

Cabinet

17 March 2021

Economic Recovery and Prosperity: Levelling up and Investment for County Durham



Ordinary Decision

Report of Corporate Management Team

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Councillor Carl Marshall, Cabinet Portfolio Holder for Economic Regeneration

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 This report sets out an overview of the County Durham economy, considering the baseline conditions prior to March 2020 and additional challenges faced by the Covid pandemic and Brexit. This includes consideration to subsequent impacts on business and communities.
- 2 The report sets initial strategic priorities and objectives to support the levelling up for our economy and communities and provides a starting point with a view to further work with across the council, businesses, and communities.
- 3 Further proposals, including an economic statement to support our ambition to deliver 30,000 jobs by 2035, will come forward to Cabinet as part of a wider economic and recovery plan in 2021.

Executive summary

- 4 County Durham is the 8th largest local authority area in the UK and largest local authority in the North East. County Durham's economy is strategically important regionally and nationally and is home to over 14,000 businesses employing 183,000 people. Prior to the pandemic County Durham faced challenges across the economy, with a high proportion of residents in lower skilled and lower paid occupations, a

small proportion of residents with degree-level qualifications and with areas in the east, north and south Durham with high levels of deprivation. The lower land and property values also reflect lower wages and areas of market failure evident in many parts of the county. The county also has high levels of unemployment, high proportions of people with work-limiting health conditions and low levels of productivity.

- 5 Had the UK stayed in the EU, the county's EU structural funding would have more than doubled to at least **300 million euros** in investment up to 2027 to fund major programmes, for skills, the environment and business support. This compares to more than 150 million euros under the previous programme, which included the £33 million Durham Works Programme, investment in business support of £42 million, £18.5 million for innovation projects, and £5 million for digital engagement amongst a range of other activities.
- 6 Despite the challenges faced, County Durham has seen significant investment over the last decade and the Council has provided a proactive approach to development including enabling direct investment in infrastructure and development partnerships as well as wider support to enable business with investments.
- 7 As a result, hundreds of millions of pounds of private investment have been secured in key sites such as Milburngate, Durham riverside, the Durham University estate, Auckland Castle and Bishop Auckland town centre, Amazon at Integra 61, and Hitachi at Newton Aycliffe. The Council is also continuing to attract public sector investments to NETPark, Horden Rail Station and other sites across the county to support strategic transport improvements and open up new business parks such as Forrest Park and Jade Business Park.
- 8 The pandemic has affected all areas across the county and the challenges for those areas which faced a pre-existing low baseline for the economy across the North of England and including County Durham have been widely reported. County Durham's recovery from the impact of Covid-19 and delivering long-term sustainable growth is therefore a central key priority objective for the Council.
- 9 To support growth and recovery, significant further investment is planned. Most recently the Council has established and funded an innovative £5 million Business Recovery Grant scheme, £70 million has been earmarked for a new Council Homes Programme, £25 million additional investment has been agreed for Towns and Villages and plans are being progressed for £75 million of regeneration and health focused Leisure Investment across the County.

- 10 Beyond local spending, it is important that the County realises significant benefit and direct investment from any nationally available schemes, proportionate to the challenges faced, the scale of the population and economy and the many opportunities that County Durham offers. This report sets out a number of priorities for national schemes and funding including:
 - (a) The Shared Prosperity Fund;
 - (b) The Levelling Up Fund; and
 - (c) Regional Covid-19 Recovery Asks.
 - (d) Devolution
- 11 County Durham is the largest economy in the North East. In 2018, County Durham contributed Gross Value Added (GVA) of £8.8 billion to the UK economy, accounting for 16% of the North East total (compared to 17% of the employment base and 20% of the regional population). The County attracts over 20 million visitors per annum, has considerable strategic investment opportunities available and delivers circa 1,500 new homes each year.
- 12 The County Durham economy has a GVA gap of £12,259 per head when compared to the UK average, this means that whilst the economy in County Durham is the largest economy in the North East at £8.8 billion, the size of the economy would be £12 billion (36% larger) if it met the national average. This demonstrates the opportunity that is available.
- 13 For the past 12 months, Covid-19 and the resulting 'lockdowns' have resulted in a traumatic shock to the whole economy, further undermining the economic position for the county and compounding historic challenges for low paid workers, skills and education, with the most vulnerable in society being the hardest hit.
- 14 As a direct consequence of the pandemic and the subsequent restrictions, many businesses have endured significant revenue downturns, underlying unemployment has increased and the number of job seekers and universal credit claimants has increased by 50% since March 2020; and by 70% amongst younger people. The travel, accommodation, food and beverage, and leisure sectors have been hit particularly hard and there is a high risk of significant employment losses and business failures, with increasing risk of this occurring after Government support and the furlough scheme end.

