

## **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 **Tuesday 20 December 2016 at 9.30 am**

#### **Present:**

**Councillor R Crute (Chairman)**

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

Councillors E Adam, J Armstrong, M Davinson, D Hall, T Henderson, H Nicholson, A Patterson, P Stradling and O Temple

#### **Also Present:**

Councillor E Tomlinson

#### **1 Apologies for Absence**

Apologies for absence were received from Councillors A Batey, J Clare, B Kellett, J Maitland, R Ormerod, A Willis, Mr T Batson 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 Business Durham Activity**

The Chairman introduced the Manager Director, Business Durham (BD), Dr Simon Goon who was in attendance to give an update as regards BD activity (for copy see file of minutes).

The Managing Director reminded Members that BD had three teams: Business Space; Business Development; and Innovation and Growth.

Councillors noted Table 1 within the report which set out the performance information for BD and the Managing Director highlighted the good performance last year and that performance for the current year was on trend to meet and in some cases exceed, target.

Members were informed of activities in terms of enterprise, engagement and outreach, with such activities including working with partners, including the four enterprise agencies, to not only provide help in terms of retaining jobs, but also to provide advice to individuals who wished to start a business by delivery of the Welfare Reform Self-Employment Programme. Councillors noted that the Future Business Magnate (FBM) was in its twelfth year and engaged with over 200 young people each year, and connected County Durham businesses with schools. Members noted that last year the theme was the “The Home of Manufacturing” with Durham Johnson being the winning school, working with the Zumtobel Group to produce a “Lock and Dock”, a wheelie bin docking device. It was added that the 2016/17 FBM competition would feature two schools from outside of County Durham, the Longfield Academy, Darlington and Emmanuel College, Gateshead.

Members learned of FBMplus, which involved 30 students from Further Education (FE) colleges and continued support for Durham University’s Blueprint Competition and Dragons’ Den activities. It was noted that there had been a number of events promoting Science, Technology, Engineering and Manufacturing (STEM) including talks by the Author and Technology Journalist, Andrew Smith at Framwellgate School and the Gala Theatre. The Managing Director added that there was a “Physics Future” event held at NETPark in March 2016, in partnership with the White Rose Physics Academy from York University, the Institute of Physics and Durham University. Members were pleased to note the work done by BD on a NETPark outreach module for New College Durham (NCD), with the taster sessions held for students having generated positive feedback, the full module being launched in September 2016.

Councillors learned that in terms of supporting rural businesses, a number of activities had taken place, including a “pop up” kitchen event at the Durham Dales Centre, Stanhope and a number of workshops and mentoring sessions. Members also noted work ongoing with BD in partnership with Durham University to hold a “Durham International Festival of Enterprise” to be held over three days, 27 February to 1 March 2017, with the aim to get County Durham on the map as an enterprise destination. It was added the festival would be held in the Town Hall and Gala Theatre in Durham City.

The Managing Director explained that in terms of business engagement, there were a number of ongoing activities, as set out within the main report and Appendix 3, with examples from companies such as Altec Engineering and ResQ. Members were informed of the support of the “Let’s Grow” grant scheme, a Regional Growth Fund (RGF) operating across the North East and that in Phase Two of the scheme, County Durham Businesses had been awarded £3.88 million, with a match funding of £25.49 million helping to create 1,095 jobs.

The Committee noted that the BD initiated Business Park Communities were continuing to go from strength to strength and it was added that Newton Aycliffe had become self-sustaining. Members noted there were around 30-40 Business attending the Durham 2sday business networks in Durham City and the quality is such that businesses from Newcastle are regularly attending.

Councillors were informed of the European Rural Development Fund (ERDF) funding for the Durham Business Opportunities Programme (DBOP) and the Managing Director added that there was a need to change business support from simply a list of services available to being able to identify opportunities. Members noted opportunities could be local or national and international, with an example given of healthcare opportunities in Dubai.

