, efficient and influencing networks within and out of the County

The Managing Director, BD explained that since reporting at the Committee in October 2013, in respect of forming a strong evidence base to measure the impact of activity on the economy of the County, good progress was being made with data sets and data quality, now having agreed a GVA per employee values for the County. It was explained that this in turn allowed the impact of the activities of BD to be estimated allowing understanding of which areas and sectors had the most economic impact. Members were referred to Table 1 within the report which set out the GVA contribution per job by sector and noted the percentage of the labour market they represented.

Councillors noted that BD had an Advisory Board supported by Members, chaired by Councillor S Henig, with private sector board members in addition who were available to provide advice, information and support the operation of BD. It was explained that BD had three teams including the “Business Space Team” which had responsibility for the letting, management and development of the Business Durham property portfolio across the County. It was explained that the other two teams were the “Business Development Team” and “Innovation and Growth Team”, with the former including work to promote enterprise and increase the number and quality of businesses starting up. Members noted the Innovation and Growth Team had responsibility for inward investment; the innovation agenda; sector development; site-specific propositions; and NETPark.

The Committee were informed of the new key performance indicators (KPI) that had been developed for BD and performance levels at 30 September 2014, noting the high level of business occupancy, 77%.

The Managing Director, BD noted that in relation to “Enterprise, Engagement and Outreach”, the Future Business Magnates (FBM) enterprise competition was celebrating its 10th Anniversary. Members were reminded that FBM pairs up schools with local businesses, engaging with over 200 young people per year. It was explained that the theme of the 2013-14 competition was “Tomorrow’s Technology Solving Today’s Problems” and this theme encouraged the use of science, technology, engineering and mathematics (STEM) skills in order to develop a new business idea. It was noted that the winning school/business from 24 participating teams was by Belmont Community School and Watersons Limited with an “anti-cyberbullying app” for smartphones, with the idea being so impressive to the judges and businesses that the idea was being looked at to be taken forward as a real product. It was added that a pilot of “FBM Plus”, operating the competition in Further Education (FE) establishments, would be further expanded in 2015.

Members noted a number of initiatives BD had been involved with, including: “Putting Women on the Map”, a celebration of women’s enterprise to coincide with International Women’s Day; supporting Durham University’s student Blueprint Enterprise competition; Kickstart Weekend organised by Durham University’s student led enterprise society, “Entrepreneurs Durham”; enterprise-themed talks given to a total of 385 people around the County; and leading on the development of European Regional Development Fund (ERDF) 2014 work streams on behalf of the County Durham Economic Partnership (CDEP) for innovation and enterprise and business support.

The Managing Director, BD explained to Members that by utilising DCC, CDEP and ERDF monies, a programme of support for people starting creative businesses had been commissioned. Members noted a self-employment support option for those affected by Welfare Reform (WR), with 20 people having been supported and 1 client having started up a business. It was added that around 600 businesses had been engaged with during 2013/14 and also a number of Business Park Communities had been established based around key industrial estate locations. The Committee were informed that the Durham Social Value Taskforce, chaired by Councillor N Foster, had helped Small and Medium sized Enterprises (SMEs) to access procurement opportunities utilising aspects of the Social Value Act where applicable. Councillors noted that 20 businesses had been helped to secure a total of £8.1 Million from the Regional Growth Fund, under the “Let’s Grow” grant scheme.

Members were reminded of the success of the Hitachi Rail development and noted the “topping out” ceremony that had recently taken place. It was explained that South West Durham Training (SWDT) were to receive a “training train” so that the Japanese methodology could be explained to trainees, with an ability for the train to be stripped and rebuilt by Hitachi employees. It was noted that a number of design jobs would also be created by Hitachi and that Newton Aycliffe will include a design department as well as assembly plant

Councillors noted several inward investment successes including: Bristol Labs taking on the former Reckitt Benckiser plant at Peterlee with 347 jobs created from January 2014, looking to double that number over a 5 year period; TSC Simulation setting up an office at Aycliffe Business Park; Atom Bank looking to set up its headquarters at Aykley Heads with upto 500 jobs over the next few years. Members noted the continued success of NETPark, now in its 10th year, and the work of Durham University and the Centre for Process Innovation (CPI) in developing the innovation theme of the European Structural Funds Investment Plan and to develop NETPark as the global hub of materials integration capabilities.

Members noted that BD had influenced the NELEP’s Smart Specialisation Strategy (S3) and also led a regional consortium to secure a regional Centre of Excellence status for NETPark for the “Satellite Applications Catapult”, making NETPark the only site that had two “catapults”.

The Managing Director, BD explained that in relation to business properties, occupancy and collection rates had continued to improve and a new development at Consett, “ViewPoint” opened on 4 March 2014 by the late Councillor Pauline Charlton, the then Chairman of Durham County Council. Members also noted the growth and improvement at the Durham Dales Centre at Stanhope.

The Chairman thanked the Managing Director, BD and asked Members for their questions on the update.

Councillors asked questions in relation to: investment in other industries other than Hitachi at Newton Aycliffe; the status of the development at Hawthorn in the east of the County; and income generated from properties, and whether targets relating to income and occupancy would be achieved.

