

## Cabinet

15 December 2021

### County Durham Inclusive Economic Strategy

#### Ordinary Decision



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## Report of Corporate Management Team

**Amy Harhoff, Corporate Director of Regeneration, Economy and Growth**

**Councillor Elizabeth Scott, Cabinet Portfolio Holder for Regeneration**

### Electoral division(s) affected:

Countywide

### Purpose of the Report

- 1 This report sets out a proposal to develop a County Wide Inclusive Economic Strategy. The report sets out proposals to ensure that in the development of the strategy and the detail of what is proposed inclusivity is the key priority for the Council and the county's strategy.
- 2 This report includes the findings of an Economic Review undertaken earlier this year and will seek agreement for an Economic Statement to be used as a basis for conversations with stakeholders until the new strategy is agreed in Autumn 2022.

### Executive summary

- 3 At its meeting on 17 March, Cabinet considered a report entitled 'Economic Recovery and Prosperity: Levelling up and Investment for County Durham'. This provided an overview of the impact of Covid 19 on the county's economy, outlined the emerging findings of an Economic Review, identified national and regional funding opportunities, and detailed a thematic pipeline of potential projects and interventions to support future inclusive economic growth.
- 4 In March 2021, Cabinet noted the intention to produce an Economic Statement. Following discussions with elected members and external

partners, we have agreed to take a three-stage approach to developing a new Inclusive Economic Strategy for the County:

- **Stage One:** An assessment of the economy in the County and the production of an Economic Review. This has now been undertaken and is attached at appendix 3. **Complete;**
- **Stage Two:** Based on the Economic Review a short Economic Statement (see appendix 4) that provides the strategic context in advance of a full Economic Strategy being produced. **Subject of this report;**
- **Stage Three:** Production of the County Durham Inclusive Economic Strategy in partnership with key stakeholders and following consultation. **Economic Strategy to be completed by Autumn 2022.**

- 5 It is important to highlight the emphasis on the role of inclusivity in the county strategy. This is about the design of the plan, our communities, businesses, and residents must be the focus of the objectives and be included throughout the development process. Whilst the County Council will act as the enabler, it is the County's strategy and should therefore represent our many and diverse businesses, anchor institutions and communities.
- 6 The Economic Review was concluded in March and provides an assessment of the main drivers and structure of the current economy including the impacts of Covid 19, and future challenges and opportunities. The Economic Review (appendix 3) makes a series of policy focused areas to consider as the new strategy is co-produced over the coming months.
- 7 An Economic Statement has been produced which links this work to the County Durham Vision 2035, and the key findings of the Economic Review, and proposes a '5P framework' for the development of the new strategy, based on:
  - **People:** Supporting people into education, training, jobs, and to excel in business and their careers;
  - **Prosperity :** Supporting innovation, inclusive opportunities, economic growth, and higher levels of productivity;
  - **Places:** Developing, evolving, and protecting places and infrastructure so people and businesses can thrive;
  - **Promotion:** Promotion and celebration of the County and our assets to our communities, visitors, investors, and developers;

- **Partnerships:** Working in a range of partnerships to develop an inclusive, greener economy.
- 8 The Economic Statement provides an overview of our economic performance, suggests areas of the economy that we need to collectively support, and firmly positions the County in regional and national conversations relating to economic growth and levelling up. The report also provides a number of discussion points that will frame the conversations we have with stakeholders and partners that will frame the development of the new strategy by Summer 2022.
  - 9 The Inclusive Economic Strategy is an intreated proposal and supports other plans such as the County Durham Plan. The strategy may also drive the need for further detailed proposals such as a Transport Strategy and updated Housing Strategy.
  - 10 The Inclusive Economic Strategy will set the ambition and practical steps to identify, articulate and deliver what 'levelling up' means for our county and set out the priorities to achieve this.
  - 11 The draft Economic Statement is attached as appendix 4.

### **Recommendation(s)**

- 12 Cabinet is recommended to:
  - (a) note the content of the Economic Review;
  - (b) agree the Economic Statement to be used to inform the conversations with the identified stakeholders and partners;
  - (c) agree the timetable and outline structure for the co-production of an Inclusive Economic Strategy.