The Managing Director explained that manufacturing was a vital part of the County Durham economy and that BD was working with a newly formed network, the County Durham Engineering and Manufacturing Network (CDEMN), supporting them in terms of taking forward issues and opportunities. Members were reminded of the Hitachi Rail Europe Rail Vehicle Manufacturing Facility at Newton Aycliffe and noted that Business Durham had worked with four local suppliers to reach European accreditations and there were other companies that were also looking to become suppliers. It was added that GlaxoSmithkline (GSK) had announced an investment of £92 million in Barnard Castle that would look to sustain over 1,000 jobs and that Thorn Lighting at Spennymoor had introduced new products that had been developed by a business at NETPark.

The Committee noted inward investment enquiries received, with the lower operating costs in the North East being highlighted as a helpful driver, and BD having learned from previous approaches to inward investment. Members noted that there were several sites at Hawthorn, Integra 61 and Forrest Park that were being brought forward, ahead of the proposed International Advanced Manufacturing Park at Sunderland. Councillors noted Table 7 within the report set out the successes in 2014-15 in terms of inward investment, with companies including: Atom Bank, Aykley Heads; Kans and Kandy, Seaham; Complement Genomics, Lanchester; Two Touch, Seaham; Encore Envelopes, Peterlee; and Great Annual Savings, Spectrum. The Managing Director explained that those companies were roughly at 75% of their predicted jobs forecast and he was comfortable that they were on track overall. Members noted that there were a number of potential investments in the pipeline as well as a number of reinvestments by multi-national businesses in County Durham, for example GSK. It was acknowledged that Brexit was an issue, with the current uncertainty making the UK less attractive for investment, and there was another issue in terms of the Government's Apprenticeship Levy and how this would apply to not only small businesses, but also larger "blue chip" companies as this could make their UK plants less competitive than their sister plants worldwide.

The Managing Director explained that in respect of innovation there was a lot of work that had been undertaken at NETPark and that BD continued to work with Harwell, the Space Applications Catapult Headquarters in terms of the space sector. Members noted BD had led a successful bid to the UK Space Agency to deliver the North East Space Incubator programme at NETPark and the North East Space and Satellite Applications Hub (NESSA) was working to secure further funding. Councillors noted the work of BD and the North East Local Enterprise Partnership (NELEP) in looking at this market.

The Committee were reminded that Cabinet had agreed the creation of a £20million evergreen venture capital fund, with the procurement process currently underway. Members noted that modelling had suggested that the fund would help to create and safeguard about 2,000 jobs and support between 70-80 businesses over a 10 year period.

Councillors noted that in respect of business properties, NETPark was in its eleventh year and was home to 31 science and technology businesses. Members were reminded that the road and utility infrastructure to be provided by a NELEP award of £6.8m would create a further serviced land that would ultimately create a further 750,000 sq. ft. of space and a further 2,400 jobs over the next fifteen years. The Managing Director explained that DCC had acquired Salvus House at Aykley Heads, adding high quality office space to that managed by BD and added it would be the preferred location for the Durham City Incubator a partnership between the Council, Durham University and New College Durham. Councillors noted the overall occupancy for the whole BD portfolio, at 87.5% and it was explained that there would be work undertaken in terms of retaining tenants, with targeted property marketing to include the new Explorer Buildings at NETPark, together with Tanfield Lea Business Centre and the Durham Dales Centre.

The Managing Director explained the BD approach to communications, based on several loose categories (five stories): innovation; inward investment; business engagement; enterprise; and property, together with a series of campaigns in terms of spotlighting aspects of doing business in County Durham, such as manufacturing. The Managing Director concluded by noting the use of social media and highlighted the improvements in terms of the number of social media impressions over the period April to September 2016, with an increase from 4 million to 15 million.

The Chairman thanked the Managing Director and noted the good news in terms of developments. The Chairman noted the Apprenticeship Levy, in the context of Brexit and foreign investment, and added that skills development and retention would be important, as highlighted by the work of the Committee. The Chairman asked in terms of post-Brexit, what gaps and threats may appear.

