



Economy and Enterprise Overview and Scrutiny Committee

Date **Friday 20 February 2015**
Time **9.30 am**
Venue **Committee Room 2, County Hall, Durham**

Business

Part A

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

1. Apologies for Absence
2. Substitute Members
3. Minutes of the meeting held 8 January 2015 and the Special meetings held 5 December 2014, 15 December 2014 and 28 January 2015 (Pages 1 - 30)
4. Declarations of Interest, if any
5. Items from Co-opted Members or Interested Parties, if any
6. Media Relations
7. Housing Stock Transfer - Update: (Pages 31 - 38)
Report of the Corporate Director of Regeneration and Economic Development.
8. EU Funding Programme - Update: (Pages 39 - 66)
Report of the Corporate Director of Regeneration and Economic Development.
9. Housing Strategy - Update: (Pages 67 - 72)
 - (i) Joint Report of the Assistant Chief Executive and the Corporate Director of Regeneration and Economic Development.
 - (ii) Presentation by Principal Policy Officer, Regeneration and Economic Development.

10. Skills Development in County Durham - Update: (Pages 73 - 82)
 - (i) Joint Report of the Assistant Chief Executive and the Corporate Director of Regeneration and Economic Development.
 - (ii) Presentation by Economic Development Manager and Employability Manager.
11. Combined Authority - Update: (Pages 83 - 92)
Report of the Corporate Director of Regeneration and Economic Development.
12. 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
12 February 2015

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

Councillor R Crute (Chairman)
Councillor A Batey (Vice-Chairman)

Councillors E Adam, J Armstrong, J Bell, J Clare, J Cordon, I Geldard, D Hall, C Kay, J Maitland, P McCourt, H Nicholson, R Ormerod, A Patterson, J Rowlandson, M Simpson, P Stradling, O Temple, A Willis and S Zair

Co-opted Members:

Mr E Henderson and Mr I McLaren

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 8 January 2015** at **9.30 am**

Present:

Councillor R Crute (Chairman)

Members of the Committee:

Councillors J Armstrong, A Batey, J Bell, J Clare, C Kay, J Maitland, H Nicholson, A Patterson, J Rowlandson, P Stradling, A Willis and A Hopgood (substitute for R Ormerod)

Co-opted Members:

Mr E Henderson and Mr I McLaren

1 Apologies for Absence

Apologies for absence were received from Councillors D Hall, R Ormerod, O Temple and S Zair.

2 Substitute Members

Councillor A Hopgood substituted for Councillor R Ormerod.

3 Minutes

The Minutes of the meetings held 30 October 2014 and 7 November 2014 April were agreed as a correct record 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: proposals to regenerate The Gates Shopping Centre in Durham City, potential creating 120 jobs; extending the private landlord accreditation scheme; Beamish Museum winning a Gold Award at the North East England Tourism Awards 2014; and the Visit County Durham national campaign having generated 245 jobs and attracted an additional spend of £13 million.

Resolved:

That the presentation be noted.

7 Quarter 2, 2014/15 Revenue and Capital Outturn

The Chairman introduced the Finance Manager, Resources, Azhar Rafiq to speak to Members in relation to the Quarter 2 Revenue and Capital Outturn 2014/15 (for copy see file of minutes).

The Finance Manager reminded Members of the areas reported upon, the General Fund Revenue Account, the Housing Revenue Account (HRA) and the Capital Programme for the RED Service. Members noted the service was reporting a cash limit underspend of approximately £400,000 at Quarter 1 2014/15 and an underspend of £1.050 million at Quarter 2, against a revised General Fund Revenue Budget of £44.912 million. Members noted the major variances fell within Planning and Assets, with the detailed explanations as set out within the report including an increased income from planning applications and increased occupancy at NETPark. The Committee were informed that the service grouping was on track to maintain spending within the cash limit and Medium Term Financial Plan (MTFP) savings were incorporated into the outturn position.

The Committee noted that the HRA for 2014/15 had no major issues and the variances within the HRA being set out within the report including increased income as fewer Right to Buy sales and a lower void rate had meant additional rent and an underspend due to lower interest payments. Members were reminded of the ongoing work in relation to the housing stock transfer, for the Council stock to be transferred from the 3 current organisations to 1 provider, transfer due to be completed by the end of March 2015.

As regards the Capital Programme, the Finance Manager explained that subsequent to revisions to take into account grant additions/reductions and re-profiling the budget now stood at approximately £96.566 million split between the General Fund (£46.533 million) and HRA (£50.033 million). Members noted that the actual spend for the first three months of 2014/15 had been approximately £32.887 million, with a breakdown of the major capital projects given at Appendix 3 to the report.

The Chairman thanked the Finance Manager and asked Members for their questions on the finance report.

Councillors asked questions in respect of: security costs at a building at Whinney Hill; a breakdown of void rates by organisation; and any incentives in place to attract businesses to occupy Council owned properties.

The Finance Manager explained that he would check with the service as regards the ongoing security at Whinney Hill and report back to the Members and that the void percentages for the 3 housing organisations were: Durham City Homes, 1.32%; Dales and Valley Homes, 2.75%; and East Durham Homes, 1.56%. Councillors noted that Officers from the regeneration section would be best placed to explain as regards the approach to marketing Council business properties and that he would report back to the member having consulted with colleagues.

Resolved:

That the report be noted.

8 Members' Reference Group - Update on Recommendations

The Chairman introduced the SPP and Resources Manager, Regeneration and Economic Development, Ray Brewis to speak to Members in relation to the recommendations that had come from the Members' Reference Group that had looked at the Impact of Changes in Government Funding and Policy on the Economy of County Durham (for copy see file of minutes).

The SPP and Resources Manager, reminded Members that the Reference Group had made 6 recommendations, with 2 of those being the regular reporting and follow up against recommendations at Committee. Councillors noted that the County Durham Economic Partnership (CDEP) Data Management Group were working to get better data against 5 key measures of success in terms of the economy, the main measure being job creation and the County had seen the beginning of improvements to the economy, however, there was a lag and significant gaps to narrow in comparison to the national picture. Councillors noted interventions that utilised funding from the European Union (EU), Local Enterprise Partnership (LEP) and the North East Combined Authority (NECA), albeit the current funding levels were significantly lower than those pre-recession. It was added that County Durham had the largest proportion of European Growth Fund (EGF) within the region (40% of the allocation) a number of projects being within Durham City including: North Road; Millburngate House; The Gates and at the sites of former Council Offices across the County. It was explained that other projects included the expansion of NETPark at Sedgfield and the Rail Station at Horden.

The Committee noted that, working with partners, the Council was looking to influence and access as many funding mechanisms as possible and provide the maximum benefit for County Durham. It was noted that DCC had good Member representation with the DCC Leader, Councillor S Henig being Chairman of the NECA, Vice-Chairman of the LEP and other DCC Portfolio Holders and senior Members representing the Authority on the NECA and other regional bodies.

The SPP and Resources Manager concluded by noting that guidance had not yet been received as regards the EU Operational Programme and the Single Growth Fund was just awaiting the final hurdles being cleared.

The Chairman thanked the SPP and Resources Manager and asked Members for their questions on the update.

Councillors asked as regards: DCC having match funding in place; any time-limits on funding relating to Employability and Skills; and any impact of the EU not recognising the role of the LEP.

The SPP and Resources Manager explained that match funding would have to be confirmed after EU funding was confirmed, though it was noted that LEP and DCC Capital funds would be utilised where appropriate. It was explained that funding relating to Employability and Skills were allocated to a 6 year programme, with a 3 year period after to complete any programmes, and while there was a delay of approximately 1 year, this time allowed for high quality plans to be prepared, which should in turn lead to quicker delivery. The SPP and Resources Manager explained that while the EU did not recognise the LEPs, Central Government would oversee EU funding, delegating to CAs and concerns as regards EU not recognising LEPs had been raised with Government.

Resolved:

- (i) That the report be noted.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee receive a further report detailing progress made against the recommendations contained in the Members' Reference Group review report at a future meeting.

9 Housing Strategy - Overview

The Chairman introduced the Principal Policy Officer, Regeneration and Economic Development, Graeme Smith to speak to Members in relation to the Housing Strategy 2015-2020 (for copy see file of minutes).

The Principal Policy Officer reminded Members that DCC was a Strategic Housing Authority and therefore a Housing Strategy was required to set out: key issues that would need to be addressed; activities that were taking place to address issues; and to provide a framework for partnership engagement. It was added that an Action Plan was produced and this would be updated annually to reflect any changes as required. It was noted that the current Strategy was for the period 2010-2015 and had been developed around 3 objectives: Altogether Better Housing Markets; Altogether Better Housing Standards; and Altogether Better at Housing People. It was explained that the new Strategy would build upon the existing Strategy, support partnership working and reflect the existing policy framework, noting national, regional and DCC policies including: the North East LEP Strategic Economic Plan and the Council's Sustainable Communities Strategy (SCS), County Durham Regeneration Statement and County Durham Plan (CDP).

The Committee learned that the CDP, and other plans and programmes, helped to provide an evidence base to underpin the Housing Strategy and a range of experts have been involved in scoping the evidence base.

Councillors noted that it was proposed to develop the Strategy with 5 objectives under 2 aims, the aims being Better Housing Delivery and Standards and Better Housing Support. Members learned that the new Strategy was delivery focused and the objectives under Better Housing Delivery and Standards were: Delivery of more homes and improvement of the housing stock;. Members noted that the objectives under Better Housing Support were housing support for older and vulnerable people; anti-poverty and access to housing. The Committee noted a number of issues that the Strategy would need to address, though it was added that the list as set out in the presentation was not exhaustive. Councillors noted a list of key dates within the development of the Housing Strategy, with the final report to go to for final approval by Members in May-June 2015, and further information on the context of the Strategy to be given to Members at the meeting of the Committee in February.

The Chairman thanked the Principal Policy Officer and asked Members for their questions on the report.

Councillors asked questions in relation to: types of housing being built, for example are there too many 3 storey “town houses” and not enough bungalows; whether the percentage of affordable housing as set out within planning conditions were being met, or whether Developers were negotiating fewer affordable units and building on “greenbelt” land.

The Principal Policy Officer explained that these elements of the Housing Strategy would reflect the County Durham Plan. It was noted that the aging population was reflected in the Housing Strategy and the CDP, with Policy 31 of the County Durham Plan setting out that in order to meet the needs of the County’s ageing population, 10% of new housing should be developed to increase the housing options for older people.. The Chairman noted that further information would be brought forward at the February meeting of the Committee.

Members noted examples of housing need in their Divisions, highlighting that different areas across the County had different requirements and asked as regards whether remodelling existing properties, returning voids to the market or building new properties would best help meet housing need and whether the Housing Strategy would take on board the difference across the County. The Principal Policy Officer noted that the new Housing Strategy would be developed in a spatial context and the associated Action Plan would be structured by delivery areas where appropriate..

Resolved:

- (i) That the report be noted.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee receive a further report detailing feedback from partners and providing an update on the development of the Strategy at the meeting on 20 February 2015.

10 Durham Key Options - Update

The Chairman introduced the Core Team Manager, Housing Solutions, Regeneration and Economic Development, Andrew Burnip to give Members an update in relation to the Durham Key Options (DKO) choice based lettings scheme (for copy see file of minutes).

The Core Team Manager reminded Members of the background to the development of DKO and noted the partners involved including: Accent Foundation; Cestria Community Housing Association; Dale and Valley Homes; Derwentside Homes; Durham City Homes; East Durham Homes; Livin; and Teesdale Housing Association. Councillors learned that, as of December 2014, there were approximately 14,000 applications on the DKO system, with around 12,000 of them being active and the applicants being able to bid, representing a reduction in the overall numbers on the system. It was added that the reduction was thought to be as a consequence of the new allocations policy which included a need to register annually and limited applicants to 3 refusals of bids. Members received information relating to the DKO register split by Provider, noting that the Core Team would work to ensure that all Providers were assessing housing need in the same way. Councillors learned that, at 1 December, there were 5,045 people rehoused (2013/14), the majority being within Band C, 2,056. The Core Team Manager made reference to the table within the report setting out the number of transfers of social tenants within 2013/14 and highlighted the numbers moving from 2 bedroom properties to 1 bedroom properties. It was added that the DKO had expanded to now include 54 private sector landlords and Councillors were reminded of the Landlord Accreditation Scheme.

The Chairman thanked the Core Team Manager and asked Members for their questions on the report.

Councillors asked questions in relation to: the number of people registered and allocated to Band E, and whether those people had a realistic chance of being rehoused; whether someone within rented private sector housing would be allocated to Band E; and whether some people that had previously had problems with anti-social behaviour or had temporarily had to move into a private sector property were falling into a “sump” and being trapped in the private rented sector, unable to access public sector housing.

The Core Team Manager explained that the numbers of people within Band E historically were people who may have had their name on the “housing list” for a “rainy day”, however, the allocations policy now has annual registration, though individuals had the right to apply to DKO and to have their housing need assessed. Members noted figures as regards rehousing per band could be provided and that Band E had some use in case of hard to let properties. It was noted that if an individual was in private sector housing they could be assessed as Band E if their current property was meeting their housing needs. Councillors noted that all cases of individuals were assessed on their own merits, and individuals circumstances were taken into account accordingly.

Resolved:

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

11 Quarter 2, 2014/15 Performance Management Report

The Chairman thanked the Performance and Planning Manager, Regeneration and Economic Development, Graham Tebbutt who was in attendance to speak to Members in relation to the Quarter 2, 2014/15 Performance Management Report (for copy see file of minutes).

The Performance and Planning Manager reminded Members of the different types of indicators reported, Tracker indicators and Target indicators.

Councillors noted that some of the key achievements in Quarter 2 included several linked to housing: the number of affordable homes delivered being significantly above target and the number of empty properties being brought back into use exceeding target. It was added that the success rate for adult skills funded provision had improved from the previous academic year and number of apprenticeship starts had exceeded target. Councillors learned that Business Durham had handled 403 business enquiries in the year to date, with this exceeding the target of 300 and it was added that support for individual companies had also increased and was ahead of target.

Members noted information relating to Tracker Indicators including: the number of application registered through DKO; the number of residents per 100,000 population over 18 starting a first degree, better than the North East rate though lower than the England rate; a reduction in homelessness presentations; and a reduction in the proportion of Council owned housing that was empty.

Members noted progress with Council Plan actions, such as: the County Durham Plan due for completion by September 2015, with stages 2 and 3 of the examination expected to run into early 2015; the preferred option for Council housing to be pursued following Cabinet agreement, with stock transfer to take place in March 2015; development of Gypsy Roma Traveller sites; and the roll out of the Digital Durham Programme.

It was added that the key performance issue for the theme was the 346 potential jobs created through projects with existing businesses being below the quarterly target of 600, with the total since April being 860, below the profiled target of 1,200.

Members noted the Tracker Indicators set out within the report including: a slight increase in the employment rate, with a continued decrease in the number of Job Seekers Allowance (JSA) claimants aged 18-24; and a slight decrease in those accessing JSA for one year or more. Councillors learned that the total number of net homes completed in County Durham had fallen from the previous quarter, and the gross valued added (GVA) per capita had improved although was still significantly less than the regional and national figures. Councillors noted several key Council Plan actions that had not achieved target included: a delay in respect of the Elvet Waterside and Milburngate House development plans; the completion date for relocation of the bus station in Durham had moved back to May 2016; the construction of a rail station at Horden was now scheduled for completion by August 2017; the Houses in Multiple Occupation (HMO) Strategy was changed to September 2015 to reflect additional work required; delay to the development and implementation of a real time travel passenger information system; and the road access improvement at Front Street, Stanley were no longer going ahead after being rejected at a public enquiry.

The Chairman thanked the Performance and Planning Manager and asked Members for their questions on the report.

Several Members reiterated points that had been made at the Special Meeting of the Committee meeting held 5 December 2014 including concerns regarding JSA off-flows and increases in sanctions.

Resolved:

That the report be noted.

12 Review of the Council Plan and Service Plans

The Chairman asked the Corporate Scrutiny and Performance Manager, Tom Gorman to speak to Members in relation to the Review of the Council Plan and Service Plans (for copy see file of minutes).

The Corporate Scrutiny and Performance Manager referred Members to the report noting the refresh of the Council Plan for 2015-18 and the associated draft objectives and outcomes. It was added that also there was a number of changes proposed to the performance indicator set for the Committee to consider. Members noted that subject to stock transfer, 3 of the indicators relating to council-owned housing would no longer be the responsibility of DCC and were proposed for deletion. It was explained that it was proposed that an indicator relating to the conversion of apprenticeships into employment was being developed and there would be some changes to indicators relating to Visit County Durham (VCD) regarding better indicators around visitor numbers and overnight stays. It was explained that the target setting process would begin at the end of the year once full-year data was available and the next steps in the corporate timetable for the production of the Council Plan were set out for Members' information.

The Chairman thanked the Corporate Scrutiny and Performance Manager and asked Members for their questions on the report.

Members noted and asked the following: that the proposed indicator relating to apprenticeship conversions into employment was welcomed; why "young" had been removed from objective W9 to read "Increased numbers of people in employment and training"; and Tracker Indicator RED PI 7a referring to JSA claimants aged 18-24, not 16-18 year olds.

The Performance and Planning Manager noted that the removal of young reflected that it was not just important to focus on young people in respect of employment and training and that RED PI 7a was for 18-24 year olds, with the information covering those Not in Employment, Education or Training (NEETs) relating to those aged 16-19.

Resolved:

- (i) That the updated position on the development of the Council Plan and the corporate performance indicator set be noted.

- (ii) That the proposed Corporate Performance Indicator Set for 2015/16 attached as Appendix 3 to the report be agreed.

13 Minutes of the County Durham Economic Partnership

The Minutes of the meetings of the County Durham Economic Partnership held 3 November 2014 were received by the Committee for information.

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DURHAM COUNTY COUNCIL

ECONOMY AND ENTERPRISE OVERVIEW AND SCRUTINY COMMITTEE

At a Special Meeting of the **Economy and Enterprise Overview and Scrutiny Committee** held in **Committee Room 2, County Hall, Durham** on **Friday 5 December 2014** at **9.30 am**

Present:

Councillor A Batey (Vice-Chairman in the Chair)

Members of the Committee:

Councillors J Armstrong, A Batey, J Clare, H Nicholson and P Stradling

1 Apologies for Absence

Apologies for absence were received from Councillors E Adam, J Cordon, R Crute, A Patterson, A Willis, S Zair and Mr I McLaren.

2 Substitute Members

No notification of Substitute Members had been received.

3 Declarations of Interest

There were no Declarations of Interest.

4 Items from Co-opted Members or Interested Parties

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

5 Youth Unemployment Within County Durham

The Vice-Chairman in the Chair, Councillor A Batey thanked the Council's Officers who were in attendance: Performance and Improvement Team Leader, Graham Tebbutt; Performance Monitoring Officer, Alex Mayberry; Economic Development Manager, Graham Wood; and Youth Employment Advisor, Laura Barron who were in attendance to speak to Members regarding progress in relation to Youth Unemployment within County Durham (for copy see file of minutes). Members also thanked representatives from JobCentre Plus (JCP): Jonathan Fay, Darlington Jobseeker Opportunity Manager and Cath Robson, Area External Relations and Partnership Manager, together with the Head of Client Services, Bishop Auckland College (BAC) Stephanie Natrass.

It was noted that the meeting was inquorate, however, as there were no decisions to be made, those Members in attendance would receive the report and presentation for information.

The Performance and Improvement Team Leader explained that the presentation for Members at this Committee followed a number of queries at previous meetings from Members regarding performance indicators relating to those in receipt of Job Seekers Allowance (JSA), with a focus on young people particularly in relation to the destination of off-flows. Members were also reminded of a recent presentation to the Committee from the Policy, Planning and Partnerships Officer, Children and Adults Services, Stephen Crass that had looked at the Youth Employment Initiative (YEI) for 16-24 year olds, however, the JSA statistics looked at those in receipt of JSA aged 18-24 and those in receipt of JSA for 1 year or more. Councillors noted that the figures of those in receipt of JSA were not the same as those not in employment and that further information was required at a future meeting of the committee. Members noted that the data as regards JSA claimants was similar to that of those Not in Employment, Education or Training (NEETs), being effected in October to December with a number of seasonal employment opportunities in the run up to Christmas.