- 15 In addition to dealing with the economic impact of Covid-19, businesses have also had to contend with the impact of operating in a post Brexit trading environment from January 2021.
- 16 To provide a foundation on which to build a strategic plan for long term sustainable and inclusive economic growth, an external independent economic analysis has been commissioned to make recommendations on key priorities for future investment areas.
- 17 Identifying and realising opportunities locally and at regional and national levels to secure investments, support inclusive economic growth and deliver a pipeline of investment projects, will be crucial to maximising the opportunity across County Durham.
- 18 The Council's key regeneration projects are under continual development and review to ensure they can provide the robust business case needed to secure funding, including programmes for housing, culture and tourism, transport and connectivity, property and land, skills and education, alongside clear priorities to support existing businesses, inward investments, communities, health and the environment.
- 19 The main body of the report identifies a selection of projects that are being developed. These projects and programmes are subject to change but provide an initial total estimated financial ask of the Council's recovery investment proposals. A summary of these investment by theme is set out below with further detail set out later in the report:

Priority Theme	Financial Ask £m
Housing	150m
Culture & Tourism	25m
Transport & Connectivity	150m
Strategic Sites and Inward Investment	85m
Rural Economic Growth	40m
Skills Education & Training	50m
Total	£500m

- 20 The priorities set out above cover the initial investment expected over the initial investment allocations from potential recovery funds, over time there would be additional opportunities and scope that County Durham would expect full benefit from. It is also important to note that

we highlight funds only and full devolution also includes potential fiscal reforms outside of direct investment.

- 21 The initial funds are **outside of the additional funds required through UK Prosperity expectation and The Levelling Up Fund**. Furthermore, some of the asks relate to the delivery of national infrastructure where associated funding such schemes is not included - for example the Leamside Line or wider improvement schemes such as the re-opening railways schemes the Council is currently developing.

Recommendation(s)

- 22 Cabinet is recommended to:
- (a) note the work in progress to produce a County Durham Economic Statement and the emerging projections of the impact of Covid19 and Brexit, with a report to follow in Spring 2021;
 - (b) note the external opportunities for strategic funding and the importance of County Durham receiving significant government investment to ensure levelling up is delivered; and
 - (c) support the development of an ambitious and innovative thematic pipeline of projects and interventions and agree to further work to further develop proposals across the county

Background

- 23 The County Council is the 8th largest local authority in England. The County Durham economy, its recovery from the impact of Covid-19 and its long-term sustainable growth are central to the wider North East economy.
- 24 The County boasts a world heritage City, rural county side communities, stunning landscape and a breath-taking coastline, as well as a diversity of towns and villages across the county providing an offer to be proud of.
- 25 With a population of 530,100 and an employment base of 183,000 and over 20 million tourists spending nearly £1 billion a year, County Durham is a key contributor to the North East economy. The County is home to 14,105 businesses.
- 26 In 2018, County Durham contributed Gross Value Added (GVA) of £8.8 billion to the UK economy, accounting for 16% of the North East total (compared to 17% of the employment base and 20% of the regional population). However, as a symptom of historic structural decline and under investment centrally in critical infrastructure, the GVA for the economy per head of the population is £12,259 below the national average.
- 27 This means a gap of £3.2 billion in the annual value of the economy and when considered over time this gap is £32 billion over a ten year period.
- 28 The County includes areas that have some of the highest rates of deprivation in the country. Deprivation is a particular issue in those communities that suffer from a number of challenges such as access to employment, access to education, health and crime. Long-term illness amongst people of working age is high in the county and those with additional needs such as disabilities, find it particularly hard to find work and access local services. The number of children living in households claiming out of work benefits is 50% higher in the County than the UK average.
- 29 The County is diverse in nature and has a significant rural economy, which is highlighted within the thematic projects and interventions proposed. Rural requires distinct priorities to reflect both the distinct challenges and opportunities for those communities.
- 30 When considering the Government's 'levelling up' agenda in the context of County Durham, there is an overwhelming need to ensure that every County Durham resident and business should see the investment from

the national programmes that ensures the equality of opportunity for education, skills, health and growth and that no person should ever be left behind.