The Managing Director explained developing skills had come through as a common theme, however, what skills exactly would be dependent upon the nature of technology and business practices moving forward. Members were reminded of a disconnect in terms of qualification providers and the development of skills and attitudes, such that people were ready to start work, and it was added that for high level studies there was a very limited pool of people, for example at the Centre for Process Innovation, there was a person who was one of three people in the world leading on organic light emitting diode (OLED) technology. The Managing Director reiterated that there was a need to try and connect businesses to skill development organisations, such as colleges. The Managing Director added that another aspect was incentivising staff to then be able to retain them, not only in terms of money, but also in moving to more flexible working. It was added that since the EU Referendum there had been less certainty and “as things firm up” there would be greater clarity, with no negative impact having been felt yet. The Chairman noted that the issue would be in terms of the impact in the medium to long term.

The Portfolio Holder for Assets, Strategic Housing and Rural Issues, Councillor E Tomlinson noted that training was a two-edged sword and as regards the Apprenticeship Levy there could be scope in the longer term for those apprentices to cascade down to the businesses that could not take apprentices on themselves. The Chairman noted that the Working Group which looked at skills development had noted that an issue was in letting businesses know what support was available to them.

Councillor M Davinson noted the FBM competition was in its twelve year and, as those people who had been involved in the first few years would be in their mid-20s, asked whether there was an opportunity to follow up with those former pupils and hear some of their stories, to see if there has been a “brain drain” or whether people had become self-employed and if their skills were retained within the County.

The Managing Director noted that the FBM competition began prior to Local Government Reorganisation (LGR) in County Durham and looked to develop skills that would help entrepreneurship. It was added that there was a particular mind-set in terms of entrepreneurs, with many successful entrepreneurs having noted that one of the main reasons for their success was having surrounded themselves with good people/employees and therefore it was important to be able to have not only the entrepreneurs themselves, but also “good people/employees” too. It was added that tracking some of the participants 10 or so years after the competition has proven to be difficult and there are data protection issues. The Managing Director noted anecdotally a former FBM participant had secured employment at Atom Bank, and while there was no “cause and effect” as such there was no harm in helping to promote the competition and help bring educators and businesses together. Members noted that retention of skills was an issue; however this was improving in County Durham. The Managing Director added that when focusing specifically on County Durham, there were activities to create opportunities and to help our resident access those opportunities, and that employment in the County had increased.

Councillor E Adam noted that the Overview and Scrutiny Management Board Members had received performance information as regards the employment rate and County Durham was still behind the North East and National rates. Councillor E Adam accepted that progress was being made in County Durham, however it was not a step change in terms of substantially increasing the performance. Councillor E Adam asked as regards the “data gathering exercise” in terms of the CDEM, as mentioned within the report, what issues had come to light, and whether the work of South West Durham Training (SWDT) or indeed the Committee and its Working Group had been looked at in conjunction.

The Managing Director explained that while there had not been a focus on skills per se, there had been an exercise looking at skills and competencies that would be needed to deliver aspirations, including: the make-up of their management team; equipment/machinery; turnover; suppliers and looking locally; spend on research and development; and growth ambitions. It was added that a lot of the issues reflected the scale of the businesses, with many being micro or small businesses. It was explained that around 74% of those businesses spoken to had noted a target of 20% growth based upon their current product line and customer base, with this being more of a hopeful estimate and that the average number of suppliers each business has was around 200, with around 10 of those being critical to the business. Councillors noted that there was an aim to help businesses buy better and sell better, and that this was biggest opportunity available to many businesses and therefore how, through the CDEM, businesses could be helped to take those opportunities was important. Members noted that access to finance and new innovative approaches were also issues for businesses to consider, with the issue of skills always an undercurrent, though there was a need to ensure that any work was not replicating what colleges may already be offering.

The Managing Director noted that the employment rate in County Durham was lagging behind the North East and national rates; however it was not deteriorating and was moving forward slowly but steadily. Members were reminded that the large numbers of new jobs, for example akin to the Hitachi (900) or ResQ (1,200), were not the norm, however if there were three or four of these types of investment there would then be an issue of supply in terms of workforce.