The Committee learned that in June 2014, there were approximately 48,800 young people aged 18-24 in County Durham, with 56.4% of those being in employment. It was noted that since 2004, the employment rate figure had varied in the range 46% to 68%, and that there had also been an increase in part-time employment. Councillors learned that there had been a rise both regionally and nationally in the employment rate, though the County Durham prediction for 2037 was only a 2% increase, in contrast to a prediction of a 16% increase nationally for the same period. It was added that the current level of those 18-24 in education or employment had remained relatively static since, albeit the split having changed since 2004 with an increase in the percentage in education (26.0%) and a decrease in the percentage being in employment (56.4%). It was explained that since 2006 in the 16-19 age range, there had been a fall in those being in employment, with numbers in the 20-24 age range having remained fairly static. Councillors learned that the sectors which employed the most young people aged 16-19 were Distribution/Hotel/Restaurant; Public Sector, Health and Education; Manufacturing; and Construction. It was noted that for those aged 20-24 the main sectors of employment were: Distribution; Public Sector; Construction; and Manufacturing.

Members were referred to a table setting out the JSA Claimant "off-flows" showing where, if known, claimants had moved to after ceasing to claim benefits. It was noted that since 2010, the percentage leaving JSA and entering into work had varied from 34% to 52%. Councillors were informed that of those aged 18-24 claiming JSA, only two-thirds claimed for 6 months or more, and around half of the total JSA off-flows moved into employment. The Committee noted that the percentage of those leaving JSA and moving on to Further Education (FE) had fallen from 12.7% in 2010 to 1.8% in 2014. It was explained that the "not knowns" and those that had "failed to sign" represented approximately 40% of those JSA off-flows, noting that some may have moved into employment, some may have move to FE, however there was not a record on their destination. It was added that increased levels of sanctions could have an effect upon those off-flow figures. Councillors noted that the "hotspots" for JSA claimants and youth unemployment remained those areas previous reported to Committee, namely: East Durham; areas of South West Durham, Shildon; and areas of North Durham, Stanley.

The Performance and Improvement Team Leader explained that in relation to education and training enrolment there had been an increase in the overall numbers of 18-24 year olds in full-time education, with more men enrolling in “education and training” settings than women. It was noted that possible reasons could be the move to increasing the mandatory education age to 18; more incentives to attend FE colleges/courses; and less jobs being available in general may force young people to consider fulltime education. It was added however that more women were taking up apprenticeship posts than men, though more men took up “workplace training” than women. Councillors noted that 53% of apprentices were aged 25 or older, and it was noted that DCC also had a number of “older” apprentices.

The Committee noted that in respect of benefit entitlement, the number of those aged 18-24 claiming JSA had fallen, however the number claiming Employment and Support Allowance (ESA) had doubled since 2010, currently around 2,000. Members were informed that the proportion of young people claiming benefits as a proportion of the total number of claimants was decreasing. Councillors noted that 60% of those young people aged 18-24 claiming ESA suffered from mental health or behavioural issues, and this had increased since 2010. Members also noted an increase in the number of young people claiming ESA suffering with conditions of the nervous system.

Councillors were reminded of the “Jobseeker’s Agreement” and that if a person in receipt of JSA was not making reasonable steps to adhere to the terms of their agreement, they could then face sanctions. It was explained that there were lower and high level sanctions, with low-level issues including: failing to meet with a Work Coach; failing to update their CV; not attending a meeting with a potential employer. Members noted higher-level issues included: leaving a job; not applying for jobs; and not attending mandatory work schemes. Members noted that at the low-level, the sanctions escalated from: losing benefits for 4 weeks for the first instance; a further 4 weeks for a second instance; with up to 13 weeks for a third instance. The Committee noted that at the higher-level the sanctions were: a 13 week suspension of benefits for a first instance; a further 13 weeks for a second instance; 26 weeks for a third instance. Members noted, however, the maximum sanction was for a period of up to 3 years.

The Darlington Jobseeker Opportunity Manager, noted that the primary role of JCP was to support people into employment, not issue sanctions against those in receipt of benefits. It was added that 18-24 year olds would undertake a number of activities including: meeting weekly with their Work Coach; attending group sessions with other JSA claimants; working on job applications; attending graduate sessions, if appropriate; taking up work experience opportunities; and attending sector-based Work Academies. It was noted that there were a number of activities that were “ring-fenced” for 18-24 year olds and that sanctions were used as a last resort. The Darlington Jobseeker Opportunity Manager explained that Welfare Reform had placed greater conditionality on the individual “actively seeking work” and accordingly, with JCP identifying basic needs and skill issues and put in place the relevant training. It was explained that sanctions were issued as a last resort against those repeatedly failing to seek work, attend interviews and so on.

Councillor J Armstrong noted that some rural areas do not have access to the internet and this can hinder some trying to access job opportunities and cited an example from his Division where an individual could not apply for a job via the internet and had their benefits stopped for 4 weeks.

Area External Relations and Partnership Manager explained that it was not the Work Coach who issued the sanction, rather they would report incidents where individuals were not adhering to their Job Agreement, and an independent decision maker would then look at the incident and decide if sanctions should be applied. Councillor J Armstrong highlighted that such discussions were about young people and their lives and that this needs to be paramount when making decisions on the use of sanctions.

The Darlington Jobseeker Opportunity Manager reiterated that Job Seekers entered into their agreement on the basis of taking “reasonable steps” and that this would be based upon the resources and skills of an individual and there was a degree of latitude in dealing with vulnerable people. Councillor J Clare noted that the experiences shared with him by people in his area did not reflect the process as described. Councillor P Stradling asked if there was an appeals process regarding sanctions and Councillor J Clare asked whether benefits were stopped during the appeal process, and how long the process would take. The Darlington Jobseeker Opportunity Manager explained there was an appeal process, benefits were sanctioned during the process and the process took several weeks. The Performance and Improvement Team Leader noted that between 2010 and 2014 the number of sanction cases for 18-24 year olds increased by 49% with 10% challenged, 1.5% being appealed.

The Committee learned that there were points to consider from the view of the young people: What experience do people have of the “World of Work”?; What expectations do young people have of work?; What are an individual’s personal needs, e.g. health?; and How competitive is the job market?

Members were reminded that an issue raised by young people was that they felt that a lack of work experience counted against them when competing for job opportunities. Councillors noted that attitudes to work and “work-life balance” were different than in the past, with older generations having looked to find a job or career and stayed in that field for many years however currently young people are prepared to leave a job if it did not meet their expectations. The Darlington Jobseeker Opportunity Manager added that the labour market had fundamentally changed, with an increase in the number of part-time positions, the emergence of “zero-hour” contracts and cyclic recruitment and redundancy at companies where production contracts are awarded and then completed. It was added that while the aspirations of young people should be supported, there was a need to work within the reality of being able to match skills to the jobs that are actually available in the area and for Job Seekers to take ownership of the process.

The Economic Development Manager explained that the age of household formation was rising with young people often remaining with parents for longer, this can cushion the effects of a variable income. It was added that not all apprentices are paid the minimum wage, with this being at the discretion of the employer. The Darlington Jobseeker Opportunity Manager added that traditionally the benefit off-flows looked at those that moved on and off benefits, however, in the move to Universal Credit, the emphasis would be looking at unemployment and economic activity.

The Economic Development Manager reminded Members of previous information received by the Committee on the previous Regional Employability Framework (REF), and noted that most of the discretionary programmes that DCC had commissioned included elements of support for the individuals involved.

It was added that the Youth Employment Programme included elements such as mentoring and brokering between employers and young people, and this also sat alongside the payment by results associated with the Work Programme. Members noted that there were a number of skills development initiatives funded nationally, to increase sustainability in employment and help people to be mobile within the job market.

The Performance and Improvement Team Leader referred Members to 3 case studies set out within the presentation, and highlighted the number of agencies involved and the amount of work that was done to help young people into employment, not often apparent when looking at statistics.

The Vice-Chairman in the Chair thanked Officers for their presentation and information and asked the Committee for any further questions.

Members asked questions relating to: engaging with employers to make sure young people have the opportunity to learn the skills that employers want; Areas Action Partnerships (AAPs) providing help; noted the excellent work of local colleges and training centres, noting previous Member visits to Bishop Auckland College (BAC), South West Durham Training (SWDT) and Derwentside College; utilising opportunities, such as Hitachi, to provide high-skilled workers for high-skilled jobs; and how apprentice positions were promoted.

The Darlington Jobseeker Opportunity Manager explained that there were sector based teams within JCP and they would work with local employers to match skills to positions. The Economic Development Manager noted that the Council had recently appointed a Youth Employment Advisor, Laura Barron to help young people address any barriers they may have in accessing employment and the first referral had been made in the Spennymoor area. Councillor H Nicholson noted the work of the Bishop Auckland and Shildon AAP in acting as a bridge between employers and working to create high quality opportunities for young people.

Members learned that Hitachi was working with a number of agencies as regards recruitment and training, with a Group having been established involving Business Durham; JCP; the Skills Funding Agency; and the local office of the Department of Business, Innovation and Skills (BIS). It was added that Hitachi would ultimately decide on what they wanted, however, there would be opportunities at many levels, not just the skilled manufacturing level. It was noted that there would be a multi-layered approach looking at graduates, apprentices and lower-level positions. It was explained that the recruitment was in phases with the senior engineers currently being recruited, moving on to the mid-range and non-technical jobs in due course. Councillor P Stradling noted the impressive training facilities near to the Hitachi site, namely BAC and SWDT, and asked how other areas within the County linked into these opportunities. The Economic Development Manager explained that transport was still a barrier affecting young people trying to access training and employment opportunities, with a number of colleges/providers having offered transport themselves in previous years, however transport difficulties remain for many young people from rural areas who secure employment.

The Darlington Jobseeker Opportunity Manager explained that a number of the larger national employers often have their own recruitment methods, usually via their own websites. It was added that the Government's National Apprenticeship Service (NAS) would be the main source of information for apprenticeship vacancies.

Councillors asked questions in relation to: tracking of the "not knowns"; matching of skills and opportunities; and the decline in the JSA off-flows to FE.

Members were reminded that there was no requirement for JCP to track destination information, and that Local Authorities had a requirement to track those aged 16-19 years of age. It was added that most 16-19 year olds could be tracked through the education system, and there was information on the 16-19 NEETs, however, there was a gap in the information relating to the destinations of those older than 19 years of age.

The Economic Development Manager noted that the NAS worked on schemes such as "Traineeships" which looked to enhance the English and Mathematics skills for those that struggled to secure apprenticeship vacancies. It was added that those individuals that were supported via the Work Programme were those most distant from the labour market, long-term unemployed, with many of the customers struggling to achieve Level 1 qualifications. It was noted that apprenticeships were more appropriate for those in the "short-term churn", with the degree of upskilling generally being too great for those on the Work Programme. It was added that those on the Work Programme would look to build their skills up over a longer period to widen the scope of opportunities to be made available to them. The Economic Development Manager added that Government were looking to raise the quality and visibility of apprenticeships and that new brokerage models at local levels would need to look to identify what the local labour market has and to match vacancies to opportunities.

The Head of Client Services, BAC, Stephanie Natrass explained that in her experience, and that of colleagues from other FE colleges, that the numbers of 16-19 year olds entering college was declining. It was added that it was hoped that this was a consequence of young people either entering employment or taking up apprenticeships, though it was noted that there were many other training providers other than FE colleges and it may be necessary to drill down into statistics to get a better picture. It was noted that any reductions in the uptake of FE course post-19 could be as a result of the impact of Government spending reductions, affecting funding streams.

DURHAM COUNTY COUNCIL

ECONOMY AND ENTERPRISE OVERVIEW AND SCRUTINY COMMITTEE

At a Special Meeting of the **Economy and Enterprise Overview and Scrutiny Committee** held in **Committee Room 2, County Hall, Durham** on **Monday 15 December 2014** at **9.30 am**

Present:

Councillor R Crute (Chairman)

Members of the Committee:

Councillors E Adam, A Batey, J Bell, J Clare, J Maitland, R Ormerod, 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 Cordon, H Nicholson, A Patterson, J Rowlandson, S Zair and Mr E Henderson.

2 Substitute Members

No notification of Substitute Members had been received.

3 Declarations of Interest

Councillor J Maitland declared an interest in Item 7 as a Board Member of East Durham Homes.

4 Items from Co-opted Members or Interested Parties

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

5 Digital Durham Programme - Update

The Chairman thanked the Head of ICT, Resources, Phil Jackman who was in attendance to give an update to Members in relation to the Digital Durham Programme (for copy see file of minutes).

The Head of ICT reminded Members that the Digital Durham Programme was to provide superfast broadband internet to all the businesses and homes in County Durham. It was added this was an ambitious task and that Durham County Council (DCC) was working with 9 other Local Authorities in respect of superfast broadband provision. It was explained that Phase 1 of the programme would deliver 96% coverage with connection speeds of 24 megabits per second, noting Government (Broadband Delivery UK) targets of 90% in Phase 1. Members noted that the Government target for Phase 2 was 95%, the Digital Durham Programme would already be ahead of this at Phase 1, and that Phase 3 would be to look to provide superfast broadband to the final few areas not covered. It was explained that the Digital Durham Programme was a retail product for homes and Small and Medium Sized Enterprises (SMEs) and did not deliver infrastructure, rather acted a broker for the service. Members were referred to several updates on progress, 150 fibre cabinets having been enabled and with British Telecom (BT) being ahead of schedule by 3 weeks. Councillors learned that the tender for Phase 2 was due to close in January, and that a process of advertising the availability of superfast broadband services to stimulate demand was ongoing, with activities including: leaflets/posters/banners; a number of case studies with families and SMEs; the Digital Durham website; stickers on the fibre cabinets; ICT awareness events; and articles within Council publications. The Head of ICT noted that the current uptake of superfast broadband was approximately 20% and concluded by noting that the Digital Durham Team had been runner-up at the recent Great Staff, Great Staff Awards and winners of the Regional Collaboration award at the inaugural Dynamo Awards, an organisation that represents the ICT industry across the region.

The Chairman thanked the Head of ICT and asked as regards any barriers, such as fees, that would prevent community groups taking up superfast broadband.

The Head of ICT explained that the price for the superfast broadband was fixed by the providers, and subject to market forces. It was added that for most people and many SMEs and organisations a lot of the “off the shelf” products would be sufficient, however, for some larger organisations, such as community centres, may require a more expensive product that provided a greater bandwidth.

Councillors asked questions in relation to: where the final few percent of properties were that would be last to receive superfast broadband; fibre to cabinet versus fibre to the home; difficulties in being able to speak to broadband providers; and the reach of coverage into rural areas.

The Head of ICT explained that the majority of the final 2% to attain coverage would be more rural areas such as Weardale and Teesdale, however, there were pockets within less rural areas, an example being Finchale in Durham. It was added that as the coverage approached 100%, the final few areas would be those that required a novel technical solution, with some areas not having provision via a cabinet rather a direct line to the exchange and Members were reminded of a Government limit of £1,700 per property in respect of providing superfast broadband access. It was explained that fibre to the home was a more expensive option, however, it was noted that while the speeds from the cabinet degraded by roughly half for every kilometre from the cabinet, BT were looking at technology to have 1Gbps at the cabinet, as opposed to 100Mbps currently and this would then help to ensure good speeds for those further from cabinets. The Head of ICT noted that while the Local Authorities had a good working relationship with BT Openreach, the part of the company dealing with infrastructure, there were numerous broadband service

providers and noted that there can be issues in dealing with those companies in some instances.

Members were reminded that the commitment of the Digital Durham Programme was for 100% superfast broadband provision, however as previously noted, the last few areas would require some new technological solutions.

Resolved:

- (i) That the report be noted.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee receive an update on the development of the Digital Durham Programme at a future meeting of the Committee.

6 Affordable Housing Delivery - Update

The Chairman thanked the Senior Housing Development and Delivery Officer, Regeneration and Economic Development, Angela Stephenson who was in attendance to give an update to Members in relation to Affordable Housing Delivery (for copy see file of minutes).

The Senior Housing Development and Delivery Officer reminded Members of a Government definition of affordable housing: “affordable housing includes social rented and intermediate housing, provided to specified eligible households whose needs are not met by the market” and noted the different types of affordable homes. It was explained that “Affordable Rent” referred to properties developed by House Builders or Registered Providers at affordable rent, 80% of the market rent for that particular area. Councillors noted that “Social Rent” was an alternative to “Affordable Rent” and was worked out via a Government formula. It was explained that there was little difference between the two types of rent in the North East, however, in areas of the South East of the country there was a considerable difference. Members noted that “Discount Market Sale” was where eligible purchasers were able to purchase a property with a discount, generally 30%, and the discount remains as a charge against the property in perpetuity. It was noted this meant it can only ever be sold at a discount, for example 70% of market value if a discount of 30% was given, and remained an affordable property. Councillors understood that there was also the option of “Shared Ownership” where a prospective purchaser owns a proportion of the property and a Registered Provider would own the remainder, with the purchaser having the option to purchase more equity over time. Members were reminded of other national schemes to assist first-time buyers, although many of those were designed to stimulate the housing market rather than to give additional affordable housing provision.

The Senior Housing Development and Delivery Officer explained that the Strategic Housing Market Assessment (SHMA) had identified a shortfall of 674 affordable housing units and it was explained that it was projected that approximately 400 affordable units would be delivered in 2014/15 through a combination of the Homes and Communities Agency (HCA) Affordable Homes Programme, Section 106 developer obligations, and through affordable housing schemes delivered by Registered Providers using their own resources. Councillors noted that Registered Providers within County Durham had been awarded £5.2 million in grant assistance in respect of “firm schemes”, equating to an average of £22,000 per unit, equivalent to delivery of 235 units.

Members were reminded that the emerging County Durham Plan (CDP) set out the percentages of affordable housing across the county, being: North – 15%; South – 10%; West – 15%; Central – 20%; East – 10%. It was noted that DCC would work with Registered Providers to Developers to try and get the correct mix of housing and tenure type.

The Chairman thanked the Senior Housing Development and Delivery Officer and asked Members for their questions on the report.

Councillors asked questions relating to: fixed percentages of affordable housing and if they were subject to exceptions depending upon the size or location of a development; at what point the type and tenure of affordable housing would be agreed and how Members would know what the correct mix was; and whether public and private sector rent levels were converging or diverging.

The Senior Housing Development and Delivery Officer explained that the fixed percentages currently applied to developments of 15 or more houses, although recent changes in legislation may have an effect. It was added that there was a “rural exception” in cases of 5 properties or more and also issues where development could affect an Area of Outstanding Natural Beauty (ANOB). Members noted that the Development and Delivery Team would speak with Developers before the planning stage to discuss the site and the types of affordable housing that may be appropriate, together with supporting in any applications to access HCA funding. It was added that the Development and Delivery Team would be consulted by the Planning Section in their process of developing recommendations. The Senior Housing Development and Delivery Officer noted that further information as regards rent levels would be obtained.

Resolved:

That the report be noted.

7 Housing Stock Transfer Project - Update

The Chairman thanked the Housing Directions Manager, Marie Roe who was in attendance to give an update to Members in relation to the Housing Stock Transfer Project (for copy see file of minutes). The Chairman congratulated the Housing Directions Manager, the Housing Stock Transfer having won the Excellent Service award at the Great Staff, Great Staff awards.

The Housing Directions Manager noted that a lot of activity was taking place in the run-up to the transfer of the Council's housing stock to a new group, comprising of the existing housing management organisations since December 2012. Members were reminded that a ballot of all Council tenants had resulted in a return of 11,316 votes from tenants with 82% voting in favour of stock transfer. The Council's Cabinet subsequently agreed to proceed with the transfer and the Department for Communities and Local Government (DCLG) signed off on the process, with the transfer scheduled to take place 23 March 2015. Councillors were reminded that transfer prior to 31 March 2015 ensured that the debt write-off of approximately £130 million would be given by DCLG.

The Chairman thanked the Housing Directions Manager and asked Members for their questions on the report.

Members asked questions relating to how the potential funders were scrutinised, for example on their ethical policies and the financial stability of those potential funding providers.

The Housing Directions Manager explained that the testing process for potential funders was very rigorous, looking at tests carried out by the Financial Conduct Authority (FCA) and each was met to discuss their social responsibility, and how that related to the County and our local communities. It was added that as the new Housing Organisation was “attractive”, the potential funders were all well established and long standing in the market.

Resolved:

- (i) That the report be noted.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee receive further progress updates in relation to the development, impact and delivery of the new arrangements for housing in County Durham.

8 Increasing Young People's Employment Opportunities (18-24) within County Durham - Update on Recommendations

The Chairman thanked the Economic Development Manager, Graham Wood and the Strategic Manager - Progression and Learning, Linda Bailey who were in attendance to give an update to Members in relation to the recommendations from the review of Increasing Young People's Employment Opportunities (18-24) within County Durham (for copy see file of minutes).