- 31 It is clear that the economic infrastructure of the County has faced many challenges over a sustained period of time. For the past 12 months Covid-19 and the resulting 'lockdowns' have resulted in a traumatic shock to the whole economy further compounding inherent issues and fragilities in the economy of the county. Historically, areas like County Durham and more broadly, the North of England, have seen lower levels of investment in critical infrastructure that enables economic growth than other areas of the UK. This limits opportunities such as the potential to create new jobs.
- 32 As a direct consequence of the pandemic and the subsequent restrictions, many businesses have endured significant revenue downturns, underlying unemployment has increased and the numbers of job seekers and universal credit claimants has increased (most notably in younger people). The travel, accommodation, food and beverage, and leisure sectors have been hit particularly hard and there is a high risk of significant employment losses and business failures, happening after Government support and the furlough scheme cease.
- 33 The pandemic has also impacted on transport arrangements with public transport operators experiencing major customer reductions. In normal times the County benefits from a network of bus routes which connect residents throughout County Durham, Teesside and Tyne and Wear. Given the dispersed and ageing population and the 27% of households in County Durham who do not have access to a car, the bus network is highly important, particularly within rural communities and the most used form of public transport in the county. There is an extensive network of services with around 175 services and over 3,000 stops.
- 34 In addition to dealing with the economic impact of Covid-19, businesses have had to deal with the impact of operating in a post Brexit trading environment from January 2021.
- 35 These pressures on the County Durham economy are in addition to the challenges that have developed over many years and the body of the report summarises the current nature of the economy.

Impact of Covid 19 and Brexit to the County Durham Economy

- 36 Although nationally levels of unemployment at November 2020 were at a five year high, the numbers in County Durham have remained relatively static over the period of the pandemic. The same applies to levels of employment which have risen slightly over the past year. More

analysis will need to be undertaken, however the success of the Council in attracting major inward investments across the County has resulted in significant new job opportunities.

37 The number of people claiming universal credit has increased by 50% over the period of the pandemic with the increase being more prevalent with young people 16 -24 years old. It is worth also noting that East Durham has the highest rate of claimants amongst 16- 24-year olds / young people in the NE (including Tees Valley).

38 A more detailed analysis of the impact of Covid-19 has been undertaken using intelligence from businesses in different sectors and data relating to the actual impact on different sectors. This work is emerging and more detail will be provided in Spring 2021.

39 The impact on **businesses** can be summarised as:

- Various protection measures and home working have reduced the immediate impact on many sectors, however the end of the protection measures will see business failures and loss of jobs;
- Significant employment pressures are likely in travel, accommodation, food and beverage, performance and leisure venues;
- Loss of customers / cash flow for hospitality, retail, leisure and creative sectors and high street closures, with online shopping are all accelerating the impacts;
- Limited government support for self-employed people;
- Likely strong bounce back, from lower base, with new starts and re-configured businesses;
- Tourism likely to lead recovery, but lockdowns have already resulted in company closures and job losses;
- Government support likely, but directed through national delivery programmes;
- Jobs growth in health services and logistics;
- Growth in pharmaceutical, PPE.

40 The impact on **people** is summarised as

- The number of job seekers and universal credit claimants rose by 50% between March 2020 and January 2021;

- Loss of recruitment will affect young people, people with lower skills, in lower paid jobs, in areas of deprivation. It will also impact disproportionately on women;
- The need to promote training, retraining, support for those with poor digital skills, and encourage people to stay in training and education;
- Major impact on children and schools, likely to be affected for several years;
- Government support likely but directed through national programmes;
- Increasing redundancies and limited support for self-employed people.

41 As the current restrictions are eased and the national and local protection interventions are removed, the Council will be able to articulate the specific impacts on both businesses and people in County Durham.

42 During the pandemic the Government had to deal with the exit from the European Union and the UK / EU Trade Deal that came into effect on 1 January 2021.