Councillor A Patterson asked in terms of the FBM competition and tracking the destination of previous participants, was the data not already collected and held by our One-Point service. The Managing Director noted data at age 16 was known, however not beyond 6 months after that for example. Councillor A Patterson noted that DCC had an obligation to track young people up to age 19. The Managing Director noted that at 19 it was likely those young people were in some form of training, and that in their mid-20s it would be difficult to track those at University or who had then moved into work.

Councillor A Patterson noted a lot of the business developments seemed to be in the East of the County, especially at Seaham and asked why this was. The Managing Director noted this was an issue of the availability of suitable property and space at Spectrum and Seaham Grange. Councillor A Patterson noted 50% occupancy at the Durham Dales Centre and noted some people had found cheaper accommodation at Stanhope and therefore was there merit in looking at the charges and to look for incentives to aim for 100% occupancy. The Managing Director explained that the current rates were competitive and those cheaper offers elsewhere were incentivised, with reduced first year rents for example, to attempt to attract new business. It was added that the issue was not in terms of retail space, rather office accommodation and therefore an artisan/craft area was being considered for conversion to office space. The Managing Director added that a lot of microbusinesses would look at whether they actually needed to have such an office space, weighing up the cost base required. The Managing Director noted that in terms of Member's suggestion to undertake a focused piece of work looking at the support provided to the retail business sector in County Durham useful contacts would include the Economic Development Manager, Graham Wood and the Community Economic Development Manager, Wendy Benson, with a number of town centre capital improvements being carried out. It was added that the Durham Business Improvement District (BID) Manager, Adam Deathe could also be useful contact, though noting the Durham BID was subject to the process of funding renewal in 2017.

**Resolved:**

- (i) That the report be noted.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee include in the refresh of its Work Programme for 2017/18 a further update on the work of Business Durham.

## **6 NECA Transport Activity**

The Chairman introduced the Head of Transport and Contract Services, Regeneration and Local Services, Adrian White who was in attendance to give a brief overview of the transport activity undertaken by the North East Combined Authority (NECA) (for copy see file of minutes).

The Head of Transport and Contract Services reminded Members in 2014 seven Local Authorities (LAs): County Durham; Gateshead; Newcastle; North Tyneside; Northumberland; South Tyneside; and Sunderland established the NECA, to assist with the coordination of economic development, transport and skills with an aim to create better conditions for economic growth. It was added that a part of the Legal Order creating the NECA conferred upon the NECA the role of “Transport Authority” for the whole area and while this primarily related to public transport, it also included the duty to prepare a Local Transport Plan (LTP). Members recalled that there was a variation in spend per head of population on public transport across the LAs, in part due to the Metro system, and under the Operating Agreement for the NECA, the operational delivery of public transport was delegated back to County Durham and Northumberland Councils, with Nexus retaining responsibility for delivering public transport across Tyne and Wear.

The Committee noted that the aim of the NECA was to join up and align economic strategy, and for NECA to interact on a sub-national and Government level, being our voice in the context of a “Northern Powerhouse”. It was noted that while each LA had their own issues, the NECA was a powerful organisation, for example, helping persuade Government on issues such as: the East Coast Main Line, working with the Tees Valley Combined Authority; dual lanes for the A1(M) in Northumberland; upgrading the western bypass for Newcastle; and dual lanes for the A66. Members noted another issue was that of High Speed Rail (HSR), looking for links up along the east coast, and also for local rail services with the NECA working with Transport for the North and Rail North and providing representation in dealing with the Department for Transport (DfT).