The Economic Development Manager reminded Members of the Overview and Scrutiny review carried out in 2012/13, which was a result of Members noting an underperformance in the indicator looking at the number of young people aged 18-24 claiming JobSeekers Allowance (JSA). Councillors recalled a number of recommendations were made following the review and update on progress was attached to the agenda papers as an appendix.

The Committee were reminded that 10 of the 14 Area Action Partnerships (AAPs) had listed young people and employment as a priority, the AAPs providing significant funding for employment training, mentoring and towards the County Durham Apprenticeship Programme. Members learned that since the Programme started in November 2011, approximately 700 young people had been provided with apprenticeship positions, with Business Administration being the most popular with 150, engineering had 109 and electrician apprenticeships numbering 43. It was noted that engagement with new employers was good, mostly SMEs, and funds from the AAPs, combined with that from the National Apprenticeship Service (NAS), Coalfield Regeneration, DCC (Regeneration and Economic Development, RED) and other sources meant there was a total of £1.5 million supporting the businesses in County Durham.

It was explained that there were 400 employers involved across the county, representing a good geographical spread and that other options such as volunteering and social enterprises were noted. Members were reminded of pre-employment training, and the recent presentation to Committee, and of the Targeted Recruitment and Training (TRT) programme that would look to include social value clauses within development and procurement processes. Examples were given of apprenticeships that had been secured at DCC and with partners including: decent homes works with Durham City Homes (DCH), Dales and Valley Homes (DVH) and East Durham Homes (EDH); road surfacing works; and within the corporate telephony.

Members were reminded of the visit the Committee made to South West Durham Training (SWDT), and noted that the facility had recently received an “outstanding” rating from Ofsted. It was explained that there was a formal partnership between SWDT and Bishop Auckland College (BAC) to develop a fully comprehensive portfolio of vocational progression routes that responded to the range of training needs of employers, young people and adult learners. The Economic Development Manager referred Members to apprenticeship participation figures and funding information, noted the ending of Youth Contract wage subsidies in August 2014.

The Strategic Manager - Progression and Learning explained that there was an Education/Business Partnership looking at preventative measures, getting young people prepared for work and that it was one of the few such partnerships left in the region. It was noted that the number of work experience placements had decreased, and the Education/Business Partnership would look to identify additional resources to support that agenda. It was noted that next steps would be to look to use European Social Fund (ESF) in areas where gaps had been identified, supporting vulnerable young people and those that were Not in Employment, Education or Training (NEET). The Committee learned that 440 vulnerable young people had been engaged so far, with organisations such as Mencap, DISC and Sunderland AFC being involved. It was noted that funding was in place up to July 2015, with additional funding being applied for. It was added that the Youth Employment Initiative (YEI), as reported to the Committee at a previous meeting, picked up where the ESF funded scheme left off and that the YEI represented a great opportunity to help young people.

The Chairman thanked the Economic Development Manager and the Strategic Manager - Progression and Learning and asked Members for their questions on the report.

Members asked questions relating to: support by the Education/Business Partnership and funding; TRT; CEIAG traded services; and whether there was clear direction at parent evenings of the alternatives to further and higher education, namely apprenticeships and employment.

The Strategic Manager - Progression and Learning explained that there was support to ensure the needs of businesses, to stimulate demand and to ensure that there were enough people with the necessary skills to meet those demands.

The Economic Development Manager explained that TRT, Targeted Recruitment and Training, was a way of securing benefit via: planning applications, in terms of having Section 106 monies allocated towards work experience and apprenticeship places; and via Council Procurement, as set out within the Sustainable Procurement Strategy. It was explained that the TRT programme had been developed subsequent to the Government's Public Services (Social Value) Act 2012, with Cabinet agreeing 2 years ago how TRT would operate. It was noted that the programme was very successful in attracting voluntary undertakings from companies. It was added that County Durham was one of the first Local Authorities to use TRT with local businesses keen to be involved.

The Strategic Manager - Progression and Learning noted that CEIAG was Careers Education, Information, Advice and Guidance which had moved 3 years ago from being the responsibility of Local Authorities to being the responsibility of Schools themselves. It was added that Local Authorities still undertook CEIAG for vulnerable young people, and that it was encouraged that schools would look to provide independent advice in terms of being good for their pupils and would be a credit to any school in terms of performance. Members noted that the Local Authority could provide information for schools, including a Carers Guide and a Good Practice Guide and Toolkit. Members noted that where a young person is at risk of not being able to enter employment or education post-statutory education, then individuals can be referred to the One Point Service, with the Council's Children Adults Services (CAS) directorate providing support for individuals with learning difficulties. The Strategic Manager - Progression and Learning explained that the ESF Project "LA7 Youth Participation Project" targeted vulnerable young people and those furthest from the labour market and individuals would be provided with an "Education Care Health Plan", though there was support for vulnerable young people from a number of schemes, for example the YEI.

Resolved:

That the report be noted.

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DURHAM COUNTY COUNCIL

ECONOMY AND ENTERPRISE OVERVIEW AND SCRUTINY COMMITTEE

At a Special Meeting of the **Economy and Enterprise Overview and Scrutiny Committee** held in **Committee Room 1A, County Hall, Durham** on **Wednesday 28 January 2015** at **9.30 am**

Present:

Councillor R Crute (Chairman)

Members of the Committee:

Councillors E Adam, A Batey, J Bell, J Clare, H Nicholson, R Ormerod, J Rowlandson, P Stradling and A Willis

Co-opted Members:

Mr E Henderson

1 Apologies for Absence

Apologies for absence were received from Councillors J Maitland, A Patterson, O Temple, S Zair and Mr I McLaren.

2 Substitute Members

No notification of Substitute Members had been received.

3 Declarations of Interest

There were no Declarations of Interest.

4 Items from Co-opted Members or Interested Parties

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

5 Tourism Marketing delivered by Visit County Durham - Overview

The Chairman introduced the Chief Executive, Visit County Durham (VCD), Melanie Sensicle and the Marketing Manager, VCD Sarah Johnson to speak to Members in relation to Tourism marketing delivered by VCD (for copy see file of minutes).

The Chief Executive, VCD noted the policy framework as regards tourism nationally, regionally and locally and referred Members to several diagrams setting out the links between Authorities, organisations, businesses and destinations.

Councillors noted that there had been no Central Government overarching policy for Tourism for several years prior to 2011, with the Penrose Review leading to the Government Tourism Policy in March 2011, developed in conjunction with the Visitor Economy Forum, which included major Tourism companies such as the Hilton and Merlin Groups. Members learned that this in turn had prompted Visit England to refresh their strategy which resulted in their Strategic Framework for Tourism in England 2010-2020. It was explained that this looked to the wider "Visitor Economy" rather than simply "Tourism" incorporating all the services and facilities in an area. The Committee noted that there were 4 principles underpinning the strategy, those being: quality; competitiveness; skills; and promotion. It was explained that delivery of the strategy was via the destinations themselves, with destinations developing their own Tourism Management Plans showing how they would help deliver the national strategy. Councillors learned that Durham has had a Tourism Management Plan in place since 2006, though this was refreshed in 2010 and had been seen as an example of best practice. It was highlighted that the Durham Tourism Management Plan 2010-2020 was influenced by the County Durham Regeneration Statement and was consulted on with the private sector and underneath the Durham Tourism Plan, a number of Destination Development Plans have been devised, for: Bishop Auckland; Barnard Castle; Chester-le-Street; Durham City; Seaham; Stanhope; and Stanley.

The Chief Executive, VCD noted the complexity of the links of Destination Management Organisations (DMOs), both in the public and private sector, to that of the wider Central, Regional and Local Government. It was noted that DMOs were varied organisations, both private and public sector and tended to reflect the area in which they operated, therefore they were difficult to compare. Councillors noted that Northumberland Tourism was a private sector DMO that focused on marketing, Newcastle/Gateshead Initiative focusing on inward investment and large scale cultural events and festivals, with Sunderland, North and South Tyneside being led by the Local Authority. Members were informed that VCD was a true DMO in the sense of a public/private partnerships looking to stimulate the visitor economy. Whilst acknowledging that the aforementioned DMOs were different entities and that comparison was hard to draw between them, it was important to be able to learn lessons between the organisations in terms of what works well.

Councillors noted that an overview for the North East, linking into VCD showed that Durham County Council (DCC) was the core funder, with influence coming from the North East Local Enterprise Partnership (LEP) and Combined Authority (CA), links to the North East Chamber of Commerce (NECC), the North East Cultural Partnership (NECP), the Northern Tourism Alliance (NTA) and the wider private sector.

In respect of the links to VCD within County Durham it was noted that, in addition to the link to DCC, there were links to: the Strategic Marketing Partnership (SMP) which incorporated attractions and organisations such as Hamsterley Forest, Beamish, Heritage Coast, Durham Cathedral, and Northumbrian Water amongst others (the SMP was created by VCD); Core Visitor Economy Businesses encompassing attractions, activities and accommodation providers; Related Visitor Economy Businesses, including culture, sport and leisure, transport and retail; and Public Sector Partners such as Town and Parish Councils, Area Action Partnerships (AAPs) and Business Durham.

The Chief Executive, VCD gave Members detail in relation to VCD:

- A not-for-profit, private-sector-led company
- Within the DCC Regeneration Directorate
- A board of 10 Directors, 8 private sector, 2 public sector
- 21 staff, together with project staff, effective 15 FTE
- Four divisions: Development; Marketing; Visitor and Industry Services; and Administration
- The remit of VCD was to provide strategic leadership for and co-ordination of the visitor economy and place marketing
- Funders: DCC; grants; and commercial income
- Core budget of approximately £800,000 per annum
- Has a turnover of around £1.1 Million

Councillors noted that VCD had a role in respect of gathering market intelligence and carrying out visitor and market segmentation surveys every 3 years. It was added other activities included; undertaking an annual Economic Impact Assessment; quarterly occupancy surveys; evaluation of all activities; and industry satisfaction surveys. Members noted that VCD had a role in working in partnership with various organisations at national, regional and county levels such as: England's Heritage Cities; Visit England; the Northern Tourism Alliance; Discover Durham and the Events Forum. It was highlighted that although there were 200 destination organisations in England, just 40 are regarded as fully functioning DMOs by Visit England and VCD was one of those DMOs. The Committee were informed that VCD had a responsibility in terms of providing a strategic direction through the Tourism Management Plan, a tourism investment portfolio and place branding.

The Chief Executive, VCD explained that 95% of the businesses supported by VCD were "microbusinesses" and received information via a "weekly grapevine"; industry conferences; approximately 300 one-to-one visits, the Visitor Information Network; and marketing platforms. Councillors were informed that VCD also had a role in promoting County Durham, with campaigns that promoted the whole destination rather than promoting individual businesses. It was added that the destination website was "thisisdurham.com" and VCD worked with the press to promote and facilitate familiarisation visits. In connection with championing the sector, VCD worked with: the County Durham Cultural Partnership; the County Durham Economic Partnership; the World Heritage Site Management Committee; the Durham City Business Improvement District; and Business Durham.

Members noted that it was important to develop the sector within County Durham to provide a great offer for visitors and that VCD helped with physical investment through the development of an investment evaluation process.

It was added that other work included improving customer service through the “Welcome to Durham” training scheme and improving the food and drink offer of the County through “Taste Durham”. Councillors noted that several major studies, for example the County Durham Accommodation Development Report, had helped to provide information to support Investors. It was explained that another role that VCD had was in leveraging investment from other funding sources, successes included: £500,000 from the Regional Growth Fund (RGF) for national marketing; £450,000 from the Department for the Environment, Food and Rural Affairs (DEFRA) to develop rural tourism; and £80,000 from industry annually used for destination marketing.

The Chief Executive, VCD noted the VCD Board looked for VCD to earn money through various methods including; consultancy work, for example the Audience Development study for Auckland Castle; advertising within the Durham Pocket Guide, which covered the cost of design, printing and distribution of the guide; and through project delivery, for example a management fee from coordinating the “Northern Lands” programme. The Committee noted examples of the major projects within the County including: Welcome to Durham; Taste Durham; a Tourism Investment Portfolio; a brand toolkit; national marketing; the Pocket Guide; thisisdurham.com; Destination Development Plans for towns; the 800 anniversary of the signing of the Magna Carta; and Northern Lands.

The Chairman thanked the Chief Executive, VCD for her presentation and asked Members for their questions on the report.

Councillors asked questions in relation to: promoting nearby adjacent attractions, not just within County Durham; promotion of cycling and walking and the impact of the Tour de France stage held in Yorkshire; the lack of a major attraction within County Durham; linking to hotels within the County and tapping into the business visitor market.

The Chief Executive, VCD noted that while there is a page “Durham and Beyond” within the Pocket Guide and on thisisdurham.com, it would be difficult to justify to the businesses within County Durham that their money was being used to promote businesses outside of the County. It was noted that there was a dedicated section on the thisisdurham.com website highlighting activities such as cycling and walking, with around 120 cycling routes and information on walking festivals in the Dales and Barnard Castle. It was added that some of the £500,000 from the RGF was used to promote the countryside with a walking and cycling theme and that the Tour de France had impacted positively on County Durham, with increased hotel occupancy at the time of the Yorkshire stage. The Market Manager, VCD noted that a Durham cycling route had been included on the “Welcome to Yorkshire” website for the first time.

The Chief Executive, VCD noted that a new large attraction would be beneficial for County Durham, though reminded members that Beamish was voted Best Visitor Attraction in England in 2012, and noted that in the past there had been potential for a “Horrible Histories” attraction, however this did not go forward on the basis of financial constraints. Members noted that VCD had worked with the owners of the Eleven Arches project at Auckland Castle regarding market intelligence and would look to engage with them more. The Chief Executive, VCD explained that the area of Business Tourism was one that had scope for development, noting there was no large conference facility within the County to host the larger 2-3 day association events.

It was noted that these types of activities can be very important in being able to attract visitors outside of the traditional holiday periods and also helps in filling in mid-week bookings for hotels. Members learned that 2 studies carried out in the past had shown the potential, though a conference facility would need to be within Durham City to be able to have a strong enough pull as a destination. It was added that often conferencing activities would go hand-in-hand with other cultural activities such as theatre, however, to maximise the potential, there would be a need to focus on conferences as the main activity with that supporting the culture side, not vice-versa.

The Chairman reminded Members that a Working Group would be established and asked for Members' comments on the draft Terms of Reference as set out within the agenda papers and asked for volunteers to form a Working Group of 10 Members and Co-opted Members.

Members volunteered and it was noted the Working Group would comprise of: Councillors R Crute (Chairman), A Batey (Vice-Chairman), J Armstrong, J Clare, H Nicholson, R Ormerod, J Rowlandson, P Stradling, A Willis and Mr E Henderson.

The Principal Overview and Scrutiny Officer, Stephen Gwilym noted that the first meeting of the Working Group would consider a draft project plan.

Resolved:

- (i) That the report and presentation be noted.
- (ii) That the Terms of Reference for the Working Group, as set out at paragraphs 28 to 35 of the report, be agreed.

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**Economy and Enterprise
Overview and Scrutiny Committee**

20 February 2015

Housing Stock Transfer Project



**Report of Ian Thompson, Corporate Director, Regeneration and
Economic Development**

Purpose of the Report

- 1 To provide members of the Economy and Enterprise Overview and Scrutiny Committee with a further update in relation to the progress of the Housing Stock Transfer Project.

Background

- 2 The Economy and Enterprise Overview and Scrutiny Committee have received regular update reports on the Council's plans to transfer the ownership of its housing stock to the new County Durham Housing Group which will be made up of its existing housing management organisations.
- 3 The most recent update was provided to committee on the 15 December 2014, when members received details of progress in the establishment of the new Group and next steps in the transfer process.
- 4 The Economy and Enterprise Overview and Scrutiny Committee are reminded that the Department for Communities and Local Government (DCLG) has asked the Council to complete the transfer of its homes by the 31 March 2015, if it is to access the financial support it requires.

Current Position

- 5 The Economy and Enterprise Overview and Scrutiny Committee were advised on the 15 December 2014 of the significant amount of work that is being completed by the Council and the County Durham Housing Group in order to complete the transfer within the timescales set by the Government. The following key pieces of work have been completed:
 - Conversion of the council's existing housing management organisations into Community Benefit Societies.
 - Registration with the Financial Conduct Authority (FCA).
 - Registration with the Homes and Communities Agency (HCA) of all the member organisations of the County Durham Housing Group as intending Registered Providers.

- The appointment of an Executive Management Team for the County Durham Housing Group.
 - The identification of a preferred funding partner for the County Durham Housing Group and the development of a Funding Agreement (Barclays and M&G).
 - Identification of an office for the County Durham Housing Group Ltd. The parent organisation will be located in Seaham.
 - The development of a Transfer Agreement between the Council and the Group is ongoing and will be completed by the scheduled transfer date which is 23 March 2015.
 - Mapping, searches and the provision of warranties for land that will transfer to the County Durham Housing Group.
 - Cabinet agreement to seeking final consent from the Secretary of State (DCLG) for the transfer to take place. Cabinet received a report recommending an application be made for this consent on the 11 February 2015.
 - Completion and signing of the Transfer Agreement and Funding Agreement which will complete the transfer process.
- 6 Monitoring of progress against the transfer project plan is managed through a series of project governance arrangements, which bring together representatives of the Council and the new Group.
- 7 Progress and key issues are highlighted and addressed at monthly joint meetings. The process has intensified as the transfer deadline approaches with the final stages in the process about to be completed. Concluding respective agreements, warranties and indemnities with the new Group's funders will dominate the final stages, prior to the achievement of Government consent to the transfer.

Transfer of Land and Assets

- 8 The transfer of assets and land continues to be discussed as part of the transfer project. In September 2014 Cabinet agreed the approach that will be taken to separation of the housing stock from the Council. The principles behind the transfer of assets and land were based upon the principles and experiences evidenced within former district councils who pursued housing stock transfer in County Durham prior to 2009.
- 9 Cabinet agreed that any changes or deviations from the principles agreed by Cabinet could be negotiated by the Council's Corporate Director Regeneration and Economic Development and Corporate Director Resources, in consultation with the Portfolio Holder for Regeneration.
- 10 Principally the land that will be transferred to the new Group forms part of the Housing Revenue Account. This will support the new Group in undertaking the neighbourhood and environmental improvements promised by the Council as part of its Offer Document. A small proportion of General Fund land will also be included in the transfer. This land was acquired, in most circumstances, for housing purposes by the former district council's in the area.

- 11 A separate 'Development Agreement' will be prepared for agreement between the Council and the new Group, which will sit alongside the traditional transfer agreement and will clarify development requirements.

Warranties

- 12 The new Group will require the Council to provide warranties relating to the property that will be transferred. A warranty is a declaration that the information the Council has provided on the transferring land and properties is correct.
- 13 The Council will provide the warranties to both the new Group and its funders. This will give both significant assurances that there are no matters in connection with the land and property that is transferring that could cause either the Group or its funders any loss. It is a usual commercial requirement in transfers for the Council to provide separate warranties to both the purchaser (in this case, the County Durham Housing Group) and its funders.
- 14 The Council will purchase insurance to provide financial protection against certain environmental warranty claims, should they occur.
- 15 The Council continues to employ specialist legal conveyancers and support teams to map out the land and properties that will transfer to the new Group and complete the required searches to provide the necessary warranties for the Group to take ownership of land. The Council's team continue to work closely with the County Durham Housing Group to review proposed sites and discuss emerging issues based on the report Cabinet received on the 10 September 2014 which set out the principles of land transfer.

Service Level Agreements

- 16 The Council and the Group have focused their attention on the completion of the transfer process and the seamless transition of housing services from the Council's ownership to the new Group.
- 17 A suite of Service Level Agreements (SLAs) have been developed in partnership with the Council, which set out the services the Council will continue to provide to the Group for an agreed period following transfer.
- 18 The SLAs are intended to support the new Group in continuity of service as it completes the transfer successfully; and ensures high quality housing services continue to be delivered to customers. The SLAs will also allow the new Group the time to review its business needs, determine its resources and make decisions on the future delivery of its services.

- 19 In the future, the new Group will be required by its regulator (the Homes and Communities Agency) to consider value for money in its contracts and SLA arrangements. The Group will work with the Council to review the impact SLAs have on Council services and determine the best course of action for future service provision.