43 Some implications are emerging for County Durham businesses, which will be considered as a more detailed economic strategy for the County is developed. Early issues relate to:

- Problems accessing markets;
- Additional red tape and costs for exporters / importers / goods-based industries (e.g. retail, manufacturing, construction);
- Shortages of some goods and foodstuffs;
- Foreign workers returning home (impact on seasonal industries, lower wage professions – e.g. nursing and care staff, transport).

44 The next two years are likely to be the most challenging that the economy has faced since the turn of the century and the Council needs to position itself to best respond.

45 Further policy focus in the future will need to include:

- Increasing the County's working age population over the next twenty years, increasing its employment rate and increasing household and workforce incomes;
- Creating more and better jobs in sectors where investment and employment are sustainable;
- Considerably strengthening the private sector and enterprise base;
- Delivering another major shift from old economy to new economy;
- Capitalising on the strengths, developing under-performing assets, introducing new investment locations and capitalising on anchor institutions.

46 These policy areas should be supported by an economic focus across a number of sectors including logistics, advanced manufacturing, sustainable energy, green economy, health innovation and health economy, digital and business services, tourism and leisure, creative industries, new starts, small companies, and scale ups. The manufacturing sector is a particular strength for the County as it provides for more than 14% of jobs in the county, compared to 8% nationally and has one of the highest levels of productivity per job (£89,000; almost twice the average GVA per job).

47 The emerging economic analysis identifies a strong local track record for County Durham with significant investment secured and a number of strategic employment sites, community regeneration and skills and employability schemes alongside a clear approach to social value being core to the notable successes of investment.

48 The importance of the County being able to access opportunities for growth that will present themselves at regional and national levels will be critical to provide substantial strategic investment beyond the local authority's investment capacity.

49 Central Government has set out areas of policy that will present opportunities for access to funding and powers to help deliver our economic strategy. These include:

- devolution;
- the levelling up funding;
- the shared prosperity fund;
- other discrete opportunities such as Future Towns Fund.

- 50 There are significant investments required to ensure the county delivers on latent demand, tackles the challenges of deprivation for health and inequality, including investment in economic and social infrastructure.

Regional and national opportunities

- 51 The delivery of the County's ambition will in part be determined by successfully positioning the County's plans at the centre of any regional economic growth initiatives and securing investment from national initiatives. This report identifies a number of these opportunities although there is a wider list of national policy initiatives that could help drive sustained growth in the County's economy.

Devolution

- 52 County Durham is part of the North East Combined Authority (NECA), along with Gateshead MBC, South Tyneside MBC and Sunderland City Council. NECA does not have access to devolved powers and funding as is the case for authorities in the North of Tyne Combined Authority area to the north and Tees Valley Combined Authority to the South.
- 53 In 2020, the Government announced that it would bring forward a white paper on English devolution and local recovery. At the time of writing this report, it is unclear when the white paper will be issued.
- 54 Given the issues set out in this report, it is vitally important that County Durham gains maximum benefit from any devolution of powers and financial resources. The Government's preference may be for a wider multi-local authority mayoral devolution agreement in the northeast in line with devolution arrangements that have been agreed in other areas.
- 55 It is however unclear whether any future Government policy may include, for example, County devolution deals as have been promoted by the County Councils Network. Such a deal could see powers and resources devolved to a county area such as County Durham to support local recovery as opposed to focusing on a wider footprint across a regional geography.
- 56 Until the Government's white paper is issued on English devolution and local recovery, it is difficult to determine the most beneficial option for County Durham. However, it is important for local communities and businesses that consideration is given to all of the options that are available prior to agreeing to take forward any particular course of action on devolution.
- 57 Devolution across England has evolved around a number of standard thematic areas. These are:

- (a) Long term devolved investment fund;
- (b) Skills / Inclusive Growth / Employability / Adult Education Budget;
- (c) Housing;
- (d) Transport;
- (e) Rural;
- (f) Bespoke local initiatives (e.g. Culture Funds);
- (g) Wider public reform.

58 Should the Council decide to pursue any form of devolution deal, it is important that it has an evidence-based argument for priority interventions and investment in the County.