The Managing Director, BD noted that work was ongoing to open up more land at Newton Aycliffe for development and noted the activities in relation to the “Durham Oktoberfest” event involving 140 businesses. It was added that while there was a focus on the Hitachi site, there were several other excellent businesses in the Newton Aycliffe area such as EBac, Gestamp Tallent, Tekmar and Sabre Rail. The Managing Director, BD explained that the Hawthorn development had been a victim of the recession, however, there had been a recent enquiry as regards the site, a possible “seed” that would help to take the development forward. Members noted that DCC properties were being let in a competitive market and, in order to be competitive some properties are offered with rent-free periods to encourage new businesses to establish and grow. It was explained that there was a degree of lag between occupancy rates increasing and the corresponding increase in income, due to this incentive period. The Managing Director, BD noted that he was confident that targets relating to occupancy and income would be met by the year end.

The Managing Director, BD noted a “working group” had been set up by BD, looking at the better connecting businesses and educationalists (secondary schools), looking at how schools and employers can work together. It was suggested that an update on the development of this group could be provided to Members at a future meeting of the Economy and Enterprise Overview and Scrutiny Committee.

Resolved:

- (i) That the Economy and Enterprise Overview and Scrutiny Committee note the update report.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee receive a further update report on the work of Business Durham at future meeting of the Committee.

9 EU Funding Programme - Update

The Chairman thanked the Head of Strategy, Programmes and Performance, Regeneration and Economic Development, Andy Palmer who was in attendance to give an update to Members in relation to the EU Funding Programme (for copy see file of minutes).

The Head of Strategy, Programmes and Performance explained that there were various strands to the EU Structural Funds Programme and that the programme for 2014-2020 had yet to be approved. Members noted that the programme was in effect a national one and the UK Government was in negotiation with the EU Commission regarding the English Operational Programmes (OPs). It was explained that the Government had given LEPs the role of preparing board strategies for investment themes in their areas. Councillors learned that there were 5 strategic objectives in relation to the European Structural Investment Fund Strategy (ESIF) those being: Innovation; Business Growth; Low Carbon; Inclusive Growth; and Skills.

Members were reminded that as County Durham was a “Transition Region”, it was unique within the NELEP area, having a sub-allocation of £135 Million. It was noted that the CDEP was an advisory board, with the following work streams of: innovation; enterprise and business support; access to finance; capital infrastructure; youth unemployment; social inclusion; adult skills and employability; and low carbon/sustainability. Members noted that the YEI funding mentioned in a previous item was a separate fund from the EU Structural Funds Programme.

It was explained that there was a degree of tension between the EU and Government in respect of the role of LEPs, and that the Combined Authority (CA) acted as a sub-committee in respect of the national group. It was added that this meant DCC had representation through both the CDEP and CA, with the Department for Communities and Local Government (DCLG) looking for a steer from this “local group”.

Members were referred to Appendix B of the report which set out the areas of potential DCC project activity identified through the CDEP, including: reducing homelessness; supporting SMEs in the food, drink and retail sectors (where linked to the visitor economy); low carbon economy; and apprenticeships.

Councillors learned that in addition the majority of the Area Action Partnerships (AAPs) had some form of job creation within their list of priorities.

The Committee noted that the project proposals would be finalised by Easter 2015, with projects then applying to the Programme. It was added that there had been engagement with partners and briefings had been held with the local M.E.P.s and M.P.s.

The Chairman thanked the Head of Strategy, Programmes and Performance and asked Members for their questions on the report.

Members asked questions in respect of: was the EU Structural Funds Programme affected by the £1.7 Billion that the UK were being asked to pay to the EU as mentioned in the press; how the OPs fitted in with the CA; Government "Opt-ins" where match funding is not required; and further information for Members in respect of EU Funding.

The Head of Strategy, Programmes and Performance noted that the issue being discussed in the press regarding the £1.7 Billion was not connected to the issue of EU Structural Funds Programme. Members noted that there was some EU debate as regards the OPs, including issues of Flooding, ICT and Sustainable Transport and also where national issues would then impact on the UK regions, an example being transport. The Head of Strategy, Programmes and Performance explained that the CA funds were via the NELEP, devolved from the Department for Transport (DfT) and some Government Departments, with a single Transport Authority for the region. It was added that the technical expertise in dealing with EU Funding bids sat with the Local Authorities, and the CA and therefore support could be offered to the NELEP, working with local partners.

The Head of Strategy, Programmes and Performance noted that in the past ESF was handled nationally and ERDF was handled at a regional level, however, now Government note the LEPs have a say in respect of programmes and can "opt-in" to the Government programme with the LEPs then "buying programmes" from Government Departments, a prospectus being available on the Department for Business, Innovation and Skills website. It was added that there had been a Members' Seminar on EU Funding approximately 6 months ago, though further sessions could be arranged if Members wished.

Resolved:

- (i) That the Economy and Enterprise Overview and Scrutiny Committee note the update report.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee receive a further progress report at future meeting of the Committee.