Transfer of Undertakings and Protection of Employment (TUPE)

- 20 Officers from Durham County Council, Dale and Valley Homes, and East Durham Homes and the County Durham Housing Group continue to work together to consider the implications for employees transferring from the Council into the new Group or within the Group.
- 21 Council employees who are assigned or otherwise essentially dedicated to the delivery of council housing services, or directly support its delivery at the point of transfer, have been identified.
- 22 Around 200 Durham County Council employees will be affected by the transfer and therefore subject to the provisions of TUPE. Over 100 employees will transfer to the County Durham Housing Group Ltd, including the Durham Housing Repairs and Maintenance Direct Labour Organisation and the strategic landlord and corporate support functions. Over 80 employees will transfer from the Council's housing management functions to the newly established Durham City Homes, and 3 employees currently employed by DCC but seconded to East Durham Homes, will have their employment transferred to EDH.
- 23 The majority of employees currently working for the Council's arms-length housing management organisations (Dale and Valley Homes and East Durham Homes) will not be impacted by TUPE, as they are already employed directly by those organisations and this will continue to be the case under the Group arrangement.

Pensions

- 24 Under TUPE regulations the pay, terms and conditions of TUPE transferred employees will be protected. In line with practice in previous stock transfers in Durham, it has been agreed that the four organisations forming the County Durham Housing Group will join Local Government Pension Scheme (LGPS). Each organisation will be 'Admitted Bodies' and employees will continue to have access to LGPS on an 'open scheme' basis.
- 25 Admission agreements are in development, which will allow the employers within the Group to participate in the Pension Fund.
- 26 The Council has a long term strategy for dealing with pension contributions and liabilities including any deficit. Pension deficit payments are made annually and the budgets currently set aside for this will be transferred and retained by the new Group. This element of expenditure has been included in the Group's business plan and is reflected in the sale price of the housing stock.

Developing the Final Transfer Agreement

- 27 It is usual as part of any housing stock transfer proposal for discussions and negotiations to be undertaken on behalf of the Council and the new organisation up until the point of transfer.
- 28 Every effort will be made to ensure transfer details are agreed at the earliest opportunity, but there will be a need for continuing dialogue and negotiations up until the day of transfer, which is scheduled for the 23 March 2015.

Secretary and State Consent

- 29 The transfer can only complete if the formal consent of the Secretary of State for Communities and Local Government is provided under the terms of sections 32-34 and 43 of the Housing Act 1985. A formal application to seek that consent must be submitted by the Council a minimum of four weeks prior to the proposed transfer date. The Council plans to submit its application by the 23 February 2015.
- 30 At the same time, the Council will also seek consent to transfer any remaining assets in the Housing Revenue Account (HRA) to General Fund accounts and authorities and to close the HRA.
- 31 Engagement with both the DCLG and the HCA has been maintained by the Council, both throughout the options appraisal process prior to the Secretary of State granting consent to the Council to commence formal consultation with tenants and onwards and since the announcement of the tenants' ballot result in late summer 2014. Therefore both the DCLG and HCA fully expect to receive the Council's application by the 23 February 2015.

Recommendation

- 32 That the members of the Economy and Enterprise Overview and Scrutiny Committee note and comment upon the information provided in the report.

Background papers:

- Durham County Council Cabinet Report 12 December 2012
- Durham County Council Cabinet Report 30 October 2013
- Economy and Enterprise Overview and Scrutiny Committee Report 22 September 2014
- Economy and Enterprise Overview and Scrutiny Committee Report 15 December 2014

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Appendix 1: Implications

Finance

Previous reports have detailed the financial implications to the Council and The General Fund as a consequence of transferring stock to County Durham Housing Group. The expected cost to the General Fund is estimated to be £3.550m and this has been accommodated into the MTFP and annual budget for 2015/16.

Staffing

Detailed work continues on the impact of the proposed transfer on the Council's services and staff associated with Council housing and its support. This work is being undertaken by Human Resources and Legal Services in full consultation with potential staff affected. Staff potentially affected by a TUPE transfer either from the Council or within the proposed new group of landlords will be fully informed and consulted with as part of the formal TUPE consultation.

Risk

The transfer of the Council's homes must be planned and managed effectively by both the Council's transfer team and the County Durham Housing Group to ensure the challenging deadline is achieved by the end of March 2015.

Equality and Diversity

The formal consultation process has provided all individuals and organisations with an interest in the future of the Council's housing stock with the best opportunity to express their view on the transfer of the Council's homes in County Durham. The formal consultation process has been delivered through the implementation of a communication and consultation plan and active tenant engagement in the development of the Offer Document.

The Offer Document makes specific provisions for:

- Tenants with a disability
- Elderly tenants
- Young tenants
- Tenants experiencing problems with managing money and debt
- Improving quality of life for tenants across the county

According to the Equality Impact Assessment undertaken on the proposed transfer it will impact on protected characteristics. Impacts in terms of stock transfer are positive, as accessing additional funding will improve housing, neighbourhoods and services and will stimulate the local economy. This may be particularly beneficial for women who have an increased demand for social housing and disabled and older people who require homes to meet specific housing needs. Younger people and people raising a family will also benefit from an improved social housing offer resulting from stock transfer. Transfer may also enable access to additional funding to strengthen and improve tenancy support services to mitigate the effects of welfare reform.

Accommodation

The County Durham Housing Group Ltd has selected an office in Seaham. Negotiations on the take up of a lease continue. Dale & Valley Homes, Durham City Homes and East Durham Homes will remain in their existing accommodation as per the promise of local access made in the Offer Document.

Crime and Disorder

None

Human Rights

None

Consultation

Formal consultation has been undertaken with all secure and introductory tenants, providing an opportunity for 21,908 tenants and 193 leaseholders to comment and vote on the Council's transfer proposal.

Procurement

None.

Disability Issues

None

Legal Implications

There is a clear process for the transfer of homes set out in the Government's Housing Transfer Manual. The transfer of homes can only go ahead if the Council observes the requirements as set out in the Housing Act 1985 in terms of obtaining the consent of the Secretary of State to the transfer and the provision of other required information (i.e. warranties).

The transfer process will continue to be supported by the Council's legal advisers for stock transfer and the County Durham Housing Group's legal advisers.

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Economy and Enterprise Overview and Scrutiny Committee

20 February 2015

EU Funding Update



Report of Ian Thompson, Corporate Director, Regeneration and Economic Development

Purpose of report

1. The purpose of the report is to provide an update to Overview and Scrutiny of the current status of the upcoming EU Structural Funds Programme and views on the current direction of travel.

Background

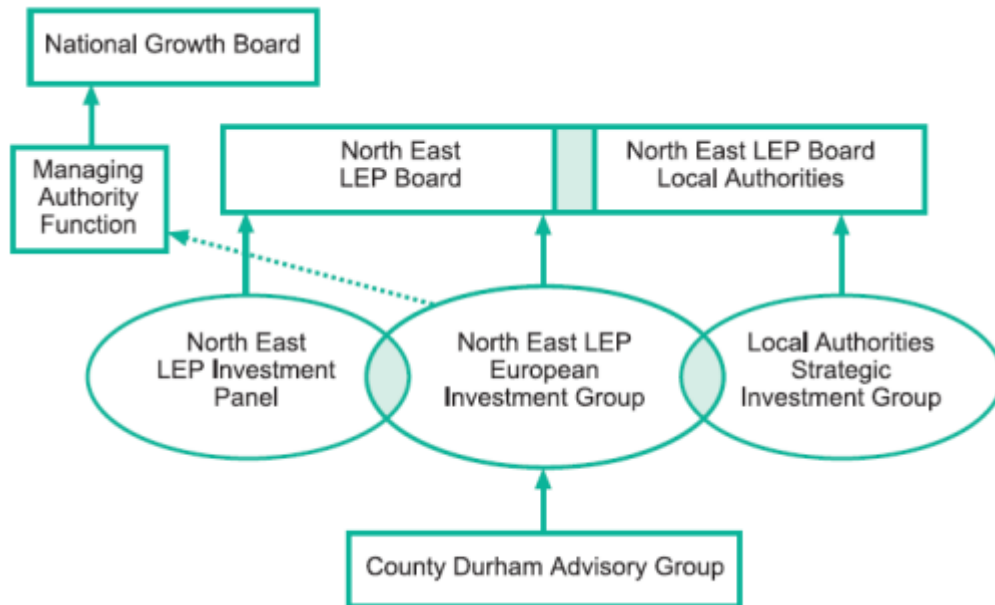
2. The EU Structural Funds programme for 2014-2020 allocates circa £450m for the North East Local Enterprise Partnership (NELEP) area, including £135m for County Durham as a Transition Region. This presents a significant opportunity to support the economic, environmental and social infrastructure of the County in the medium term through the delivery of a range of EU compliant projects.
3. The English EU Programme is not yet operational, as the UK Government remains in negotiation with the EU Commission over the content of the English Operational Programmes (OPs) for both ERDF and ESF. The EU Commission have expressed concerns over the role of LEPs in the allocation of EU Funds as they are essentially private sector advisory bodies and have no statutory constitution.
4. The OPs contain the rules and the parameters of spending that the EU Commission will agree to in the UK. Until these are agreed, it is not possible to give certainty over the eligibility of specific projects, and so programmes of activity still remain in a preparatory phase.
5. In order to prepare the English OPs, the Government had given LEPs a strategic role in preparing broad strategies for proposed investment themes within their areas, based upon the EU Commissions 2020 strategy and EU wide areas of eligible spend. The NELEP has drawn heavily on the economic evidence presented in the Adonis Review of 2012 and engaged in dialogue with a range of partners to set out the strategic direction of the proposed programme. These are contained within the European Structural Investment Fund (ESIF) Strategy, identifying broad areas of spend and likely outputs.

6. The Strategic Objectives of the European Structural Investment Fund (ESIF) Strategy are:
 - Innovation – increased levels of R&D and Smart Specialisations
 - Business Growth – increased trading, entrepreneurship, start up business and private sector access to finance
 - Low Carbon – increased role of low carbon economy and energy generation
 - Inclusive Growth – improve employability and barriers to employment for the most economically vulnerable
 - Skills - improving skills provision and better linking to economic opportunity and the needs of business.
7. The NELEP are now engaged in refining areas of expenditure into more clearly defined programme briefs in anticipation of the series of Open Calls for projects once the OP is approved. The Government are still confident that OPs will be approved in the Spring of 2015, however this appears optimistic.
8. As Durham is a Transition Region and has a sub allocation of £135m, the County Durham Economic Partnership set up a number of work-streams to involve a full range of partners in identifying areas of spend and programme outputs in County Durham, in accordance with the Strategic Priorities set out in the CDEP / Altogether Wealthier Regeneration Statement. This work is ongoing and will inform the content of the Open Calls.
9. The Work Streams are:
 - Innovation
 - Enterprise and Business Support
 - Access to Finance
 - Capital Infrastructure
 - Youth Unemployment
 - Social Inclusion
 - Adult Skills and Employability
 - Low Carbon / Sustainability
10. As a Transition Region, the ERDF resource, focussing mainly on business support will form 65% of the programme, whilst ESF, focussing on skills and social inclusion forms 35% of the programme.
11. The CDEP have organised a wide range of meetings in respect of each work-stream and organised a Social Inclusion Conference to examine potential areas of spending the European Social Fund. Members of the Economy and Enterprise Scrutiny Committee were invited to this meeting, and a number attended.

12. Within the Council; opportunities presented by the emerging EU Programme have been promoted through presentations to senior officers, Cabinet Members and Overview and Scrutiny Committee. Senior Council officers and Members have been engaged in or are leading the various work-streams of the CDEP, to develop and construct a broad programme of activity, to be commissioned once the programme is operational. Senior officers and Members have also been involved directly through engagement with the LEP in ensuring that the shape of the EU Programme will facilitate investment in strategic regeneration priorities in the County, and those of the County Council.
13. In anticipation of the Open Calls for project applications later in the year work is now beginning to “shape up” a number of the agreed spend areas into more defined projects. As the Council may be submitting applications to deliver a number of projects, with significant cost value, a process of internal approval is now in place, prior to any applications for funding being submitted next year.
14. It should be noted that the Council does not have a bespoke allocation of funding or any formal role in approval of projects or management of a programme. However, as secretariat to the CDEP there is a significant influencing role for the Council, maintaining a programme overview and stimulating the development of projects in priority areas, once the programme is operational.

Governance of NELEP area programme.

15. The proposed Governance arrangements for the EU Structural Funds 2014-20 differ significantly from previous years in that the Government have effectively nationalised the Programme. Rather than a series of regional operational programmes, the new programme will be overseen by an English National Growth Board, with a series of sub committees operating within each LEP area, and with CLG acting as the “Managing Authority”. The sub-committee operating in the NELEP area was referred to as the European Investment Group in the LEP strategy agreed with CLG for the use of EU resources in the North East.
16. Whilst the role of the LEP area ESIF sub-committees will essentially be advisory, projects will require the endorsement of the sub- committee as a condition of grant prior to government departments recommending approval via the national growth board.
17. As Durham is a Transition Region, with a discreet allocation of EU Structural Funds within the overall NELEP allocation; the proposed ESIF sub committee for the NELEP area recognises the County Durham Economic Partnership as an advisory body (referred to as the County Durham Advisory Group). The diagram below is taken from the North East LEP European Strategic Investment Fund (ESIF) document.



18. Within the North East, the ESIF Committee has now been established and is chaired by Paul Woolston, the committee has held two meetings. Cllr Neil Foster represents the Combined Authority and Sue Parkinson, represents the County Durham Economic Partnership, of which she is the Vice Chair. The group have discussed their terms of reference and given early consideration to the potential content of Project Calls, for when the programme becomes operational.

Current Issues

19. There are a number of issues which have recently emerged within the programme which are hampering the development of firm project proposals. These are:
- Match Funding / Co financing

The Government had indicated that a number of programme areas would be co-financed by the Government, through a series of “opt ins,” whereby local partners can opt to use their EU funds to effectively buy services from Government Departments who would match the EU funding at source. However it has recently emerged that the Government are unable to provide any co-financing for the Youth Employment Initiative and are unable to clarify the levels of co-financing available for other areas of activity. Given the removal of a range of government grants and reductions in Council expenditure, the sourcing of match funding for eligible project activity could become a major inhibiting factor in the progress of the Programme.

- Delays to the Operational Programmes

The delay to the approval of the Operational Programmes in England is causing a delay to project development, as the “rules” of the programme remain uncertain. In particular the lack of clarity over eligible activity within each theme (priority axis) and the output framework, which is what EU grant is effectively paying for; means that project proposals cannot be worked up in fine detail. Once the OPs are approved and Open Calls are made, project proposals will need to be firmed up within a short space of time, should the Open Call time period be limited.

- Durham Dales Leader Programme

The application for a Leader programme for the North Pennine Dales, for £2.4m was initially rejected by DEFRA. The Local Action Group have submitted an appeal, and at the time of writing we are still waiting to hear if it has been successful.

The Emerging Durham Programme

20. As Durham is a Transition Region, with its own allocation within the NELEP total, spend proportions against each of the EU programme objectives for Durham had to be shown separately within the NELEP ESIF.
21. The CDEP is coordinating the formulation of broad spend proposals for County Durham. An initial draft investment plan was approved by the CDEP Board on 24 February 2014 which has formed the basis for the Transition Region element of the LEP ESIF Strategy.
22. Spend proposals for the EU 2014-2020 programme in County Durham are currently being refined through a series of work-streams, conferences and seminars organised through the CDEP. The work- broadly mirror those of the North East LEP with the chair of each CDEP work-stream acting as the Durham representative on the relevant NELEP group wherever possible. DCC officers are involved in all work-streams and in many cases take the lead.
23. A schedule of emerging projects within the CDEP is attached as Appendix A.
24. It is envisaged that when the programme is operational the CDEP will continue to oversee the pipeline of projects within County Durham with regular update reports to the CDEP Board and continued communications with the NELEP.

Governance within the Council

25. As the Council is likely to submit a number of project proposals to take advantage of EU funds it is essential that the Council has an agreed internal approval process to ensure that opportunities are maximised and liabilities minimised, prior to any commitment to matching EU funds is made.

26. EU funds are only available for bespoke projects that fit the eligibility criteria contained within the English Operational Programme and support the objectives within the open calls. Projects will have a defined start and end date, agreed eligible activity and recorded outputs which are agreed with CLG. Within Transition Regions, match funding of 40% needs to be secured by the project sponsor, unless the project has been commissioned through one of the Government Opt ins, in which case there is no match funding requirement. Records of activity, spend and outputs must be kept for up to 10years following project completion.
27. Whilst it is too early to be specific about applications for funding which may be submitted by the Council, emerging project areas where the Council could be involved in delivery include:
 - Business support to SME's
 - Capital infrastructure to support business development
 - Employability / Apprentice support / Youth Employment
 - Support to VCS following transfer of community assets
 - Low Carbon initiatives / Green Deal
28. Appendix A also shows areas of activity (not exhaustive) that could potentially be eligible for EU funding and require further development in line with Council priorities and MTFP requirements.
29. Whilst the programme cannot be used to replace the Council's base budget, lost through government cuts; it is possible to utilise the resource to continue eligible activity that would otherwise be lost, provided this activity can be recast as a bespoke project with the support of local partners.

Promoting EU Funding Opportunities with DCC

30. Obtaining additional finance for projects through the EU Structural Funds Programme, (as well as all other external funding regimes), is a high priority for the Council, which is reflected by the inclusion of the EU Structural Funds Programme in Big Board 2.
31. The EU programme has been well publicised throughout the Council and the County. A series of presentations to Senior Officers, Cabinet Members and Overview and Scrutiny have taken place, to ensure that the Council is well placed to take up opportunities for project funding and to give a strategic lead in the economic regeneration of the County.
32. A number of senior officers from all Service Groupings are now either leading or are actively involved in the relevant work-stream of the CDEP. Council officers are engaged in shaping the areas of investment required in Durham and the NELEP area in the period leading up to an open call.

33. Quarterly briefings with the Leader and relevant Cabinet Members are held to keep them abreast of issues within the programme, as well as links to the NELEP and Combined Authority as they arise. Briefings have also been arranged with the new cohort of MEPs to ensure they understand how funds are being utilised in Durham and the North East.
34. Economy and Enterprise Scrutiny Committee will receive regular reports and updates as the programme progresses in order to scrutinise the direction of travel of the programme and ensure strategic fit with economic issues in County Durham. As the programme progresses and Council led projects become operational, the committee will receive reports on their performance as they form part of the RED performance management framework.

Recommendations

35. Economy and Enterprise Overview and Scrutiny are recommended to:
- (i) Note the content of the report.
 - (ii) Offer views as to direction of travel of the emerging programme.
 - (iii) Receive further reports as the programme progresses.

Background papers

Report of the Corporate Management Team – EU Funding programme 1 October, 2014

Report of Economy and Enterprise OSC – Update on EU Funding programme 30 October 2014.

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Appendix 1: Implications

Finance – None

Staffing – None

Risk – None

Equality and Diversity – None

Accommodation - None

Crime and Disorder – None

Human Rights – None

Consultation – None

Procurement – None

Disability Discrimination Act –None

Legal Implications – None

Appendix A: CDEP & EU Programme; Schedule of emerging projects (inc Durham County Council areas of activity)

Background

1. This note provides an update on the work of EU Investment workstreams and sets out existing direction of travel for workstreams. The outlined activities are indicative areas currently being developed with partners and do not represent the final list of proposed projects. Once we receive the Operational Programme these activities will be developed into projects as appropriate.

Partnership Activities via Core Workstreams

2. Innovation, Catherine Johns (Business Durham)

- 2.1. Under TO1, County Durham is proposing an integrated set of activities to accelerate the commercialisation of R&D into the market and encourage higher levels of business investment into research and innovation. The activities proposed here have demonstrable social impact, not only through the development of new products and services, and the involvement of the wider business community in the development of these products, but also through the improvement of economic wellbeing within the County. The activities link revenue activities to physical hubs to support the ongoing identification and development of new opportunities to exploit innovation as markets continue to develop; to stimulate the demand for new products and processes and help bring those new products and processes to the market.

This will include capital investment at the North East Technology Park (NETPark) and at Durham University to construct space to accelerate business growth, as well as investment into open access facilities around key enabling technologies. Innovative businesses across the County will be assisted with tailored support, including market landscaping and foresight, innovation management, matching market pull with technology push to stimulate demand, identify opportunities and build collaborative research between businesses and research institutions, supply chain development via private and public sector procurement, assistance with accessing finance, and access to open innovation hubs.