## Background

- 13 Our County is exceptional, the largest economy in the North East, with over 530,000 residents, an impressive range of high growth sectors, coast, heritage landscape, a world heritage site City, links from the East Coast Mainline, A1 and A19 and proximity to two airports, there is everything to offer in County Durham.
- 14 In March 2021 Cabinet considered an early overview of the scale of the County Durham economy and the importance of it to the North East, noting it<sup>1</sup>:
- (a) generates £9bn of Gross Value Added annually;
  - (b) has 533,100 residents, supports 174,000 jobs in 14,565 businesses;
  - (c) has 101,800 residents classed as ‘highly skilled’ and has 30,100 self-employed people;
  - (d) the average wage is £26,495 and the County is home to 18,800 students (aged 18 to 24).
- 15 The importance of having a robust strategic framework to support interventions to drive economic growth is essential and a three stage approach was proposed:
- **Stage One:** An assessment of the economy in the County and the production of an Economic Review. This has now been undertaken and is attached at appendix 3. **Complete;**
  - **Stage Two:** Based on the Economic Review a short Economic Statement that provides the strategic context in advance of a full strategy being produced. **Subject of this report;**
  - **Stage Three:** Production of a Durham County Inclusive Economic Strategy in partnership with key stakeholders and following consultation. **Inclusive Economic Strategy to be completed by Autumn 2022.**
- 16 In addition, work continues to develop a pipeline of projects and interventions to support an economic growth strategy and to be used to access regional and national funding opportunities.
- 17 Importantly the County’s ambitious programme of investments, skills programme, support for new homes and leisure will continue as the new

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<sup>1</sup> Figures updated with latest data

strategy is developed, however the strategy will support the next generation of investments and prosperity for our county.

## **Economic Review**

- 18 Since the March Cabinet meeting, the Economic Review, undertaken by an external company supported by Council officers has been concluded, and a copy is reproduced at appendix 3. Given the scale of de-industrialisation in major industries over the last 30 years and its impact on many communities, County Durham has done well to sustain an employment base and introduce new investment, jobs, and sectors.
- 19 In summary the Economic Review:
- (a) establishes the strategic importance of the County Durham economy within the overall North East economy;
  - (b) identifies the challenges of future demographic changes with an increasing number of older residents and a decrease in the numbers of people of working age;
  - (c) considers the employment base in the County and highlights the exceptional level of manufacturing and the potential opportunities this presents. It also highlights the importance of the education and retail trade sectors in terms of employment numbers;
  - (d) shows that there is a net outflow of 30,000 workers who live in Durham and work outside of the County;
  - (e) specifically identifies tourism as an important growth sector with over 12,000 jobs, 20 million visitors and annual expenditure of nearly £1 billion;
  - (f) highlights that Durham has the highest number of business start-ups in the North East; with nearly 93% of business starts ups surviving after 12 months;
  - (g) shows economic output has increased from £6.2 billion in 2004 to £9 billion in 2019. However, national output has increased at a faster rate, which means there is a significant and growing gap between the county's and national performance, amounting to £3.2 billion per annum;
  - (h) considers the educational attainment of the workforce, concluding that it is consistent with regional comparisons but underperforms at all levels compared to the national average;

- (i) identifies that our employment rate mirrors the regional figure but although resident and worker incomes have risen by 23% since 2010 (better than the 21% national rate of growth) wages are still lower than both regional and national averages;
- (j) concludes that the occupational structure differs from the national average with higher proportions of people working in the care and leisure sectors, as well as elementary and routine occupations. This is indicative of the large manufacturing base and lower levels of educational attainment. In contrast, there are fewer people working in more highly skilled occupations in the county;
- (k) the county has high levels of deprivation, specifically high levels of health and disability related issues;
- (l) identifies the strategic importance of strategic and other business locations across the County to support economic growth and concludes that investment in future new sites and phases on existing sites should be maintained;
- (m) identifies the county as an important regional office market (second only to Newcastle) with Durham City being the main office location as well as a range of smaller premises throughout the County;
- (n) highlights the strategic importance of delivering good quality housing alongside economic growth;
- (o) reviews the shocks of the Covid 19 crisis on the county's economy, which was in part offset by Government and DCC interventions.

20 The review assesses the county's economic profile and makes initial suggestions on future policy objectives including the importance of continuing to attract investment, increasing our working age population, harnessing the spending power of large 'anchor institutions', harnessing our local cultural and heritage assets, and supporting the accelerated shift towards new ways of living and working. In order to deliver these objectives the Economic Review suggests our economic focus is on:

- (a) **Key sectors:** Logistics, advanced manufacturing, sustainable energy, green economy, health economy, digital and business services, a culture led visitor economy, and creative industries;
- (b) **New businesses:** New start-ups, small companies, scale ups and a strong inward investment programme;

- (c) **Harnessing anchor institutions:** Working in partnership with Durham University and Darlington and Durham NHS Foundation Trust to actively invest in the county in the same way the council does.