Members were reminded of the NECA responsibilities in terms of a LTP and noted there would still be a Local Delivery Plan for County Durham, and these would replace the current LTP. It was added that LAs would help shape the new LTP, with Newcastle for example being able to help in terms of urban areas, and County Durham in terms of influence in respect of rural issues. It was noted that Councillors J Armstrong and R Crute were members of the NECA Overview and Scrutiny Committee and would therefore have oversight in respect of the work of the NECA. Councillors were informed that in terms of Bus Operators, the Head of Transport and Contract Services had volunteered to work with them looking at the impact of the Government’s Buses Bill in relation to enhanced partnership working or the possibility of bus franchising. It was explained that the NECA Transport Team work closely with the North East Local Enterprise Partnership (NELEP) in respect of a forward pipeline of major transport capital investments, funded through the Local Growth Fund. Members noted work included: “Local Motion”, a project to change hearts and minds in terms of sustainable transport, being rebranded to “Go Smarter”, with the NECA Transport Team leading on this; coordination of bids for car clubs, electric vehicle infrastructure and clean vehicle technology; and a public/private partnership in terms of freight movement and future needs, an example given being Forrest Park.

Members noted the arrangements in terms of NECA governance and overview, and the Officer support given to the Transport Team at NECA. Councillors learned that the funding arrangements comprised a combination of top-slicing of the LTP allocation and a contribution from NELEP resources. It was added that the DfT makes an annual allocation for local transport issues through the Integrated Transport Block and Maintenance Block and that since the formation of the NECA this allocation was pooled across the seven LAs and given direct to NECA.

The Head of Transport and Contract Services explained that in terms of highways maintenance allocation, this was passported back to LAs and the allocation was as per a formula relating to road length and condition, with Northumberland and County Durham having the larger networks. Members noted that for the future, there was some uncertainty in terms of any North of Tyne Mayoralty and how this would impact upon transport issues, including Nexus and the role of each LA in terms of being a Transport Authority.

The Chairman thanked the Head of Transport and Contract Services and reiterated that he and Councillor J Armstrong were DCC representatives on the NECA Overview and Scrutiny Committee, and there had been mention of issues such as dual carriageways for the A66 and A69 and reducing the travel time from Leeds to Newcastle to 60 minutes, though the Chairman noted whether the benefits of a 60 minute travel time would be worthwhile if the train did not stop at Durham station. The Chairman noted that a link to the NECA Transport Plan had been set out within the report and could be useful for Members. Councillor J Armstrong added that the NECA budget had been looked at for a year and agreed and there had been a lot of recommendations brought forward by the NECA Overview and Scrutiny Committee which were included in a recently completed Policy Review looking at 'transport related barriers to education, employment and training' in terms of: concessionary fares for teenagers aged 16-19; improvement to ticketing machines; improvements to the network; accessibility; and ensuring policies do not disadvantage development and employment at the planning stage. It was suggested that the link to the above Policy Review report was circulated to the members of the committee following the conclusion of the meeting.

Councillor A Patterson asked as regards the Buses Bill and the potential impact upon rural communities. The Head of Transport and Contract Services noted that it was hard to see there being much impact upon rural communities, with many services in rural areas being subsidised. It was added that if the option of franchising, as set out in the bill, was pursued then some areas could look to take on profitable routes and use any profits to be able to subsidise other routes. However, it was noted that there was not the opportunity in terms of large profits in County Durham and the opportunities set out in the Bill relating to partnership working were thought to be the best option for County Durham, to help look at issues such as congestion and operating services beyond 1 hour of the major centres.

Councillor J Armstrong noted the issues in terms of rural routes and subsidies, and asked whether there was any update in terms of subsidised hospital transport. The Head of Transport and Contract Services explained that DCC was working with the National Health Service and Public Health in terms of the volunteer car scheme to provide access to services.

**Resolved:**

- (i) That the report be noted.
- (ii) That the NECA Policy Review Report looking at 'transport related barriers to education, employment and training' is circulated to members of the committee following the conclusion of the meeting.



## **7 County Durham Plan Update - Government Housing White Paper**

The Chairman introduced the Spatial Policy Manager, Regeneration and Local Services, Mike Allum who was in attendance to give an update on the County Durham Plan (CDP) and the possible implications of the forthcoming Government Housing White Paper (for copy see file of minutes).