- 2.2 Complementary to this activity will be the stimulation of demand with a variety of outreach and engagement activities. These activities are completely aligned with the North East LEP's Strategic Economic Plan to create more and better jobs and which states that, "for areas such as the North East, dynamic innovation systems and cultures can be the source of both economic and social development – the growth and creativity of individual businesses drives new investment and employment, and socially focused innovation responds to the changing demands of communities". These activities may well be delivered under the NELEP's Innovation Strategy activities including Catalytic Competitions and Grand Challenges. This plan also aligns with the focus on areas of Smart Specialisation, with particular reference to the Surface Science Area of Economic Activity. Nationally, they are fully aligned with BIS' Eight Great Technologies, with its emphasis on materials and their potential to be transformed into products with social and economic impact. At the EU level, of the 153 currently open calls for Horizon 2020, approximately half would require the activities below as a competence for companies.

Workstream Activities

2.3 Emerging Electronics Centre

Project outline: The focus of this centre is to integrate, demonstrate and enable commercialisation of emerging electronics technologies, embedded systems and printable electronics, by engaging with industry to drive the next generation application development, with a dedicated resource focused on early market engagement. Two themes are envisaged within this, with one focusing on integration, playing to regional strength in healthcare and transportation and the other focusing on bespoke products based on digital assembly. The North East has strong interest and potential in this space with many SMEs and industrial players and will be linked to CPI's National Centre for Printable Electronics.

Potential match funding: Innovate UK, H2020, Private Sector

Partners so far: CPI-led, supported by Business Durham and Durham University. Commercial partners are confidential.

2.4 Powder Processing Centre

Project outline: This centre will focus on developing an asset and knowledge base working with industrial partners to create a national open access powder processing facility, to be able to serve the UK's growing industrial base in this sector.

Potential match funding: Innovate UK, H2020, Private Sector

Partners so far: CPI-led, supported by Business Durham and Durham University. Commercial partners are confidential.

2.5 National Centre for Healthcare Photonics

Project outline: This will be a multi-disciplinary centre involving engineers, scientists, medical scientists and clinicians to develop and commercialise photonics based therapies for healthcare applications. SMEs in the North East are already active in this space and there is a huge potential to develop this into a coherent development and commercialisation activity to be able to target global markets. The centre will also build expertise in skills required to translate promising technologies into clinical practice such as health economics modelling and clinical trial planning.

Potential match funding: Innovate UK, H2020, Private Sector, LGF

Partners so far: CPI-led, supported by Business Durham and Durham University. Commercial partners are confidential.

2.6 Formulations Centre

Project outline: A recent Innovate UK special interest group has recommended that the UK should have a national formulation centre in a hub and spoke model, with the hub being located within CPI. CPI is keen to get the hub located in the North East. Plans are being developing for the creation of a £50M UK centre serving the consumer goods, pharmaceuticals, coatings, electronics and chemical industry. Building on CPI's strong formulation and continuous process chemistry group (e.g., nanodispersion processing), as well as formulation expertise in the Printable Electronics area (conductive inks, printable OLEDs etc.); Continuation and expansion of CPI's innovative and enabling formulation work. The CPI Formulation Centre is to form a spoke in the National Formulation Hub.

Potential match funding: Innovate UK, H2020, Private Sector

Partners so far: CPI-led, supported by Business Durham and Durham University. Commercial partners are confidential.

2.7 **Investor readiness and investment fund**

Project outline: CPI will develop an expert consultancy offering focused on helping hi-tech early stage companies and SMEs with high-growth potential, by offering a bespoke and robust investor readiness programme. This activity will also benefit from the breadth and depth of CPI's technical expertise in the broad area of high value manufacturing and will focus on helping companies that operate within these sectors.

Potential match funding: Innovate UK, H2020, Private Sector

Partners so far: CPI-led, supported by Business Durham and Durham University. Commercial partners are confidential.

2.8 **Innovation support and networks, NETPark integration centre**

Project outline: Focused incubation and innovation support. Industry Incubators to encourage spin off activities. Supply chain development. Technology development. Access to finance and support to win finance. Market assessment and support to win contracts. Talent development programme.

Potential match funding: Innovate UK, H2020, Private Sector

Partners so far: Business Durham-led, supported by CPI and Durham University. Commercial partners are confidential.

2.9 **Centre for Innovation and Growth**

Project outline: Beacon of open innovation enabling new opportunities for research, innovation and growth for growing technology based companies and inward investment. Local, National and International Fellowships bringing individuals into the Centre for Innovation and Growth

Potential match funding: Innovate UK, H2020, HEFCE, Private Sector

Partners so far: Durham University-led, supported by Business Durham and CPI. Commercial partners are confidential.

2.10 **Infrastructure at NETPark**

Project outline: Opening up Phase 3 of NETPark will be critical to maximising the impact of the above activities which will act as attractors of companies. This project is therefore about servicing Phase 3 at NETPark with suitable infrastructure. Further buildings are planned at NETPark but it is not yet certain that these will require ERDF.

Potential match funding: LGF, DCC

Partners so far: Business Durham-led.

3.0 **Energy & Sustainability, Maggie Bosanquet (RED Sustainability)**

3.1 **Domestic Energy Efficiency**

Project outline: Supporting energy efficiency retrofits in domestic properties across all tenures. Depends on Government guidance as to what can be delivered. Likely to be closely aligned to the regional Warm Up North project and discussions are taking place with TVU and north east local authorities. Ideally, area based schemes, training local people to undertake surveys and creating a network of local companies to deliver works. Close links to skills and training.

A regional meeting of 9 local authorities, B Gas, WUN and Group Horizon took place in June and a further workshop for all LAs is planned for September with a mapping exercise of CSCO/off gas areas and deprivation. Discussions are also ongoing with several social housing providers. Government guidance will define what we will be able to deliver.

A Durham scheme is planned at Craghead; discussions on-going to ensure match funding is in place. A second regional meeting will take place towards the end of 2014.

Potential match funding: ECO funding (especially for CISCO areas). Also householder contributions if they are eligible.

Partners so far: DCC Housing; some social housing providers; Warm Up North; Tees Valley Unlimited, British Gas and all WUN partner authorities in the North East; Group Horizon;

3.2 **Business Energy Efficiency**

Project outline: Aim to support businesses to reduce their rising energy costs (NECC business surveys regularly report this as a top 3 concern). Historically such support tends to focus on larger businesses and not help smaller ones. We want to produce comprehensive information that is accessible to all organisations, including micro, small and medium size enterprises (focus on no and low cost actions plus information on technology options) backed by surveys and finance (low interest loan and legacy fund) for energy efficiency interventions where appropriate.

High quality website has now been developed for us and fact sheet/ case study collation is on-going. Mechanism(s) needed to support businesses/landlords to undertake energy saving interventions; potential providers keen to talk to us.

The new Government Energy Savings Opportunity Scheme (ESOS) will encourage all companies over 250 employees to report plans to reduce their energy costs – Durham County Council is hosting a national launch event with DECC, NECC, NELEP and TVU on 22nd October; significant attendance from the largest regional companies shows how important this is. We hope to engage their supply chains.

Potential match funding: Loan scheme

Partners so far: NE Chamber of Commerce; Federation of Small Businesses, DCC Business Durham, Narec; Northumbrian Water; Tees Valley Unlimited; NELEP; DEELS companies; DECC;

3.3 **Community Energy Efficiency:**

Project outline: Supporting communities to set up small businesses (CICs etc.) to run local energy projects, including community owned renewables and community energy efficiency schemes. Working closely with DECC. Regional programme is being developed by VONNE (possibly TVU too). Some local communities have funds to invest. There is potential for significant training and skills development. The project will also focus on community buildings: buildings that function as a 'community hub', such as schools, leisure centres and community halls. Delivering energy efficiency and renewable energy improvements to these buildings has an educational function as well as supporting the creation of jobs and businesses.

Community Buildings England now officially launched and will pilot in the north east, working closely with DECC. Accredited community training schemes are now under

development with WEA / Narec. Apprenticeships are also being looked at. A low interest loan scheme could have value + explore community share options, etc. Public buildings are also included in the Government guidance so plans are being developed to include these too.

Potential match funding: Northern Power Grid, community equity,

Partners so far: Durham Community Action; County Durham Community Energy; Voluntary Organisations Network North East (VONNE), Green Community Buildings; Northern Power Grid; Community Buildings England; Government Department of Energy and Climate Change (DECC)

3.4 **Low Carbon Supply Chain – Biomass project:**

Project outline: Aim to develop the County-wide biomass supply chain. The County is scattered with small, unmanaged woodlands that could generate an income, create jobs and businesses and support sustainable energy production. Mapping exercise underway; gaps identified in skills (especially needed to replace an ageing workforce), in appropriate plant and machinery, in transport capacity and skills and in business support. Currently, biomass is bought in from outside the County to meet market needs. FC is publishing 'Roots to Prosperity' designed to grow the forestry & biomass sector. It identifies obstacles to growth and sees supply chain development as key. We especially need interventions to encourage demand for biomass; e.g. district heating schemes, public or community buildings, etc. A mapping exercise will be undertaken to compare heat demand, off gas areas and woodland cover. Advised that this project probably fits better under LEADER

Potential match funding: Forestry Commission (possibly)

Partners so far: Forestry Commission, Northwoods / Rural Development; Natural England; DCC; Environment Partnership Coastal, Heritage & Landscape Group, Wingate Energy Forest; Three Rivers LNP;

3.5 **Renewable Energy – District heating:**

Project outline: With the regeneration of key employment sites in Durham City, there is a unique opportunity to build in low cost and low carbon heating, cooling and electricity through a district heating, cooling and private wire network. DCC are applying to DECC for feasibility funding through the Heat Networks Delivery Unit. This will show DCC and partners the opportunities and risks associated with such a development and provide the foundations for which an application to the ESIF could be made. The cost of the feasibility study is £100,000 with 67% coming from DECC. £33,000 has been secured from Regeneration.

DECC has asked us to investigate opportunities for a water sourced heat pump from the river in Durham City for additional funding.

Potential match funding: Currently being investigated

Partners so far: DCC RED, Funding & Programmes; DECC; Durham University; Durham & Darlington NHS Trust; Police Authority; Aykley Heads Business Centre; St Leonards Comprehensive, Carillion.

3.6 **New & innovative Technologies – Eastgate:**

Project outline: The best untapped source of geothermal energy in the UK is at Eastgate, where a renewable energy village has been proposed following the closure of Eastgate

Cement Works. Excellent grid connections are in place and considerable initial drilling and feasibility work has been undertaken.

Two Technology Strategy Board (TSB) funding bids are under discussion; 1) early stage feasibility (up to £300,000) on magnetotelluric imaging to identify the presence of subsurface water in the Butterknowle Fault area so that drilling can be specifically targeted. 2) Mid stage (up to £3m) to develop electricity generation scheme for Eastgate with agricultural or tourism scheme to use the heat by-product.

Potential match funding: Applications for TSB funding

Partners so far: DCC; Lafarge; Cluff Geothermal; Durham University, Britgeothermal,

3.7 **Energy Systems:**

Project outline: Durham University plays a leading role in Energy systems policy in the UK, working closely with Government and Ofgem. The £ multi-million 'Customer Led network Revolution' project has driven research on customer behaviour to reduce peak electricity usage and follow-up projects are under discussion with Northern Power Grid. Smart grids, electricity storage and education / behaviour change would be at the heart of this University led project.

TSB funding has now been secured for the Gengame/ACE project to trial demand side response in County Durham. NPG will now match fund from the Low Carbon Networks Fund

Potential match funding: National Power Grid Low carbon Networks Fund / Ofgem; TSB

Partners so far: Durham University; Northern Power Grid; Oswald Consultancy

3.8 **Green infrastructure / Climate Adaptation:**

Project outline: This activity is highly dependent on clarification of Government policy. A wide partnership of organisations has expressed interest in Green infrastructure improvements (wetland and (overflow ponds), peatland protection, river restoration, etc. that will both reduce flood risk, tackle climate impacts and deliver health and wildlife benefits. Government guidance now suggests that only projects that specifically tackle flood risk to allow economic (business) development on a site will be permitted. Extensive review of County Durham sites suggests that de-culverting of the Cong Burn under Chester-le-Street Market Place would meet the criteria. This project will require more feasibility work but has potential.

Work on this is on hold until Government guidance on Objective 5 is clearer

Potential match funding: To be confirmed

Partners so far: DCC Neighbourhoods & RED Regeneration; Environment Agency; Local Nature Partnership; Northumbrian Water; Coastal, heritage and Landscape Group

3.9 **Low Carbon Skills:**

Project outline: A wide range of different projects and initiatives are under discussion across various departments (schools) of Durham University including the Durham Energy Institute, Anthropology, Biological and Biomedical Sciences, Engineering, Business School, Earth Sciences; Geography; etc. Projects are currently under development. Discussions are also taking place with New College to explore the potential for a renewable energy academy, creating apprenticeships in renewable energy linked to specialist SMEs.

Potential match funding: Tuition fees can be used as match. The University has reviewed all its research funding and some of this will be eligible. Funded PhDs being explored – to be part funded by the university and part funded by the relevant industry.

Partners so far: Durham University multiple departments; New College;

3.10 **Water Research Centre / Innovation Hub:**

Project outline: There is not a national centre for water research in the UK. Key County Durham organisations have developed significant national expertise in water related issues, including the Environment Agency, Durham University and Northumbrian Water, whose headquarters is in Durham. Specialist areas include minewater and metal treatment, river water quality improvements, catchment management, wet ecosystems, etc. The aim is to create a national centre of expertise with demonstration sites with a focus on commercial opportunities and industry links. A charitable trust would be established.

High level support has now been achieved for this from Durham University and Environment Agency. Durham University Head of Geography Department is providing a 6 month research post to develop the scheme. Partner event will take place on 10th September. We are also approaching Arup and Northumbria University. This is developing really well and is likely to be a regional collaboration project. Could be Objective 6 or possibly the core of a Sustainable Urban Development delivery model for ERDF. A regional study is to be commissioned looking at the current size of the water sector and opportunities for growth.

Potential match funding: To be confirmed.

Partners so far: Environment Agency; DCC; Durham University (several different departments); Northumbrian Water

4.0 **Skills & Employability, Graham Wood (Economic Development)**

4.1 The emerging European Programme provides significant opportunities under the ESF strand to progress activity in support of the Employment, Inclusion and Skills agenda. Across County Durham, the identified Allocation of Transitional Area ESF funding to support the Employability Skills and Inclusion extends to £ 48.2 million.

At a local level, development work has taken a number of forms, to encompass current and emerging issues. This includes:

- Assessing strategic fit,
- Partner / Stakeholder intelligence,
- Structured programme opportunities and current extendable contracted activity,
- Emerging programme (funding) opportunities which could provide match for eligible activity.

4.2 Strategic Fit considerations have centred upon ensuring fit with current & emerging strategies such as the Adult Skills Strategy and the Business, Enterprise and Skills Strategy

Partner and Stakeholder intelligence has sought to incorporate priorities identified through various engagement events including the skills and employment workshop of the CDEP Social Inclusion conference and a workshop session focussed on Employability issues delivered to the Registered (Housing) Provider group which meets to oversee responses to welfare reform.

4.3 Alongside Strategic fit and partner priorities / local intelligence, the main development area for Employment Skills and Inclusion reflects the typical use of ESF monies in this programme area. Through successive programme periods, a number of nationally

commissioned but regionally delivered ESF co-financed programmes have been in operation managed by either the Skills Funding Agency (SFA) or through the Department of Work and Pensions (DWP).

These co-financed tools include:

- Skills Support for Redundancy
- Skill Support for the Unemployed
- Skill Support for the Workforce
- NEETs programme
- National Careers Service - enhanced contract offer
- Support for Families with Multiple Disadvantage (Family Wise)
- Flexible Fund for the Unemployed
- English and Maths
- Skills Support in the Workplace for Work Programme Participants.

- 4.4 A number of the current co-financed programmes have been contracted with the potential to extension subject to finance availability. Progress and the potential of these programmes is still to be determined both in absolute terms and as seen against strategic priorities prior to any additional resources being notionally identified.

The proposed allocation of ESF funding against the priorities which cover the three thematic areas are set out below alongside an initial indication of the opt-ins to national co-financing organisations and the separate opportunities for open calls.

The block allocation referenced in the table overleaf reflects the ESF input to the Youth Employment Initiative. Recent development work has identified the potential need to provide additional ESF resource in this thematic area to ensure the continuation of programme resource beyond the lifetime of the YEI programme as well as to take advantage of the match funding opportunity provided by the Youth Employment Programme.

Potential Match funding

- 4.5 The initial profile of resources identified above identifies almost £31.8 million of ESF profiled against open-call activity in Durham across the lifetime of the next programme. Discussions at a Regional and local level continue as to whether the remaining £16.4 million currently identified as Co-investment funding via the -opt in process is reflective of both recent programme scale and predicted need.

Equally important in this consideration is the availability of clean match from partners to deliver against this agenda, given certain constraints – particularly in the skills sector of being unable to use SFA budgets as match at a local level due to the SFA's role as a co-investment organisation nationally

Further to the conclusion of the considerations above, it is anticipated that the balance of funding will shift between open-call and opt-in allocations in due course.

Proposed allocation of ESF funding against the priorities which cover the three thematic areas (October 2014).

	Indicative County Durham Allocation	Opt- in (Potential)		Open Call	Co-investment opportunities (Bold) / potential activity
		Organisation	Value		
Employability					
8i Access to employment for Job Seekers and inactive people including long term unemployed (LTU)	£5,300,000	SFA DWP	£2,295,346 £368,124	£2,636,530	Skills Support for the Unemployed programme
8ii Sustainable integration into the labour Market of young People, especially those NEET	£7,700,000 (YEI)	SFA	£4,300,000	£3,400,000	Co Durham YEI NEETS programme linked to Youth Employment Programme Self-Employment activity Intermediate Labour Market Projects
Inclusion					
9i Active inclusion with a view to promoting equal opportunities and active participation	£5,700,000	BIG	£1,300,000	£4,400,000	Replacement for Families with Multiple disadvantage contract (Familywise) Mental Health and Employability Trailblazer
9ii CLLD	£6,000,000	-	-	£6,000,000	
Skills					
10iii Enhancing equal access to Lifelong Learning, upgrading the knowledge, skills and competencies of the workforce and promoting flexible pathways through careers guidance	£5,900,000	SFA	£2,480,723	£3,419,277	Skills Support in the Workplace Careers Guidance Service – enhanced model
10iv Improving labour market relevance of education and training systems, adaption of curricula and the development of work based learning systems	£17,600,000	SFA	£5,670,892	£11,929,108	Education Business programmes (T.B.C.) Enterprise Skills Graduate / Intern placements into Industry
Total	£48,200,000		£16,415,085	£31,784,915	

Partners

- 4.6 The design of potential activity at a County Durham Level for Adult Skills and Employment is being progressed by the Adult Skills Strategy Group a Task and Finish Group aligned to BES. Parallel development work is being undertaken through the Youth Employment Initiative and Volunteering groups providing the overall framework for Employment, Skills and Inclusion activity.

Additional engagement events have and will continue to be undertaken to provide a fine grain of detail for emerging activity, ensuring that local needs and opportunities to maximise resource availability are secured.

Risk

- 4.7 The scale and complexity of the Employment, Skills and Inclusion and agenda presents multiple risks, principally around the following areas:
- The balance between opt in and open call resource.
 - The negotiation of opt-ins, including short timescales for the negotiation of any DWP opt-in.
 - Identification, securing and profiling of eligible match.
 - Development of pan- regional programmes for skills and employment delivery to reflect the regional / national nature of many contracts in this sector.

Next Steps

- 4.8 Activity will continue at both a regional and local level to conclude the development of this element of the programme. It is envisaged that in parallel to the next phase of development of the opt-in programme activity, further roundtable events will be held through November to ensure gaps in provision and specific local needs are identified and fed into local development arrangements.

5.0 Youth Employment Initiative (YEI), Linda Bailey (Children & Adult Services)

- 5.1 *Project outline:* The Youth Employment Initiative (YEI) funding falls under the thematic objective on “promoting employment and labour mobility”. Within this objective, the aim is to address youth unemployment and ensure the sustainable integration into the labour market of people aged 16-24 who are not in employment, education or training.
- 5.2 Target Group
The target group for YEI is young people/young adults aged 16-24 resident in County Durham, not in employment, education or training (NEET). The project will prioritise and focus support on those people who are over represented in the youth unemployment cohort including, but not exclusively, those who:
- live in a deprived area
 - have no or low level skills
 - have Special Educational Needs
 - are supervised by the Youth Offending Service
 - are in care or leaving care
 - young carers
 - are parents
 - have been out of education, employment or training for some time.

These people will often have multiple and interrelated issues that are potential barriers to learning and employment.