Shared Prosperity and Levelling Up Funds

59 Announcements on both funds were made in the 3 March Budget.

60 The County's economic growth ambitions can be significantly influenced by the use of two 'new' funds and ultimately the extent to which these funds come forward for the County:

- The Shared Prosperity Fund £1.5 billion per annum – the commitment from Central Government is that this fund should be at the same level of previous EU funding, which for County Durham would mean receipt of;
- The exit from the European Union will result in the loss of 2.4 billion Euros of EU structural funding. At an early stage in the Brexit timetable, the Government announced that a Shared Prosperity Fund of a similar size would be put in place to replace the EU structural funding.

61 Over many years County Durham has benefitted from EU structural funding as a consequence of the high levels of relative deprivation in the County and the Shared Prosperity Fund is an essential funding stream to ensure that deprived communities can grow and be prosperous.

62 The main objective of the Shared Prosperity Fund is to reduce inequalities between communities and if it is to ensure that all areas within the UK are able to prosper, then funding should be targeted at those areas that need extra support.

- 63 Had the UK stayed in the EU, the County was forecast to receive over 300 million euros in investment to 2027 to fund major programmes, for skills, the environment and business support. This compares to more than 150 million euros under the last programme which included the £33 million Durham Works programme, business support worth £42 million, £18.5 million for innovation projects, and £5 million for digital engagement amongst a range of other activities.
- 64 The Shared Prosperity Fund will be worth £1.5 billion per annum to support employability programmes, communities and local businesses. The fund is due to be launched in 2022 as predominantly revenue funding, similar to the EU funding programmes, with more details due in late 2021. In the interim, the Government has launched the UK Community Renewal Fund which will offer £220 million to 100 places, including County Durham, to support short-term and pilot projects up to the value of £3 million and offer capacity funding to work up projects that will be supported by the Share Prosperity Fund.
- 65 In the 2021 Budget, the Chancellor announced details of the new 'levelling up fund' to boost the economic prosperity of areas outside London and the south-east of England. The fund for England is £4 billion and will look to provide capital funding for local transport, town centre regeneration, and cultural and heritage assets. County Durham is identified as a Tier 1 area and this should mean priority for funding.
- 66 County Durham is identified as one the areas of greatest need in the UK. Local areas will be able to apply for up to £20 million each from the fund to spend on projects which command local support, including from local MPs.

LA7 Regional Collaboration / Covid Recovery asks

- 67 The North East Region has worked collaboratively to make specific asks of Government in relation to Covid-19 recovery ambitions.
- 68 In September 2020, the North East Covid-19 Economic Response Group, made up of the North East Local Enterprise Partnership, the North East Combined Authority, the North of Tyne Combined Authority, the Confederation of British Industry and Newcastle University, published a 'Recovery and Renewal Deal for the North East'.
- 69 The plan within the proposed deal sought to:
- keep people in jobs and training;
 - support businesses and sectors to restart and recover;

- support the transition of communities and places as they adapt to Covid-19;
- build the future economy by maximising the potential of existing assets and exploring new opportunities; and
- invest in digital and transport connectivity.

70 The ask of Government was:

- significant devolution of resources and powers to reflect the scale of Covid 19;
- £2.8 billion to directly unlock half of the required 100,000 additional jobs quickly;
- accelerated confirmation of existing business cases including Transforming Cities Funding;
- commitment to joint working in areas where the NE can lead the national recovery, specifically low carbon energy; and
- flexibility within national programmes to allow for maximum leverage local and national resources.

71 In addition to the above, on 9 February, the LA7 Leaders agreed a joint statement to Government. The statement asked that in addition to the September ask:

- £100 million invested in transport projects each year;
- £100 million invested in supporting digital connectivity each year;
- devolve further powers to provide for integrated management of our transport network;
- sustain revenue funding to support public transport services;
- invest and upgrade our national infrastructure assets for our region, including the East Coast Main Line and major roads schemes.

72 The work currently ongoing in County Durham and covered earlier in this report would be used to make the case for investment in Durham should the region be successful in securing additional funding for Covid-19 economic recovery / growth.