The Spatial Policy Manager explained to Members that in May 2016 Parliament had enacted the Housing and Planning Act which introduced a number of changes including the provision of starter homes, widening the right to buy provisions and tackling rogue landlords. It was added that regulations were being consulted upon, however, no final version had yet been forthcoming. Councillors noted that the Government had indicated that it would bring forward a White Paper in January 2017 in respect of further changes in terms of housing, including a more flexible view on starter homes and affordable housing.

It was added that Government had indicated that it would use the White Paper to outline its response in terms of the Local Plans Expert Group (LPEG), in relation to the Local Plan process and the streamlining of this process. Members noted that at this point there was some speculation of the content such as the calculation of Objectively Assessed Need (OAN) which was fundamental in terms of the development of any Local Plan. Members noted that the Government is likely to introduce a national standard methodology for calculating housing numbers unlike currently when all local authorities calculate their own.

Councillors noted that other significant changes in terms of the preparation of a Local Plan, could include: the future of the Community Infrastructure Levy (CIL), as this had not proven to be as successful as envisaged; actions to boost the build-out of houses, looking to prevent "land banking"; changed planning fees, with a possible premium "fast-track" service; and policy in terms of housing density.

Members noted that while the CDP had been about to be at the preferred options consultation stage, it was thought to be sensible to review the position following the publication of the White Paper before recommending a preferred option and proceeding to consultation.

The Chairman thanked the Spatial Policy Manager and noted he felt it would be wrong if developers could pay for a fast-track service that bypassed any planning scrutiny and asked whether land availability assessments would change. The Spatial Policy Manager noted that the Strategic Housing Land Availability Assessment (SHLAA) methodology was likely to remain the same.

Councillor O Temple asked as regards the potential increase in housing density and how this would affect developments of "executive homes", would there be a change of emphasis or would it remain as per the "old" CDP. The Spatial Policy Manager noted that densities are likely to be higher close to businesses; public services and transport; and lower in rural locations. It was noted that if there was a special case demonstrated it could apply. Councillor J Armstrong asked how changes in density would relate to car parking provision and would there be capacity to be able to provide adequate parking as members receive regular complaints from residents concerning 2 car families and parking problems.

The Spatial Policy Manager added that there had been a relaxing of the rules in terms of minimum provision and that ownership did not equate to usage in terms of parking.

Councillor H Nicholson noted that the A1 and A19 corridors attracted new businesses and that housing developments seemed to follow those businesses, to the detriment of the established villages in a sense that they appear to be becoming “left behind”.

Councillor H Nicholson noted that while housing papers suggested a “led by the market” approach, he felt that there should be an element of the Authority, and Members, leading in terms of where we wanted to develop, especially in terms of the Authority’s arms’ length company. Councillor H Nicholson added that in some areas old, no longer fit for purpose stock needed to be demolished and new modern properties built and Councillor H Nicholson reiterated his concern that some villages could be left behind.

The Chairman noted that the Council’s Masterplans looked at the 12 main settlements, however, there were other villages too and it was an issue in terms of getting developers interested in those other areas and providing the right housing type for those areas.

Councillor M Davinson noted that when some terraced house prices were falling below £20,000 then this was an indication that something was very wrong with an area and added that he felt that in some cases developers would be willing to provide a density of housing without providing the roads and other requisite infrastructure, as they felt we were so desperate for housing that it would be accepted. Councillor J Armstrong noted he agreed with Councillor H Nicholson in that some areas needed to be regenerated, with older properties being demolished.

The Chairman noted that while there was a delay to be able to understand the impact of the White Paper, he wondered whether, following this period of delay, the CDP process could then speed up.

The Portfolio Holder for Assets, Strategic Housing and Rural Issues noted that in relation to estate regeneration there were currently 2 bids in terms of pilots for West Auckland and Newton Aycliffe. The Portfolio Holder added that issues in terms of demolitions and regeneration of villages were discussed at the Housing Forum and there was constant lobbying in terms of securing regeneration schemes.

**Resolved:**

That the Economy and Enterprise Overview and Scrutiny Committee note the forthcoming publication of the Housing White Paper and that Members receive a further update once the Housing White Paper is published.