5.3 Context

Whilst the proportion of young people who are NEET (Not in Employment, Education or Training) in County Durham has fallen recently, reflecting concerted efforts by local partnerships, it remains higher than the national average. For example, the November 2013 to January 2014 average showed that the NEET rate in County Durham was 7.1% compared to 5.3% nationally¹. There were 2580 JSA claimants aged 18-24 in County Durham in June 2014; 5.1% compared to 3.9% in Great Britain² and it is widely accepted that this figure significantly underestimates levels of unemployment in the county. There are between 6,500 and 7,000 fewer 16 to 24 year olds in employment since before the recession³.

Workstream Activities

YEI is being developed along 3 broad themes:

5.4 *YOUTH - supporting young people/young adults' progress into learning, training and employment*

Transition Advisers will help identify participants and support them to overcome their barriers to learning/training by undertaking an initial diagnostic assessment; engaging them on appropriate activities; supporting them into learning/training or employment and maintaining contact with them so that they remain in their chosen route and don't drop out. Peer mentors (apprentices and volunteers) will work alongside the Transition Advisers, supporting this activity and encouraging participants to realise their full potential.

EMPLOYMENT - assisting young people/young adults into employment

Activities to develop participants' employability skills and provide tailored pre-employment support, underpinned by Business Advisers working with employers to increase the number of employment opportunities for 16-24 year olds.

INITIATIVE - re-engagement and raising aspirations

Innovative activities to increase confidence, improve resilience and encourage progression into education, employment and training amongst the groups identified in 1. above. Innovative programmes will engage, motivate and inspire participants who are unemployed and need help to find employment.

5.5 *Progress to date:*

- A YEI Activity Group was established 12 months ago, with representatives from the partner organisations outlined below. This group has undertaken considerable work: identifying the needs of young people/young adults in the county; researching and identifying best practice; creating the detailed elements in each of the YEI themes above.
- Focus groups have been held with 16-24 year olds, with 150+ taking part.
- A Simpl Challenge has been developed in conjunction with the Federation of Small Business North East, County Durham Foundation, and the County Durham Economic Partnership. It is a tool to encourage young people and adults to post their ideas online on how to tackle youth unemployment in County Durham.
- The first YEI newsletter was published in June.
- A YEI workshop was held in September, attracting 60+ attendees.
- A YEI Development Manager was appointed in September and is driving the project forward.

¹ Source: County Durham 16-18 NEET 3 month average indicator for 13/14

² Source: JSA Claimant Count ONS June 2014

³ Source: ONS Annual Population Survey, 4 quarter average

- 5.6 *Potential match funding:* Big Lottery/Skills Funding Agency.
- 5.7 *Partners so far:* The YEI Activity Group has broad representation from within Durham County Council and the wider learning and skills community. Representatives include colleagues from FE colleges and private providers, funding bodies (SFA and EFA), Job Centre Plus and organisations who specialise in working with the NEET group and vulnerable learners (Mencap, Groundwork, Talent Match).
- 5.8 *Risks:* There continue to be a range of unanswered questions relating to the commissioning and management of the YEI funding. Discussions are taking place with colleagues in the North East LEP and the Department for Work and Pensions (the Government Department that currently has responsibility for delivering ESF) seeking clarification. It has recently emerged that the Government are unable to provide any co-financing for the Youth Employment Initiative and are unable to clarify the levels of co-financing available for other areas of activity. Given the removal of a range of government grants and reductions in Council expenditure, the sourcing of match funding for eligible project activity could become a major inhibiting factor in the progress of the Programme.

6.0 Enterprise & Business Support, Sarah Slaven (Business Durham)

6.1 SME Growth Package

Project outline: A comprehensive package of measures to support SMEs in County Durham to grow, by developing their capacity and capabilities. Measures will include advice, consultancy support, workshops, sector specific initiatives, supply chain development, development of export opportunities, grant support for businesses investing in growth projects (could include e-commerce, marketing, product design, product and market diversification, HR consultancy, process & systems improvement, etc). To also include support towards capital investment by SMEs in production capacity, premises, infrastructure improvements.

Likely to encompass a number of projects. Not yet clear whether there will be a regional 'offer' for some or all of these elements. Where support is offered as regional programme, need to ensure active steps taken to maximise take-up by County Durham SMEs, for example presence on the ground, and may be a need for County Durham specific projects to enhance/wrap-around the regional offer. Discussions ongoing with NELEP & LA business support colleagues over the design of the Growth Hub and the recommendations of the recent business support mapping exercise. Position still unclear regarding MAS, UKTI and Growth Accelerator opt-ins. Close links to access to finance, skills and training.

Potential match funding: Private sector contributions, staff time from delivery organisations, opt-ins still to be explored but looking unlikely.

Possible partners so far: Business Durham, Durham University, MAS, UKTI, Growth Accelerator, Enterprise Agencies, others tbc

6.2 Comprehensive Pre-start and Start-up Package

Project outline: County Durham comprehensive pre-start & start-up programme, including coaching, capability building, workshops, grant investment & business advice, peer to peer and volunteer mentoring, and specific support for social enterprise development. Will incorporate engagement activities to reach potential entrepreneurs in 'communities of interest' or geographic disadvantage (building on Durham Creatives model, RGN experience & welfare reform self employment pilot), accredited training in enterprise skills and business basics. Also to pilot new approaches to better business start-ups, including fast track, opportunities-led intensive start-up support. A package of support post-start for

the first 2 years of trading will also be offered, to address the gap between start-up support and support for growth.

Potential match funding: Currently being explored, discussions with NEEAL partners over possible model, potential to use client contributions post-start, staff time from delivery organisations, SFA for ESF elements

Possible partners so far: Business Durham, Enterprise Agencies / NEEAL, Blue Sky Think, Derwentside Homes, Durham University, others tbc

6.3 *Tourism & Food Sector Package*

Project outline: Provision of business skills training to enhance competitiveness and skills of micro-businesses and SMEs involved in the visitor economy. Support to enhance competitiveness of micro and SMEs in food & drink and retail sectors, linked to the visitor economy.

Potential match funding: Private match, client contributions and other sources being explored

Possible partners so far: Visit County Durham, County Durham Food Partnership, Links to Sustainable Local Food Strategy, others tbc

6.4 *Business Education Engagement Package*

Project outline: A range of interventions to enable better engagement between business & education, in order to develop a skilled workforce, provide opportunities for young people to move into employment, and promote enterprise. Also measures to better engage SMEs in the County with the expertise in Durham and Sunderland Universities, which could assist businesses to grow and become more competitive. Could include projects for undergraduates, internships, collaborative research opportunities, use of equipment and expertise.

Some projects will be developed from Education Business Engagement Board action plan. Also to pick up measures originally identified for YEI but which now not eligible. Close links to Youth Employment Initiative, skills and training.

Potential match funding: Yet to be fully explored, possible opportunity through university's widening participation programme, staff time from delivery organisations, schools contributions.

Possible partners so far: Business Durham, Durham Business Education Partnership, Durham University, Sunderland University, DCC CAS, schools, Young Enterprise, others tbc

6.5 *SME Infrastructure Package:*

Project outline: Infrastructure improvements to allow further redevelopment of business parks, repurposing of existing stock, capital development of key employment sites, further capital investment in rural enterprise hubs to provide infrastructure for SMEs in rural areas (building upon Rural Growth Network pilot), development of community buildings into incubator hubs for social enterprises, support for private sector to implement capital build work for new workshops/offices.

This area of activity needs further development, ideas very tentative at this stage pending further clarification of ERDF rules around intervention rates, Article 55 etc.

Potential match funding: Local Growth Fund, private sector contributions, other sources yet to be explored

Possible partners so far: tbc

7.0 Access to Finance, Simon Hanson (Federation of Small Business)

Small and medium enterprises (SMEs) are a vital part of the County Durham economy. The Access to Finance EU workstream has met alongside the Enterprise and Business workstream over the last few months to understand and agree the key barriers for County Durham but also to ensure that the developing picture through Access to Finance North East is complimentary to the County Durham business needs. The picture painted was of a complex and mismatched set of needs, incentives, and policies. Observations by the group and potential areas for future collaboration include:

- Substantial issues with the supply of finance to SMEs. These include regulatory disincentives to lend, as well as an inflexible system for assessing SME applications for finance. This often leads to SMEs having their applications for finance rejected, or being provided with unsuitable forms of finance.
- Problems with SME financing also existed on the demand side, including a lack of demand from SMEs for the types of finance available, and a lack of knowledge about alternative funding sources. A programme of promotion and awareness raising has been discussed.
- The current system of assessing SME applications for finance is inflexible. A move towards relationship banking would be desirable and allow banks a much better understanding of the situation businesses are in. This would mean they could provide more appropriate finance and support than in the more rigid system of assessment which currently exists.
- There needs to be a longer term view of the effect capital requirements have on lending, including an awareness of the fact that if capital requirements on banks are too high it can create incentives which reduce lending.

Workstream Activities

- 7.1 *Investment Readiness*; Real opportunity to build local capacity through effective operational requirements as a result of County Durham's transition status. CDEP would need to be involved in helping to support locational activity and setting realistic and deliverable local targets, balanced against the demand for the wider North East Programme.

A further role for the promotion and de-mystifying of finance packages was also seen as important. This has been cross referenced with the business engagement work being led through the wider EU Investment Group.

The role of the business bank was considered to be to tackle structural and long term problems as well as consolidating existing finance schemes. It would also attempt to increase the provision of finance to viable but under-served businesses by providing them with diverse sources of finance, as well as addressing the lack of longer term 'patient capital'.

- 7.2 *Alternative forms of finance*; such as crowd funding, also offer some solutions to the financing needs of SMEs by providing new streams of funding for them to access. There is also potential for partnerships between traditional and new systems of finance and could be used to address key sector investment for example, Manufacturing, Social Enterprise and Creative Industries.
- 7.3 *JEREMIE 2*: The group are looking to respond to the expected consultation on the preparation for the next Access to Finance North East funding model. As this programme develops in turn gaps in provision and local programme development will emerge.

Partners to date

FSB, NECC, Business Durham, North Star Finance, Yorkshire Bank, Barclays Bank, NatWest, Atom Bank, Carlton & Co, NESEP, NELEP, Particular Legal, Hotspur Finance, NBSL, Durham University, Growth Accelerator and Access to Finance North East.

8.0 Social Inclusion, Joanna Laverick (Durham Community Action)

- 8.1 Social Inclusion cuts across many of the issues that the County is facing in today's economy. As such it was decided to approach the multiple drivers behind social inclusion through a conferencing approach.
- 8.2 The Social Inclusion Conference was held, in November 2014 and brought together over 200 partners from a diverse range of disciplines and backgrounds, to share perspectives on what social inclusion means for County Durham. Delegates were asked to discuss current barriers to inclusion in the County, and initiatives which are already in place to build more effective inclusion, alongside a challenge to consider the means for removing barriers and innovating new and effective models for support, within the constraints of EU funding compliancy.
- 8.3 The conference was structured around a range of thematic workshops, to enable debate and information sharing between delegates. The conference produced a range of objectives, which form the framework for developing initiatives and projects, which in turn will address issues of inclusion across the main ESIF programme.

Given the theme of social inclusion, most of the potential interventions can be proofed across key thematic areas of the programme, in particular:

- Youth Employment Initiative (YEI)
- Adult Skills
- Enterprise and Business support

Common themes which were generated by partners include:

Supporting infrastructure: a need for increased capacity across the partnership, together with services that underpin access to skills and employability for the most disadvantaged people. Examples of infrastructure needs include access to technical assistance, alignment of business support and volunteering, and development of a cohesive volunteering network, closely aligned to opportunities which enhance employability. Supporting infrastructure illustrates needs which are cross cutting to the programme as a whole and have particular resonance with respect to social inclusion issues.

Employability and skills: The need for a brokering role which links services and clients into employment and opportunities to develop skills. These services need to provide opportunities for inter-generational and family focused interventions and strategies for reaching those furthest from the labour market.

Community Cohesion: Use of community assets as a catalyst for community enterprise, as hubs for learning and skills, and for fostering local opportunities for volunteering and engagement of more isolated people.

Intelligence: Sharing intelligence from across all thematic areas. Building on good practice, developing strong delivery partnerships and sharing intelligence about good practice and opportunities, particularly with respect to employment and skills.

Proofing Interventions: Strategic objectives and fit for social inclusion, now need to be followed up with development of project ideas, shaping opportunities in terms of deliverable outcomes/outputs, match funding and delivery models.

Emerging Issues:

- Need to build strong partnerships with capacity and resources to carry risk, manage projects and to enable effective and inclusive delivery.
- Match funding. BIG Lottery opt in will not be available until 2016. Capacity and resources currently within the VCS would indicate an increased likelihood of reliance on open call for project roll out. The issue for the partnership in County Durham will be focused on sourcing match funding, aligning budgets and ensuring commissioning is linked to opportunities within the ESIF programme.
- Need to explore opportunities for working with agencies outside County Durham where relevant and where there is expertise and capacity.

9.0 Capital Infrastructure, Claire Williams (Funding & Programmes, DCC)

A pipeline of potential projects requiring ERDF Capital is being developed through a number of the existing CDEP EU thematic workstreams, as follows:

- 9.1 *Innovation* – capital linked to possible investment in infrastructure, premises and equipment is being developed as part of the workstream led by Catherine Johns. Discussions have taken place about the possible need for ERDF to fund infrastructure for the next phase of NetPark. It is likely that the first round of calls for projects, in Spring 2015, will include an open call for ERDF capital to support innovation.
- 9.2 *SME Development* – possible capital for SME infrastructure and premises is being incorporated into the workstream led by Sarah Slaven.
- 9.3 *Low Carbon* – capital linked to business energy efficiency improvements, Energy Village development, retrofit measures etc. is being developed as part of the Low Carbon economy workstream. This workstream is also picking up potential investment in flood mitigation measures and green infrastructure.
- 9.4 *Sustainable Transport* – an indicative amount of funding (£7.5m) was earmarked for this thematic objective within the ESIF Strategy, for a package of activity including public transport infrastructure (Horden Railway Station), Urban Traffic Control and transport development. During the recent negotiations with the European Commission on the UK's Partnership Agreement and England's ERDF Operational Programme this thematic objective has been removed, apart from in the less developed region of Cornwall and the Isles of Scilly. We are now trying to interpret the section within the OP relating to Low Carbon, to assess whether any of the potential sustainable transport activities could be funded under this objective.
- 9.5 *Digital Durham* – capital investment requirements are being developed as part of work led by Tony Thompson / Janine Docherty.

10. Areas of potential Council project activity identified through the above partnership activities.

Service Area	Programme Delivery	European Funding
RED; Housing Solutions	<p>Further work to reduce homelessness (prevention), skills development opportunities (tenancy support).</p> <p>Other areas to expand include building on existing European funding received for projects like Family Coaching officers and Familywise.</p>	<p>ESF</p> <p>ESF</p>
RED; Business Durham	<p>Better business growth programme - support business growth through advice</p> <p>Rural enterprise hub development – further capital investment in rural enterprise hubs to provide infrastructure for SMEs in rural areas, building upon Rural Growth Network pilot</p> <p>Invest in County Durham - support for private sector to implement capital build work for new workshops/office</p> <p>NETPark Phase 3</p> <p>Low Carbon Supply Chain – Business Support</p>	<p>ERDF</p> <p>ERDF</p> <p>ERDF</p> <p>ERDF</p> <p>ERDF</p>

	Business Network Management; Including, Business Engagement, Marketing, and coordinating Countywide programme of activity	ERDF/ESF
RED; Visit Durham	Support to enhance competitiveness of SMEs in food & drink & retail sectors, where linked to development of visitor Local Marketing and Visitor attraction schemes	ERDF/ESF ERDF
RED; Sustainability	Green Infrastructure. This could include Sustainable Urban Drainage, flood mitigation schemes etc....Focus on reclamation of land for economic and social uses. Business Energy and Energy Efficiency. Focusing on providing business support on energy use and efficiency. Targeting Small Business base. Transport and employment support targeting hard to reach communities linked to employment.	ERDF ERDF/ESF ESF
RED; Economic Development	Apprenticeships: building on the core apprenticeship programme but offering a wider sector focus and broader delivery. For example building on the energy efficiency supply chain	ESF

	opportunities'.	
CAS; Progression & Learning	Investing in Education, Training and Vocational Learning through direct DCC delivery team. Tackling NEETS; Projects to include Peer Mentoring/ Transition support, Direct support for Young People into Employment, Raising Aspiration activity.	Direct €9m Youth Cohesion ESF ERDF
CAS; Progression & Learning	Investing in Education, Training and Vocational Learning activities Training for Skills and Lifelong Learning activities Tackling Social Inclusion and Combating poverty. This would include employment services within hard to reach clients; Offenders, Community development and wider links to public health service.	ESF ESF ESF
ACE; Area Action Partnership	Investing in Education, Training and Vocational Learning Training for Skills and Lifelong Learning Tackling Social Inclusion and Combating poverty Community Buildings- Sustainability and Community Heating Projects in DCC schools and community buildings	ESF ESF ESF ESF

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**Economy and Enterprise
Overview and Scrutiny
Committee**



20 February 2015

Housing Strategy - Update

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

Purpose of the Report

- 1 To provide members of the Economy and Enterprise Overview and Scrutiny Committee with an update on the development of the Housing Strategy prior to a presentation by Graeme Smith, Principal Policy Officer.

Background

- 2 Members will recall that at the Economy and Enterprise Overview and Scrutiny Committee, held on the 8th January 2015, an overview report and presentation was provided on the development of the County Durham Housing Strategy (2015 – 2020).
- 3 The report and presentation provided at the meeting on the 8th January 2015 set out:
 - the context to the development of the Housing Strategy;
 - the policy context in which the Housing Strategy is being developed;
 - an overview of the evidence base underpinning the Strategy;
 - the proposed structure and scope of the Strategy; and
 - the project plan.
- 4 Within the report and presentation it was highlighted that a further report and presentation would be provided to the Economy and Enterprise Overview and Scrutiny Committee at the meeting on the 20 February 2015. At the committee members highlighted concerns in respect of the need to get tenure and housing type/mix correct throughout the county. They also suggested that the council should reinforce the principle that sufficient numbers of affordable homes within the county needed to be delivered. Members asked that updates on these issues be provided at the next meeting.
- 5 The purpose of this report and presentation is to set out feedback from the partnership engagement sessions and to provide a further update on the development of the Strategy. Arrangements have been made for Graeme Smith, Principal Policy Officer, to attend the meeting on the 20 February to provide a presentation focusing on:
 - an overview of feedback from the Partnership engagement sessions;

- an update on the Strategy evidence base and emerging approach including the following issues:
 - Market Housing (including type and mix)
 - Affordable Housing
 - Older Persons Housing
 - Private Rented Sector
 - Empty Homes
- next steps.

Partner Engagement Feedback

- 6 The Housing Strategy will be a Strategy for County Durham. The Strategy is being developed with key stakeholders and will be delivered in partnership. In order to support the development of the Housing Strategy, a series of presentations / workshops were held with partners. These sessions served to:
- discuss and validate the evidence base;
 - discuss the structure and scope of the Housing Strategy and consider future priorities of the Strategy;
 - consider future actions for the Strategy; and
 - consider how best to deliver the Strategy in partnership.
- 7 The following table details meetings where presentations have been provided in this regard:

Date	Meeting
05/12/14	Internal Workshop with DCC Issues Development Groups
15/01/15	Partnership Workshop on Housing Strategy
22/01/15	Housing Forum Meeting
03/02/15	County Durham Economic Partnership

- 8 There was a range of discussion at these meetings. The table below sets out an overview of the main comments and areas of discussion:

Theme	Overview of comments made
Evidence	<ul style="list-style-type: none"> • The evidence is comprehensive / robust. • Evidence should be benchmarked wherever possible. • A spatial consideration of the evidence is useful in terms of potentially joining up actions.
Priorities	<ul style="list-style-type: none"> • The Strategy should support economic growth – Altogether Wealthier. • The Strategy should reflect all statutory responsibilities.
Actions	<ul style="list-style-type: none"> • There are opportunities for the Strategy in respect of: <ul style="list-style-type: none"> ○ Ensuring appropriate accommodation for older persons in the right location. ○ The development of linkages between housing and health. ○ Understanding the connections between housing and employability.

Partnership	<ul style="list-style-type: none"> • The Partners are keen to support content development. • The Housing Partnerships will need to align to emerging actions from the Strategy. • The Partnerships will need to be flexible enough to respond to changing priorities and opportunities over the duration of the Strategy.
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9 Following these meetings and workshops the comments made have been noted and are being considered and addressed as part of the content development stage of the Strategy.