## Economic Statement

- 21 An Economic Statement has been developed using the Economic Review as an overview of the county's economic performance, areas of the economy that we need to collectively support, and firmly positions the County in regional and national conversations relating to economic growth and levelling up. The report also provides a number of discussion points that will frame the conversations we have with stakeholders and partners that will underpin the development of the new strategy by Summer 2022.
- 22 The Economic Statement (see appendix 4) proposes headline aims for the Inclusive Economic Strategy which we will discuss with businesses, residents, delivery partners, and other stakeholders over the coming months:
  - (a) balance economic growth with the need to reduce carbon emissions and improve socio-economic sustainability;
  - (b) define priorities for growth and recovery from Covid-19 and take advantage of the opportunities emerging from Brexit;
  - (c) align with the County Durham Vision 2035, which sets the ambition of generating 'more and better jobs' across the county by:
    - (i) delivering a range of accessible employment sites;
    - (ii) having a strong, competitive economy and being a premier place to do business;
    - (iii) broadening the experience for residents and visitors to the county;
    - (iv) ensuring young people have access to good quality education, training, and employment;
    - (v) helping people into rewarding work;
    - (vi) ensuring fewer people are affected by poverty and deprivation.
- 23 The Economic Statement proposes a '5P framework' to conceptualise and organise the new strategy and the conversations we will have as

part of the development of the strategy. The framework is based on the following five principles:

- (a) **People:** Supporting people into education, training, jobs, and to excel in business and their careers;
- (b) **Prosperity:** Supporting business innovation, growth, and higher levels of productivity;
- (c) **Places:** Improving places and infrastructure so people and businesses can access opportunities;
- (d) **Promotion:** Promotion of the County and our assets to visitors, investors, and developers;
- (e) **Partnerships:** Working in partnership to develop an inclusive, greener economy.

24 Work will continue to implement a structure for the delivery of an Inclusive Economic Strategy that will be co-produced with residents, stakeholders, and communities over the coming months. The detail of the strategy and an action plan for the delivery of it, will be developed closely with the County Durham Economic Partnership (CDEP). At this stage it is proposed that the strategy will:

- (a) cover a long-term period of at least 20 years with regular reviews to ensure the strategy remains relevant;
- (b) underpin the delivery of inclusive economic growth, investment plans and policy development with clear objectives, targets, and performance management;
- (c) align with other county strategies (County Durham Vision, County Durham Plan, Climate Emergency Plan, etc) and integrate with regional and national strategies;
- (d) be developed and co-produced with key partners and stakeholders via a number of conversations including (see appendix 2 for a full list):
  - (i) residents;
  - (ii) businesses;
  - (iii) partnerships;
  - (iv) public sector bodies;
  - (v) anchor institutions.

- 25 A Steering Group will oversee the development of the strategy, which will include a wide range of key participants to ensure that the plan is developed holistically and represents the voices of County Durham and more widely.
- 26 The Inclusive Economic Strategy will support existing plans such as the County Durham Plan, as well as climate change, housing, and transport strategies. The plan will demonstrate our economic growth ambitions and activities to regional and national bodies to secure external investment and support.

### **‘Linking Economic Growth and Opportunity’ : A Conversation**

- 27 Our plan must be a plan developed with the County for the County and therefore we want a more creative way of engaging, specifically starting with a conversation with business, resident, voluntary sector, and wider groups before a plan is developed, to really understand our aspirations and opportunities.
- 28 Although the baseline information has been produced to help develop the thinking to support of the Inclusive Economic Strategy, an essential stage of the process is to undertake comprehensive and wide ranging conversations with residents, communities, and other key stakeholders.
- 29 This will provide a genuine opportunity to
  - (a) capture the expectations and thoughts of our residents and communities who will be able to benefit from the opportunities that economic growth will bring;
  - (b) better understand the challenges that residents and communities are facing as they seek to secure employment and embark on careers in the County;
  - (c) provide elected representatives across the county with the opportunity to engage in the process at an early stage and offer their views on a wide range of issues associated with economic growth;
  - (d) hear from businesses and business organisations on the issues they face as they seek to grow and prosper and secure feedback on interventions and policy direction that would help drive economic growth;
  - (e) provide the opportunity for existing partnerships and organisations within County Durham to articulate specific challenges and opportunities that are linked to sustainable economic growth (Health, Housing, Skills etc);