Priority Economic Interventions

- 73 In anticipation of future opportunities, a pipeline of projects that fit within a long-term economic strategy is being developed. This will be significant investment when all fund requirements are considered, both locally and when reviewing national investment requirements such as Devolution, UK Prosperity and Levelling Up Investments.
- 74 We are developing a substantial pipeline of investments that will form the basis of an investment programme and submissions into the respective funding bids, which we are guided will be competitive. We will also consider this alongside the resulting private sector investments which is forecast will deliver over £3 billion investment for the County.
- 75 The following projects are listed across several 'themes' that have been agreed in devolution deals entered into by other regions with the Government. They can also be promoted within other funding opportunities. This is not an exhaustive list, but provides a clear indication of the level of ambition and core thematic priorities across the County, when considering any ask into Devolution:

Housing

- (a) **Delivering Affordable Homes Council House Building (ask £35m)**: Specifically using brownfield land and also including a rural programme, the proposal is to expand the existing programme to deliver 500 homes by 2025 by delivering an additional 1,000 new homes by 2032;
- (b) **Brownfield Housing Fund: including Horden regeneration (ask £34m)**: Delivery of 440 homes by delivering masterplan to regenerate Horden through demolition, new build and enhance rail station/employment sites connectivity. This will also present sustainable heating via minewater extraction. The start of a long term programme of investment that will regenerate towns and villages facing high levels of multiple deprivation across the County;
- (c) **Strategic Housing Growth (ask £80m)** : Embedding a strategic plan to develop high quality housing within the development of the Durham Economic Growth Corridor. Supporting housing delivery beyond the County Durham Plan delivery timescales through enabling infrastructure sustainable energy innovation and new green economic growth opportunities.

Culture and Tourism

- (d) **Tourism Tax Relief Pilot (ask £10m):** Scheme to provide tax relief on eligible spend for new visitor accommodation and tourism asset development;
- (e) **Knowledge Based Culture Hub (ask £12.5m):** Durham City - Millennium Place development in partnership with Durham University. Refurbishment of Gala Theatre, library, public realm, plus hospitality and retail. Knowledge exchange, creative industry, making spaces;
- (f) **Growing Light (ask £2.8m):** Expansion of the successful Lumiere event to become most sustainable light festival in the world;

Transport and Connectivity

- (g) **Reopening of the Stillington Line (ask £25m):** Development of a new station at Ferryhill, reopening the Stillington Line to passengers connecting the area South of Durham City to Teesside. This will provide sustainable access to employment, health and leisure opportunities. Reduction in traffic off the A689 and A1(M) corridors which suffer from congestion;
- (h) **North Durham Economic Corridors (ask £50m):** All user enhancements on the A693, A691, A167 and A692 corridors facilitating economic growth at key employment and housing sites in the North of the County. Improved journey times and reliability also towards Durham and Tyneside, including public transport. Dedicated provision also for non-motorised users;
- (i) **Localised improvements (ask £50m): Local schemes such as**
 - environmental, road safety, and air quality benefits within Toft Hill, £15 million;
 - reopening of Whorlton Bridge to NCN 165 and local connectivity £ 6 million;
 - road safety, capacity and pedestrian connectivity improvements at J60 A1(M), £ 3 million;
 - active mode connectivity, public transport reliability and capacity improvements at A693 Stanley, £6 million;
 - Burnigill Bank ECML Maintenance £ 6 million;
 - Stockton to Darlington active mode route £ 6 million;
 - A689 Sedgefield to Wynyard active mode route improvements £3 million;

- (j) **Leamside Line (Support)** : The reinstatement of the Leamside Line is a strategically important infrastructure for the North East relieving the existing two track railway between Darlington and Newcastle. It would also enable a number of potential new stations at Ferryhill, Belmont Park and Ride and Fencehouses. The Council fully supports the re-opening of the Leamside Line and would expect to see the regional commitment to the delivery of this strategic investment;

Strategic Sites and Inward Investment

- (k) **Industrial Property Development Fund (ask £25m)** : Industrial Property Development Fund – provision of gap funding for public and private industrial new build across the County including sites at Drum and Stella Gill (Chester le Street), Jade (Murton), South Church (Bishop Auckland) and Merchant Park (Newton Aycliffe) . Total build cost £55 million with gap fund request for £16.5 million (30%) to provide 550,000 sq ft of new industrial space with match funding from public and private sector supporting 2,000 jobs over 10 years;
- (l) **NETPark Central (ask £20m)** : NETPark Central to provide 60,000 sq ft iconic building at new entrance gateway providing incubation and office space including amenity hub and to provide physical location for North East Space Hub. Total build cost of £25 million with grant funding request for £10 million (40%);
- (m) **Aykley Heads (ask £40m)**: New central business quarter in partnership with Durham University linking research and development with the digitally enabled business sector creating more and better jobs in county Durham with fintech specialisms;