A spatial understanding of housing issues

10 The Housing Strategy is being developed within the context of the variations within the County Durham housing market and the differing housing issues of communities. On this basis, where possible, the evidence base underpinning the Issues identified within the Strategy is being developed within a spatial context. This enables an understanding of particular issues within particular localities.

11 The Action Plan will be developed to seek to address identified Issues and opportunities as set out within the Housing Strategy. The Action Plan will be structured by the County's five Delivery Areas. This will ensure that the Actions are specific to a general locality. The use of the Delivery Areas, will also serve to provide a sub-county spatial scale to support monitoring of evidence and actions.

Housing Strategy Development

12 The Housing Strategy is being developed to address two overarching aims of *Altogether better delivery and standards* and *Altogether better housing support*. These aims are supplemented by five Objectives and a series of Issues. It is these issues around which content will be developed. The Housing Strategy Aims, Objectives and Issues are set out at Appendix 2.

13 The Housing Strategy will reflect the ambitions and objectives of the Sustainable Communities Strategy and Regeneration Statement, and will serve to target delivery and to channel investment in order to make the most of opportunities and to seek to tackle the issues faced. The Strategy will align with other relevant plans and programmes, where relevant, in order to provide an overarching strategy for housing related activity.

Recommendations

14 Members of the Economy and Enterprise Overview and Scrutiny Committee are asked to note and comment upon the information provided during the presentation.

- 15 That the Economy and Enterprise Overview and Scrutiny Committee receive a further progress update on the strategy as part of the refresh of the committee's work programme for 2015/16.

Background Papers:

The Current Housing Strategy - Building Altogether Better Lives: A Housing Strategy for County Durham 2010 – 2015. Issues & Options Paper: Consultation Version June 2010

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Appendix 1: Implications

Finance – None

Staffing –None

Risk – None

Equality and Diversity – Equality and Diversity is identified as an issue under the Cross Cutting Themes as part of the Housing Strategy.

Accommodation - None

Crime and Disorder – None

Human Rights – None

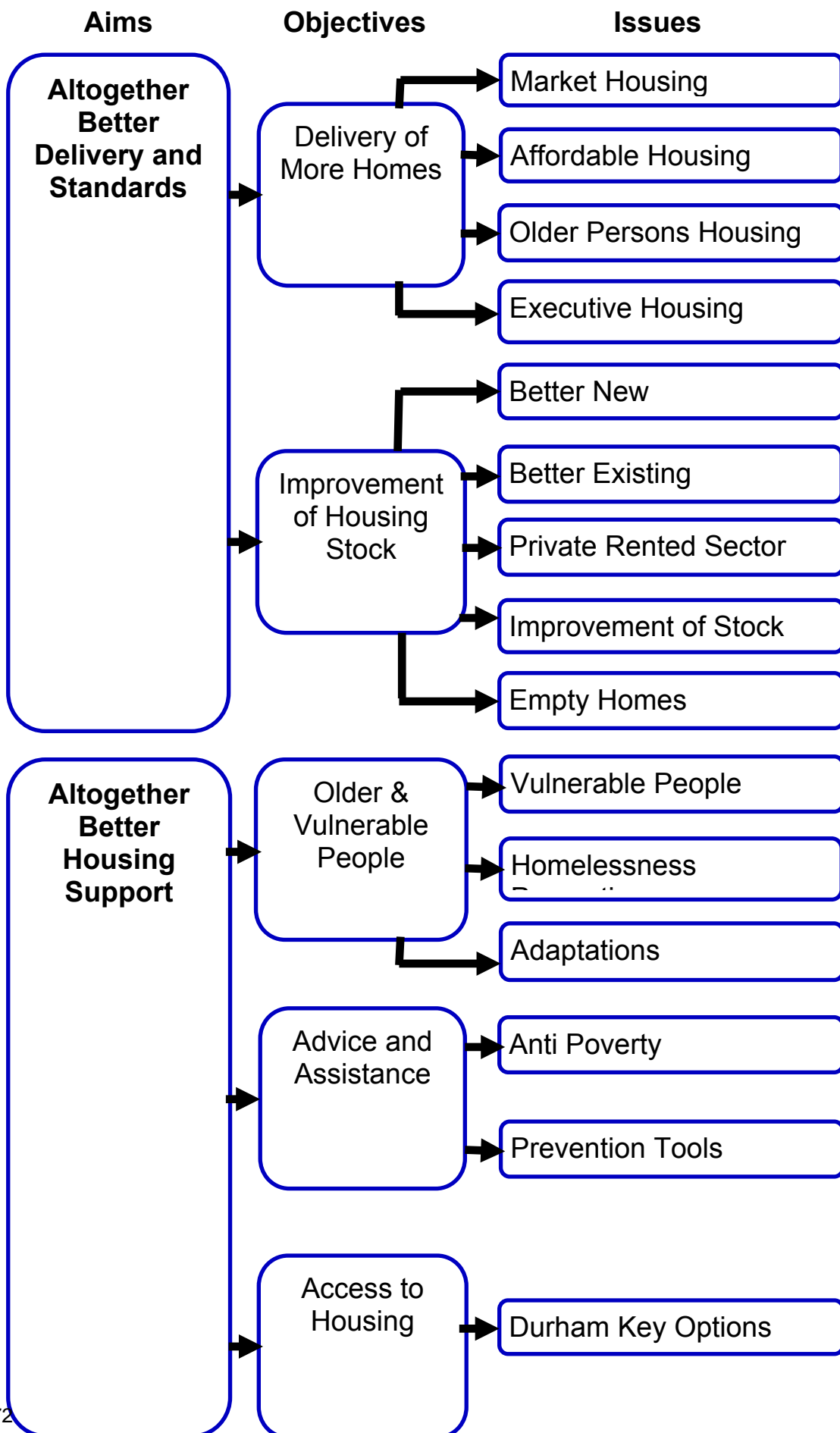
Consultation – The Housing Strategy in part, reflects existing Plans. These plans have been subject to publicity and consultation as part of production. The Housing Strategy will be developed within input from partners and will be delivered in partnership with key stakeholders.

Procurement – None

Disability Discrimination Act –None

Legal Implications – None

Appendix 2: Housing Strategy: Aims, Objectives and Issues



Economy and Enterprise Overview and Scrutiny Committee

20 February 2015



Skills Development in County Durham

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

Purpose of the Report

1. The purpose of the report is to provide members of the Economy and Enterprise Overview and Scrutiny Committee with an update on skills development in County Durham highlighting issues, opportunities and priorities for 2015.

Background – National Context

2. In November 2014, the Government published a report *Growth Through People* UK Commission for Employment and Skills(UKCES) looking into the UK skills system and putting forward 5 recommendations for action, with employers leading the way, working with unions and the government to ensure that the UK has the skilled workforce needed to create better jobs and fight off competition.
3. The report describes the changing nature of the workforce, as the previous 20 years has seen a significant rise in technology throughout most working practices, with 4.6 million more high-skill jobs and 1.3 million lower-skill jobs being created, whilst the number of mid-level skilled jobs has declined. The result is that the career ladder would appear to be more difficult to climb and therefore, the workplace more difficult to facilitate all levels of social development.
4. The report sets out 5 priorities for action for the next 20 years:
 - Employers need to lead on skills development and government at national, regional and local level should enable them to do so by encouraging greater collaboration between businesses, unions and the general workforce.
 - Improving workplace productivity is the route to pay and prosperity including better management, better job design and increased employee engagement.
 - There should be a clear career pathway for young people such as apprenticeships and this should be a normal way for business to recruit and develop their workforce.
 - Work experience should become an integral part of education for all young people, bridging the gap between education and work education and therefore preparing people for work.
 - Success should be measured by a wide set of outcomes, including jobs and progression and just academic qualifications.

5. The *Growth Through People* report highlights the importance of industry-wide collaboration and employer-led partnerships in developing a skilled workforce. It promotes the theme of employers investing in training, skills and talent development to ensure that the UK's economy can attract and develop the broadest range of talent.

Background – Regional Context

6. The national context outlined in the UKCES report directly corresponds with the regional approach taken across the whole of the labour market and detailed within recommendations by the NE Combined Authority to encourage an inclusive and skilled workforce that is central to private sector-led growth.
7. Although the NE has a strong reputation for responding to the opportunities presented by a growing and changing economy, the region does face a number of challenges in establishing a better functioning labour market which maximises the contribution of the workforce, including skills gaps where only half of the area's working age population has Level 3 or above qualifications, the relatively low uptake of science, technology, engineering and mathematics (STEM) subjects continues to be of concern and there is a deficit of high level skills compared with other areas.
8. The Strategic Economic Plan (SEP) for the NE sets out the vision for establishing an inclusive and skilled workforce and has an overarching theme to provide a demand led system which reflects the need of employers, including for high level skills in support of better jobs and provides access to high quality training facilities for both general and specialist training.
9. This in turn will address the current and future skills needs, ensure that young people are equipped and qualified to access opportunities and ensure that high quality training facilities are available to engage employers and learners.

Background – Local Context

10. County Durham's Adult Skills Strategy has an economic focus, aiming to develop a more highly skilled workforce with a higher proportion of residents gaining high-level qualifications. With this in place the county will be able to create, grow, and attract more innovative businesses that will provide more highly skilled jobs and higher wages. This, in turn, will support higher levels of growth and a strong economy.
11. To realise this vision, ten key priorities have been identified, separated into three distinct themes of *workforce*, *business*, and *enabling*:

Workforce

- Improve the qualifications and skills of County Durham residents
- Develop skills to enable progression into employment
- Improve skills to promote enterprise and entrepreneurial behaviour
- Narrow the skills attainment gap in economically deprived communities

Business

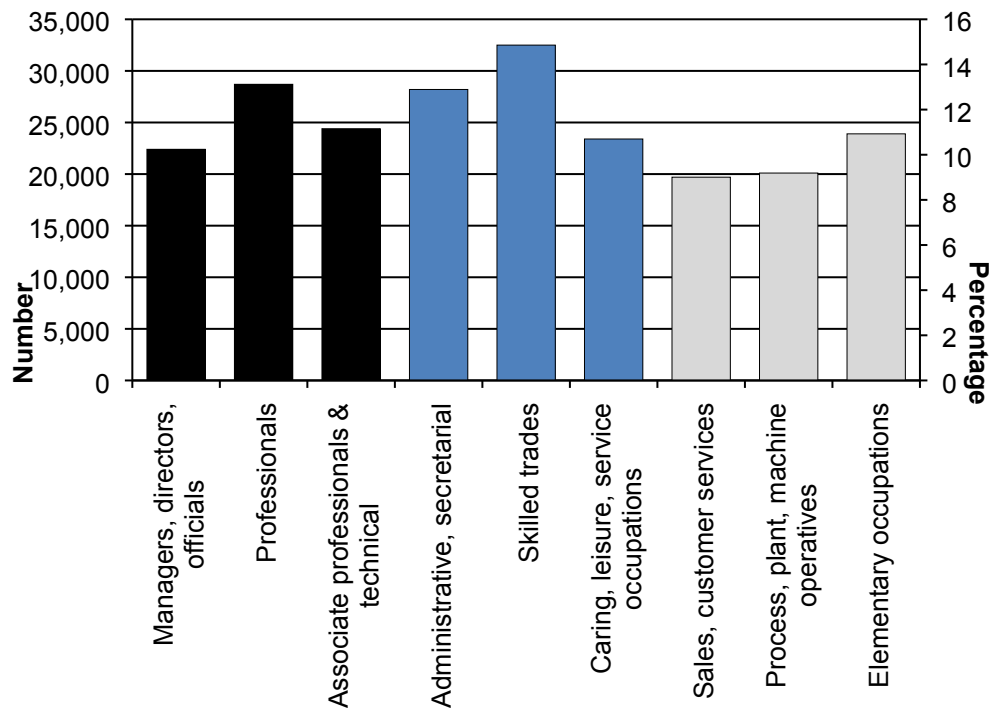
- Develop skills to meet demand of growth sectors
- Increase the number of Apprenticeship opportunities
- Stimulate demand for higher level skills to increase productivity and growth

Enabling

- Develop high quality Information, Advice and Guidance
- Develop market intelligence for employers, learners and providers in order to match supply with demand and to improve the relevance of skills provision
- Support employers to utilise the skills funding system

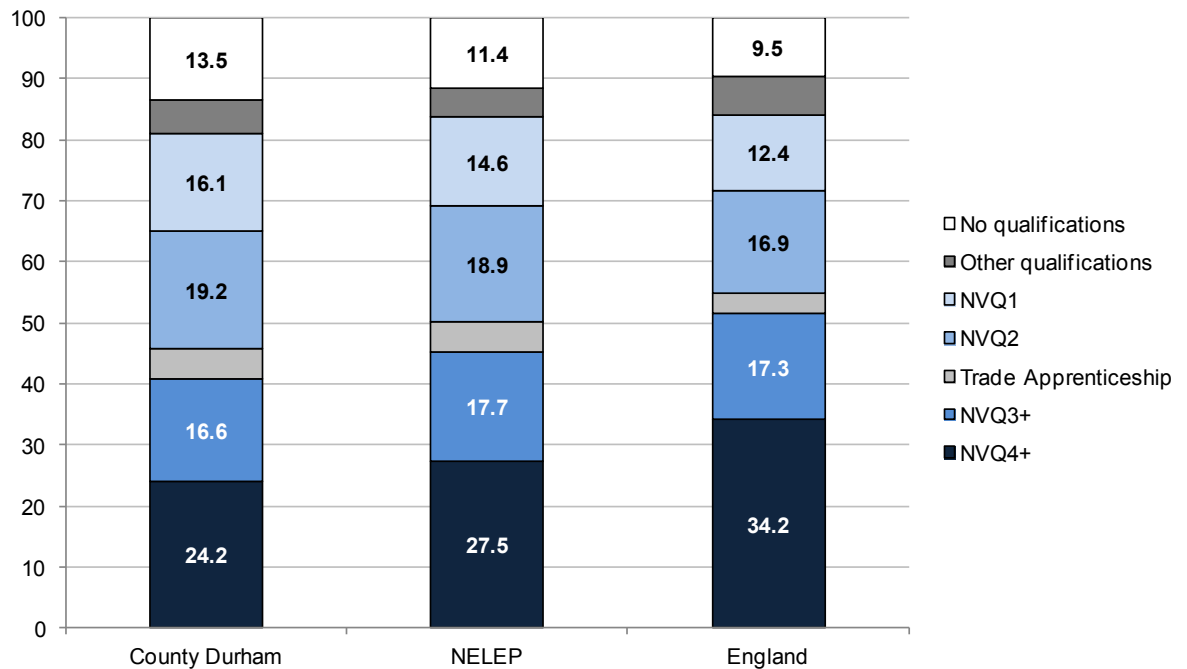
12. County Durham has a relatively high proportion of employment in the public sector and low-value manufacturing, and a relatively weak base of professional and business services. However, there are close economic linkages with neighbouring areas in Tyne and Wear and County Durham residents compete for jobs across the NE.
13. The county's economy has undergone significant sectoral changes recently, in line with the rest of the country. The fastest growing sector was financial and professional services with an additional 4,900 jobs (31%), which is higher than the national rate of growth for this sector. However, the high growth rate is from a low base which has lagged national growth in this sector for several decades.
14. Despite a reduction in expenditure, the public sector has shown strong job growth in the last decade (4,300 jobs), primarily in the healthcare and education sub-sectors. However, this is modest compared to high proportion of people employed in the sector and low compared to the proportionate increases in employment in this sector at regional and national levels. The distribution, hotels and restaurants (including retail) sector has shown outstanding growth in the last decade (12%) compared to regional and national averages, overtaking manufacturing as the second largest sector in employment terms. Allied to this, growing consumer expenditure and an increased number of visitors to the county have supported strong growth in the retail and hospitality sectors. Despite a long-term decline, manufacturing as a whole, continues to be a significant feature of the local economy.
15. The positioning of the county, infrastructure and availability of local labour continues to attract inward investors with companies such as Hitachi Rail Europe, Mazars and Compound Photonics establishing operations locally. Similarly, it enables specialist organisations, such as the national High Value Manufacturing and Satellite Applications catapult to operate from County Durham. It also supports local businesses such as CAV Aerospace, Sunderland Mutual Marine Insurance, Thomas Swan, The Banks Group, Kromek, and Inov-8, to set-up headquarters. The area is also a low-cost base for businesses when considering costs for land, premises, labour and housing. This is complemented by high quality places and an excellent quality of life.
16. However, the fact that County Durham is predominantly rural with a diverse geography does present a number of challenges in terms of ensuring there is good access to transport between residential areas and employment centres, especially in more rural areas.

County Durham Occupational Profile



17. As the chart shows, Co Durham has a more balanced occupational profile compared to the North East LEP area and England. The County has fewer residents employed in higher-level occupations (managers, directors, professional, and technical occupations) to the North East LEP area and England but similar levels in lower-level occupations (sales, customer service, plant and machine operatives, and elementary occupations). The largest proportion of the County's workforce work in mid-level occupations (administrative, skilled, caring and leisure occupations) and it is this group that has seen the largest increase since 2004.
18. Mid-level occupations generally require a level of education, training, experience, or competence which is above basic literacy and numeracy; which suggests they may have the potential to move up to higher-level occupations during their careers. Similarly, the occupation profile of the County does not necessarily reflect the significant improvements in education levels of the workforce in the last decade. Therefore, due to job shortages there may be a significant number of people who are in occupations that require lower levels of skills and qualifications than those they possess; so the County's workforce should be well placed to drive growth when there are more jobs requiring higher skills and qualifications. This could lead to a significant shift in the County's occupational profile; towards a larger number of workers in mid-level and higher-level jobs in the future. Whilst growth is subdued, it is vital that we retain these well-educated and skilled workers, particularly well-educated younger people, to offset the large proportions of older generations in the workforce that will retire in the next decade.

Qualifications profile comparison (%), December 2014



19. County Durham's qualifications profile, illustrated above, is significantly different to that of the North East LEP and England. Fewer individuals of working age hold NVQ4+ qualifications. Similarly, County Durham has a higher proportion of individuals with NVQ1 or no qualifications.

Programmes of Support

20. The County Council has a responsibility to support the creation and take up of jobs across County Durham by identifying labour force priorities and raising awareness of opportunities with employers and existing and/or potential employees. The scope of the service includes activity to track new and emerging economic sectors, engaging with funders, employers, higher and further education, work based learning providers and schools to ensure the continued availability of a competitive workforce.

21. Partnership arrangements are firmly in place to deliver services with JCP, National Apprenticeship Service, SEMTA, National Careers Service, NELEP and the countywide AAPs and include:

Generation North East

22. The Generation North East programme provides an opportunity to test out local models of business engagement, to change the conversation with employers – to drive up opportunities for young people and business engagement with the wider support system.

The Vision: *To offer a simplified, responsive and coordinated service; ensuring 'quality assured' support for businesses and young people.*

Objectives

- *To put employers at the forefront of meeting their future workforce needs*
 - *To drive up opportunities for young people's employment and development*
 - *To implement a simplified and coordinated package of high quality support by all stakeholders in the employment and skills agenda*
 - *To broaden and deepen business relationships between stakeholders. Particularly local authority teams with the wider business community in order to support economic growth.*
23. The programme offers a clearly branded proposition, supported by a clearly articulated offer of support. The object is to start a dialogue with businesses, not to sell them a service, but to engage them in the process of improving the employment prospects of younger people.
24. The message to businesses is not necessarily predicated on employment and skills, but nonetheless engages business in a support structure that, amongst other things, supports the delivery of those ends. The programme proactively supports both sides of the equation, with the aim of making it easy for businesses to provide opportunities for young people.
25. Generation North East has been introduced as a locally responsive programme to provide additional employability support to young people (18-24), with the aim of increasing off-flows into work. The programme is seen as an opportunity to establish stronger working relationships with JCP and trialling activity which might be rolled out as part of the 2014-2020 European programme.
26. The project provides one to one tailored support for the target group to achieve sustained employment. The principle of the model that has been developed is to co-ordinate a programme of pathways into employment; enable workless people to access opportunities and build the skills that lead to sustainable employment and work with local employers to identify staffing needs to help fill vacancies from the target group.

Local Response Fund

27. For County Durham, the manufacturing and engineering sectors, amongst others, hold potential to drive economic growth in terms of productivity, employment rates and business stock. It is imperative that advantage is taken of regional and local opportunities to enable the development of the industries and supply chains to support the growth of these sectors.
28. The skills issues within the County's engineering and manufacturing sector are not straightforward and are compounded by a number of elements which place immense strain on both employers and the skills needed to perform effectively and keep development at a required pace. The sector has a perceived skills shortage in terms of a lack of entrants to the workforce and therefore a skills gap whereby the skills do not necessarily match the requirements of the role in many instances. In addition, the general view (from an employer's perspective), is that the sector carries an ageing workforce without the longer term plan for replacement or succession.