- (f) ensure that we can take account of the wider challenges that our regional partners are facing and understand their strategic approaches to driving economic growth;
  - (g) engage with those anchor institutions that have 'economic clout' in the County because of the scale and importance of their operations;
  - (h) have a structured conversation across a range of audiences on how an economic growth strategy can genuinely embrace the County's carbon reduction ambitions and targets.
- 30 The conversation will be launched in the first week of January and will continue through to April 2022. It will be widely promoted to ensure as many people and organisations as possible take part.
- 31 The conversations will be structured in a way that takes the core information that has been developed to date (provided in this report) and makes it relevant and accessible to the various audiences. The ways in which the conversations take place will be varied and creative and will use traditional and innovative vehicles. Each conversation with different audiences will have specific targeted content and will be diarised over the period January to April.
- 32 The detailed conversation plan is currently being developed and will be approved by the Portfolio Holder for Economy and Partnerships, the chair of the County Durham Economic Partnership, and the Corporate Director for Regeneration, Economy and Growth.
- 33 An initial framework to structure the conversations has been produced and this will be finalised as part of the current work being undertaken. The conversations will link the economic review work and key outcomes of the County Durham Vision to a structure that captures content in a coordinated manner.

		High Level Aims	People	Places	Business Productivity	Promotion	Partnerships
Ekosgen recommendations	Rebuilding a powerful economy	✓	✓	✓	✓	✓	✓
	Low Carbon Economy	✓	✓	✓	✓	✓	✓
	Developing the pipeline for new investment			✓			
	Productivity and jobs in key sectors		✓		✓		
	Start ups		✓		✓		
	Place, investment and employment		✓	✓			
	Rural communities and economy		✓	✓			
	Skills, learning and communities		✓	✓			
	Schools		✓	✓			
	Communities and towns			✓			
	Anchor institutions						✓
	Delivering new investment and jobs			✓			
Vision 2035	Accessible employment sites			✓			
	Strong, competitive economy	✓					
	Broaden the experience		✓	✓		✓	
	Good education, training and employment		✓	✓	✓		
	Helping people into rewarding work		✓		✓		
	Tackling poverty and deprivation		✓	✓			

34 As the various conversations are concluded a comprehensive report will be produced and this will be used to inform the production of the first draft strategy which will then be subject to a formal consultation in advance of final approval in the Autumn of 2022. The process will clearly show how the conversations have influenced the design of the strategy.

### Timescales for the New Economic Strategy

35 The timescales for the development of the Strategy are proposed as:

Development Stage	2022									
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Stakeholder conversations	█	█	█							
Analysis of feedback and drafting strategy			█	█	█					
Consultation on draft strategy						█	█			

Sign-off										
Launch										

## Conclusion

- 36 This report proposes the process for developing a new Inclusive Economic Strategy for County Durham. We propose to use a three-stage process; using evidence from an Economic Review to develop an Economic Statement and using the Economic Statement as a tool to co-produce a new strategy with businesses, residents, delivery partners, and stakeholders.
- 37 We will focus on an inclusive approach to development and delivery with time taken to understand a wide range of views and opportunities.
- 38 Further updates will be provided to cabinet as this important piece of work progresses.

## Background papers

- Economic Review (appendix 3)
- Economic Statement (appendix 4)

## Other useful documents

- Previous Cabinet reports: 'Economic Recovery and Prosperity: Levelling up and Investment for County Durham', March 2021

## Author(s)

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## **Appendix 1: Implications**

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### **Legal Implications**

None.

### **Finance**

The costs of producing an Inclusive Economic Strategy over the coming months will be met from existing revenue budgets.

### **Consultation**

Resident, business, delivery partner and stakeholder involvement are essential to the successful co-production of the strategy.

### **Equality and Diversity / Public Sector Equality Duty**

The Inclusive Economic Strategy will be accompanied by a full Equality Impact Assessment and hard-to-reach groups will be involved in the development of the strategy.

### **Climate Change**

The Inclusive Economic Strategy will have strong focus on 'greening the economy' in the future.

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

Existing staff will be supplemented with support from Ekosgen consultants.

### **Accommodation**

None.

### **Risk**

None.

### **Procurement**

The procurement of external support for the production of the strategy is underway.

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## **Appendix 2: Conversation Groups**

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See separate attachment.

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## **Appendix 3: Economic Review**

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See separate attachment.

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## **Appendix 4: Economic Statement**

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See separate attachment.