Rural Economic Growth

- (n) **Bridging the Digital Divide (ask £25m)**: Working with the private sector to bring cutting edge broadband services to rural parts of the County to enable more people to work and access services from home, supported with digital education and training schemes (building on the 'Digital Drive' programme) and access to hardware (in shared / community buildings) in some cases. Innovative solutions and pilot projects will be sought and tested;
- (o) **Rural Business Internationalisation Programme (ask £7.5m)** : Bespoke programme that aims to support rural businesses wanting to start importing or exporting or those having problems doing so in light of the exit from the European Union;

- (p) **Minewater Heat Commercialisation Programme (ask £7.5m)** : Supporting the development of technology that exploits the County's rural mines and geology to make minewater heating a commercial opportunity;

Skills, Education and Training

- (q) **Young and Willing (ask £25m)** : range of interventions to support young people gain skills and take opportunities presented by County and Regional economic growth. Projects include. Establishment of Employment/ Youth Hubs in areas of high unemployment, initially Bishop Auckland, Peterlee and Stanley. Communicating information on support available across the provider base in the county. Enhanced marketing and communication of support available through DurhamWorks, DurhamAdvance, LINKCD, National Careers Service and ROAD. Marketing of Jobs Fuse County Durham;
- (r) **Older and Bolder (ask £13.5m)** : Adult employment Support service providing wrap around support and progression opportunities for residents 25+;
- (s) **Adult Education Budget (ask £11.5m)** : Localised commissioning framework better supporting the training needs of residents. Elements of devolved AEB to be aligned or co-finance employment and skills initiatives.

76 It is important to highlight that there will be a wide range of initiatives and investments that could be funded from the above beyond the project specifically identified. It is also important to highlight that any investment would be ongoing and we would expect further funds to follow, in the case of devolution, the programmes are defined by government as 'deals' because they reflect a significant element of negotiation between Government and the local authorities, this ultimately effects the overall levels of investments available.

Wider Public Sector Reform

- 77 In addition to the above, there may be opportunities for the Council and partners to explore wider public sector reform. For example, greater devolved powers and funding relating to health and social care may be considered to integrate, adapt and tailor services to more localised geographies. This could include accountability to be devolved and new formal frameworks implemented to cover regulation and performance.
- 78 As part of the development of the economic statement, there will be a requirement to further enhance and evolve the county pipeline to ensure a clear suite of proposals across the respective themes. This will be

developed in a County partnership environment and include key stakeholders such as the Area Action Partnerships.

Conclusion

- 79 The current economic climate is exceptional and the Covid-19 pandemic has delivered a traumatic shock to the County's economy. The Council is taking active steps to understand both the immediate impact and the inherent economic challenges and opportunities to produce an economic strategy that delivers long term, sustainable economic growth and successfully matches employment opportunity with local residents.
- 80 Positioning the Council to make evidence based propositions to access opportunities at both regional and national level is important if we are to secure significant funding to deliver the strategy.
- 81 The proposals set out strategic opportunities for County Durham with a view to further enhancement and engagement to develop and expand proposals further.
- 82 The proposals set out the Council's initial asks and form the basis of any discussions that may take place with Government in relation to devolution of powers and resources.

Background papers

- Chancellors Budget Statement 3 March 2021
- Levelling Up Fund : Prospectus 3 March 2021

Other useful documents

- None

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Appendix 1: Implications

Legal Implications

At this stage there are no legal implications although this may change as regional or national initiatives develop.

Finance

None at this stage although future reports may have financial implications. The report sets out the challenges and compelling arguments that will support the ask on Central Government and form the basis of bids for funding.

Consultation

The development of an economic strategy will involve significant stakeholder and partner engagement and consultation.

Equality and Diversity / Public Sector Equality Duty

None at this stage.

Climate Change

This will be a significant theme of the emerging economic strategy.

Human Rights

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

The Economic Statement and Strategy will identify the various risks to the economy and communities of lack of strategic investment.

Procurement

None.