29. The opportunities provided by the Local Response Fund (LRF) specifically target the skills gap and associated issues as detailed above, reducing the skills shortage and helping to establish a business plan of progression and succession across the sector. In addition, there should be other positive outcomes such as;
- Enhancing and promoting the image of the engineering and manufacturing sector as a positive area to develop a career and using examples of best practice to encourage young people into the sector;
 - By supporting new skills development within the existing workforce, this will create opportunities within the skills chain for advancement and therefore back-filling of jobs at a lower (entry level) base, with apprentices, graduates and trainees being able to fill these gaps.
 - The LRF is part of the national SFA initiative – Skills Support for the Existing Workforce and compliments the contracts delivered through the Council's training service, Durham Employment & Skills and through the countywide Adult Skills provision.
 - The programme of support has been introduced in partnership with business forums in the Aycliffe and Consett areas with local businesses being identified and targeted in order to identify skills needs and progression routes.

Co Durham Apprenticeship Programme

30. The Co Durham Apprenticeship Programme was launched in November 2011, with the aim of assisting in the creation of apprenticeship opportunities for unemployed residents who live in Co Durham and who are aged between 16-24 years.
31. Since launching the programme of support, the Council has worked with over 450 employers, colleges, training providers, NAS, JCP and in the early stages, the Coalfields Regeneration Trust (CRT) in order to promote the benefits of the apprenticeship route and to match the various opportunities with relevant individuals and employers.
32. At the end of October 2014, there have been 813 starts across a variety of sectors, with the most popular apprenticeship frameworks being;
- Business Administration – 158 (NVQ Level 2 = 133, Level 3 = 25)
 - Engineering – 118 (NVQ Level 2 = 50, Level 3 = 68)
 - Electrical – 47 (NVQ Level 2 = 9, Level 3 = 37, Level 4 = 1)
33. Of the 813 starts to date, 458 (56%) are aged 16-18 years, with 324 (40%) between 19-24 years, with the remaining 3.9% of starts being over 25 years, using the discretionary element of the funding to assist with bespoke opportunities. The range of statistics indicates that we are making good progress in terms of focussing on the younger age range which continues to be a priority of NAS and identified within the DCC Apprenticeship Action Plan.

34. Uncertainty over the future of NAS AGE grant as a matched funding source. The current criteria will change from January 2015, with eligibility for the grant being restricted to those employers with less than 50 employees rather than 250. In addition, the number of apprentices funded will be reduced from 10 to 5 opportunities.

Recommendations

35. Members of the Economy and Enterprise Overview and Scrutiny Committee are requested to note the content of the report and presentation and comment accordingly.

Background papers

- The Growth Through People Report (UKCES – 2014)
- County Durham Skills Strategy 2014-2018
- NE Combined Authority Leadership Board report for Employability, Inclusion and Skills
- NE Local Response Fund Project Proposal
- ED&H SMT Co Durham Apprenticeship Programme report - Oct 2014

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Appendix 1: Implications

Finance – None

Staffing – None

Risk – None

Equality and Diversity – None

Accommodation - None

Crime and Disorder – None

Human Rights – None

Consultation – None

Procurement – None

Disability Discrimination Act –None

Legal Implications – None

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**Economy and Enterprise
Overview and Scrutiny
Committee**



20 February 2015

**North East Combined Authority -
Update**

**Report of Ian Thompson, Corporate Director, Regeneration and
Economic Development**

Purpose of the Report

- 1 To inform Members of the Economy and Enterprise Overview and Scrutiny Committee of the North East Combined Authority's (NECA) key developments and activities. The report includes information on the North East Growth Deal; key developments across the three themes of Transport, Employability and inclusion and Economic Development and Regeneration; and also information on the draft prospectus for a North East devolution deal.

Background

- 2 A Combined Authority is a legal structure to lead collaboration between local authorities and enable strategic decision-making on economic growth and transport. They were introduced in the Local Democracy Economic Development and Construction Act 2009 and are designed to enable groups of local authorities to work closely together to deliver improvements in economic growth and transport across local authority boundaries.
- 3 The NECA is a formal partnership, established through legislation in April 2014, enabling the local authorities to work together on transport and economic development issues. It covers the geography of: Durham, Gateshead, Newcastle, North Tyneside, Northumberland, South Tyneside and Sunderland. The NECA has agreed three broad areas of focus:
 - Transport
 - Employability and Inclusion
 - Economic Development and Regeneration
- 4 The North East Leadership Board is the strategic decision-making body of the Combined Authority. It comprises the six Leaders and the elected Mayor, plus the Chair of the North East Local Enterprise Partnership and is chaired by Cllr Simon Henig. A significant body within NECA is the Transport North East Committee a (formal) joint committee of the Combined Authority and seven individual councils – which is responsible for overseeing the delivery of transport functions across the area

- 5 NECA also has an Overview and Scrutiny Committee, and a Governance Committee. Both report directly to the Leadership Board. The remit of the Overview and Scrutiny Committee is to enable local councillors, on behalf of their communities, to scrutinise and challenge all matters within the remit of the Combined Authority and the committee investigates matters of significant importance to residents within the areas covered by the seven councils with a view to influencing decisions made in respect of all matters within the remit of the Combined Authority.

North East Growth Deal

- 6 The North East Growth Deal, announced in July 2014 sets out the funding allocation in regards to the LGF, states the amount of pre-committed funding and details a number of key commitments for the North East LEP and the Government.
- 7 The North East has secured £289.3m from the Local Growth Fund in July 2014:
- £47.9m of new funding confirmed for 2015/16 and £69.6 for 2016/17 to 2021 totalling £110.7m over 6 years for 22 projects across the Transport, Skills, Innovation and Economic Assets & Infrastructure programmes.
 - A provisional award of a further £78.7m of funding for transport projects starting in 2016 and beyond; and
 - £ 93.1m of pre-committed funding for projects including £31.1m for the Local Majors programme; 38.6m of other transport related pre-committed transport funding; and £23.4m for the Lets Grow Campaign awarded through RGF in April 2014.
- 8 Following the chancellor's announcement in the Autumn Statement of an addition £1bn of growth fund monies, it was announced in January 2015 that the North East has secured an additional £40.6m for a number of projects.
- 9 The Growth Deal supports many projects in County Durham and a number of area wide projects which have delivery elements in the County. The LGF money will support the infrastructure or a new business park adjacent to the Hitachi site in Newton Aycliffe, the expansion of NETPark near Sedgefield, the improvement of East Durham College at Houghall (Durham City); investments and projects located within the rural areas of County Durham to support businesses and several transport improvements in Durham City and across the County.

Transport

- 10 The NECA has taken on the strategic transport responsibilities formerly carried out by the Tyne and Wear Integrated Transport Authority. The Leadership Board will be responsible for the most strategic matters – including the setting of the transport levy and adoption of a local transport plan. The Leadership Board is supported by the Transport North East committee, which is chaired by Cllr Forbes, Leader of Newcastle City Council.

- 11 NECA and other Combined Authorities are putting a strong case for longer term transport allocations, allowing the Combined Authority to plan more effectively for future delivery, and with the flexibility to be able to invest resources according to priorities. The government's current approach is in contrast driven by shorter-term funding opportunities and specific projects, selected by Whitehall. The current interest in greater devolution of decision making within England provides an opportunity to advance this argument.
- 12 Following a compelling set of business cases presented by the seven authorities and the NE LEP, the North East secured a significant element of transport funding through the Local Growth Fund. This includes fifteen schemes that will commence delivery in 2015-16 and a provisional funding allocation for five projects starting in 2016-17. In addition, all the authorities in the NECA area have been successful in their bids for further funding from the Local Sustainable Transport Fund programme in 2015-16, allowing NECA to continue to prioritise green transport.
- 13 Funding has also been secured for major works on the A1 and A19. Major road improvements to the A1 Western Bypass are now underway between junctions at Lobley Hill and Coal House whilst work is ongoing with the Highways Agency to progress two key junction improvements on the A19, at Silverlink and Testos. The Government also published the first Roads Investment Strategy on 1st December 2014, setting out an ambitious, long-term programme for the nation's strategic road network, which aims to increase road capacity and condition by 2020/21. There are a number of key schemes in the north-east, including the long-awaited commitment to dual the A1 north of Newcastle.
- 14 Improving public transport services is central to achieving the goals of the Combined Authority. A range of schemes are under way to enhance the experience of travelling by public transport across the region, including the Metro system undergoing renewal, with Nexus investing £389m in new track and technology, better stations and refurbished trains; the new rail station at Horden; Gateshead's Park and Ride proposals and the new South Shields Transport Hub. These will be underpinned by ongoing investment in a region-wide smart ticketing system, already being rolled out locally through the Pop card, that will make it easy to travel anywhere in North East England using a single card.
- 15 At the meeting of the North East Combined Authority's Leadership Board on 21st October, it was agreed that the Quality Contract Scheme (QCS) proposal should be submitted to an independent QCS Board. The Board will consider whether the scheme meets the public interest criteria and whether the procedural requirements have been complied with. The board plans to publish its final report on the proposal by 31st May 2015, following a number of oral evidence sessions.
- 16 The North East Combined Authority is also working together with the Association of North East Councils, Rail North and the East Coast Main Line Authorities Consortium (ECMA) to secure improvements to rail connectivity. NECA's membership of the Rail North partnership was approved in principle at the September meeting of North East Leadership Board.

- 17 In October, Sir David Higgins' report "Rebalancing Britain: from HS2 towards a national transport strategy", proposed, amongst other measures, a significant acceleration of services between Leeds and Manchester (HS3), which would cut 30 minutes off the Newcastle-Manchester journey time, and the creation of a "Transport for the North" group, bringing together representatives from across the North so they can speak with one voice. The new body will have more a more formal and inclusive governance structure, including representation from the Department for Transport, Network Rail, the Highways Agency and the business community.
- 18 Transport for the North builds upon the work initiated by the five core cities of the North (Leeds, Manchester, Liverpool, Newcastle and Sheffield), who commissioned the first One North report to identify the level of transformation in connectivity required to deliver what the Chancellor of the Exchequer has subsequently termed the 'Northern Powerhouse'. In the recent Autumn Statement, the Chancellor confirmed that the government, together with Transport for the North, would produce a comprehensive transport strategy for the north, beginning with an interim report in March 2015. A series of workstreams have been established to develop this strategy with NECA representatives involved in each workstream.
- 19 The region has long campaigned for a direct air link to the United States and on 27th October 2014, it was announced that United Airlines will operate a direct flight between Newcastle International Airport and New York Hub, Newark Liberty International Airport. The flight, which will be Newcastle's first scheduled, direct trans-Atlantic service, will operate five times a week. The service will run for a trial period from May 23rd to September 7th 2015.

Employability and Inclusion

- 20 The Employability and Inclusion lead for the Combined Authority is Cllr Grant Davey, Leader of Northumberland County Council. Unlike transport, there is no formal joint committee on employability and inclusion, but Cllr Davey attends the NE Skills Board (chaired by the NE LEP, and includes the Skills Funding Agency, Job Centre Plus, private sector and voluntary sector representatives). The Employability and Inclusion theme is also supported by an officer group of the Local Authorities and NELEP, currently chaired by Northumberland County Council.
- 21 Central to the objective of tackling worklessness, low skills and dependency is presenting the case to Government for the devolution of appropriate welfare and employability powers, functions and budgets. This would allow the Combined Authority to develop a plan for the local management and delivery of services which respond to the distinctive needs of the area, including a new locally-led and commissioned framework for delivery of employability and welfare to work support.

- 22 In addition, NECA has taken the opportunity to demonstrate to Government its ability to deliver a national objective through the successful securing of a Mental Health and Employment Trailblazer. The Combined Authority is one of four pilot areas which will use Government funding to test whether better coordination of mental health and employment services could help thousands of people find work and stay in employment, whilst improving their mental health. A comprehensive implementation plan for the trailblazer is now being prepared. This will detail the next steps in putting in place the proposed “hub and spoke” model of advisers, securing the match funding from the European Social Fund , and co-designing with Government the evaluation methodology.
- 23 Central to the objective of youth employment is the aim to further expand the number and range of apprenticeship opportunities available for young people and the working age population. The Apprenticeship Hub is a partnership initiative, led by Newcastle City Council, on behalf of NELEP and its partners. The purpose of the Hub is to provide an additional resource, and to bring together employers, Apprenticeship providers and other partners in the NELEP area, to work towards the common goal of increasing the take-up of Apprenticeships (especially Youth Apprenticeships) among employers and young people.
- 24 The NECA has also been working with the NE LEP to draw up plans for investment in Employability and Inclusion, to be funded through the next round of the European Structural and Investment Fund. It is hoped that the UK Government will conclude its negotiations with Brussels on the details of the programme in the next few months.

Economic Development and Regeneration

- 25 The Economic Development and Regeneration lead for the Combined Authority is Cllr Paul Watson, Leader of Sunderland City Council. There is no formal NECA committee for this theme but Cllr Watson and other members of the NECA work closely with the NELEP, including through the NE Innovation Board and the NE Business Support Board.
- 26 The NECA has supported the development of the North East Local Enterprise Partnership’s Strategic Economic Plan; More and Better Jobs and the European Structure and Investment Funds Strategy. The region’s current and future economic infrastructure provides the framework that enables businesses to compete effectively in an increasingly competitive global environment and is therefore vital to the future economic health of the region. Investment in key infrastructure projects is progressing: the success of the region’s Enterprise Zones, the development of Science City and the investment in Newton Aycliffe are just three of the very significant achievements that are being realised.

- 27 Work is progressing on the development of the North East Investment Fund, a proposal set out in the Strategic Economic Plan that aims to lever further investment to deal with the barriers to growth in the region. In addition work has been undertaken with the Homes and Communities Agency (HCA) to identify local sites where development can be accelerated. It is proposed that the financial uplift achieved by developing the sites would be retained in the north east. The possibility of receipts from the sale of other sites managed by the HCA is also being explored. Locally the HCA are supportive of the plans but DCLG approval at a national level will be required if the proposals are to be realised.
- 28 Over the next few months a draft Regional Investment Plan will be development. The aim is to produce a plan that identifies the key investment priorities so that the Combined Authority is in a position to respond to the opportunities presented by devolution and other future funding opportunities in a timely, considered and strategic manner
- 29 Each local authority in the area is engaged in activities that are designed to generate and convert inward investment enquiries. These local arrangements have been supplemented by the creation of the Inward Investment Gateway that is able to provide a considered regional response to potential inward opportunities generated by UKTI and other activities. The work is being led by a dedicated resource that acts as the regional contact point for enquiries and coordinates the regional response. This development of the Invest North East England brand has also brought opportunities to introduce regional initiatives that add significant value to local activities.
- 30 Recent developments in regards to business support and access to finance have included steps towards the formation of a Business Support Board and the announcement of plans to develop a Business Growth Hub for the region using resources from the Growth Deal. Outlines proposals are also being developed in relation to European Structural and Investment Funds which include a proposition to use a proportion of the programme allocation to extend the existing JEREMIE fund for loan assistance to SMEs throughout the programme period.

Developing a Devolution Deal for the North East

- 31 In establishing the North East Combined Authority a key driver underpinning the move to strengthened governance arrangements was to position the North East to take on significant devolved powers and resources from central government.
- 32 Following the Scottish referendum and the negotiation of the Greater Manchester deal, the Chancellor of the Exchequer issued a challenge to other city-regions to come forward with proposals, demonstrating strong leadership to boost their economy. The North East Combined Authority has developed initial proposals for devolution that will accelerate economic growth in the North East.

- 33 The North East Combined Authority proposes to begin negotiations with government ministers, to secure a substantial devolution of power, funding and responsibilities, to meet the needs of the North East's diverse communities, and deliver the strategic economic plan for more and better jobs.
- 34 A number of proposals have been developed which amount to a coherent and compelling prospectus and form the basis of both local consultation and negotiations with government in a spirit of collaboration and partnership. The proposals have recently been made public and will be subject to consultation with partners, businesses and residents over the coming weeks.
- 35 The proposals include:
- A **North East Investment Fund**, bringing together devolved capital funding for economic development, transport and regeneration; supporting a project pipeline developed according to high standards of investment appraisal and accountability. The Fund could be financed by a government guarantee to a minimum commitment of funding from the Local Growth Fund, with leverage from the private sector and local sources.
 - Enhanced responsibilities for the delivery of around £500 million of **European Funding**, through arrangements devolved to the Combined Authority as a formal Intermediary Body for European funding.
 - A government guarantee to deliver on the commitments made under the existing **City Deals**, including to the International Advanced Manufacturing Park and International Conference and Exhibition Centre.
 - A **Housing Investment Fund** to deliver on the ambitious plans set out by each of the seven authorities, including funds and guaranteed loans devolved from the Homes and Communities Agency (HCA). Assets owned by the HCA in the North East should also be fully devolved.
 - Investment plans for investment in **our major transport infrastructure**, for both passengers and freight. For rail, this requires investment in capacity for the Leeds-Newcastle east coast corridor, through reinstatement of the Leamside Line, and investment in the Durham Coast line, with service improvements to the Tyne Valley line, and the opening of the Ashington, Blyth and Tyne line to passenger services. On the roads, we propose investment on critical north-south and east-west links within and beyond the region; including improvements to the A1 to motorway standard, to the A19, and to the A69 and A690.
 - The creation of **Transport North East**, as an integrated public transport system for the North East; delivering our Quality Contract Scheme for buses, overseeing improvements to northern rail services, securing devolved funding for improvements and extensions to the Metro.
 - **International Connectivity** secured through investment in connections to Newcastle International Airport, including measures to protect against unfair competition from reduced air taxation in Scotland; marketing in North America to exploit the opportunity of our new service to New York; and investment in the Newcastle International Airport Business Park.

We propose an expansion of the role of our successful ports, and to re-invest profits locally in the growth of the ports and marine engineering sector.

- A fully devolved **Work Programme** (or its successor), allowing joined-up employability support to be delivered more effectively, particularly to clients with the highest needs. We will provide greater support to address physical and mental health barriers to work, building on the success of the “troubled families” programme in the region, and over time developing joint accountability for the work of Jobcentre Plus.
- **Devolution of skills funding**, through joint accountability for the Skills Funding Agency shared between national government and the North East; to deliver enhanced apprenticeships and to meet skill gaps in our growing sectors.
- **New powers to help North East business to grow**; with devolved business support budgets, delivered through a coordinated North East Business Growth Hub; joint accountability for UKTI activity in the region; devolved funding from re-investment of the region’s Access To Finance programme; and new powers and funding to support our vibrant culture and visitor economy.
- Development over time of an **integrated approach to public service delivery**, supported by the integrated management of all public assets in the region, and a framework to support health and social care integration at local level.

Recommendations

35. The Economy and Enterprise Overview and Scrutiny Committee is asked to receive this report for information, but may wish to receive further reports on the Combined Authority’s key activities.

Background papers

North East Leadership Board papers available at:

<http://www.northeastca.gov.uk/committee-meetings/north-east-leadership-board-background-information-papers>

- North East Leadership Board 15 July 2014 – Agenda
- North East Leadership Board 15 July 2014 - Supplemental Agenda
- North East Leadership Board 16 September 2014 - Extraordinary Meeting 4
- North East Leadership Board 21 October 2014 - Agenda
- North East Combined Authority 21 October 2014 - Supplemental Agenda
- NECA North East Leadership Board 20 January 2015, Agenda Pack
- NECA North East Leadership Board 20 January 2015, Supplemental Ag Pack
- NECA North East Leadership Board 20 January 2015, Supplemental Ag No.2

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Appendix 1: Implications

Finance: Financial plans for each LGF funded project sponsored by Durham County Council will be developed as part of the business case preparation and reported to MOWG, CMT and Cabinet as appropriate.

Risk: There are no direct implications arising from this report

Equality and Diversity/Public Sector Equality Duty: There are no direct implications arising from this report

Accommodation: There are no direct implications arising from this report

Crime and Disorder: There are no direct implications arising from this report

Human Rights: There are no direct implications arising from this report

Consultation: A wide ranging consultation exercise will be undertaken with partners and wider stakeholders on the proposals for devolution.

Procurement: There are no direct implications arising from this report

Disability Issues: There are no direct implications arising from this report

Legal Implications: There are no direct implications arising from this report

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