

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 **Monday 13 February 2012 at 10.00 am**

Present:

Councillor J Moran (Chair)

Members of the Committee:

Councillors A Naylor, J Armstrong, B Arthur, B Graham, J Hunter, R Liddle, J Rowlandson, P Stradling, M Williams and A Willis

Co-opted Members:

Mr T Batson, Mrs O Brown, Mrs A Harrison, Mr A Kitching and Mr D Lavin

Apologies:

Apologies for absence were received from Councillor(s) A Barker, C Carr, J Cordon, P Jopling, C Potts and M Wilkes

Also Present:

Councillor(s) J Blakey, N Martin and R Todd

A1 Minutes of the meetings held 17 November 2011 and 19 December 2011

The Minutes of the meetings held on 17 November 2011 and 19 December 2011 were agreed by the Committee as a correct record and signed by the Chair.

A2 Declarations of Interest, if any

There were no Declarations of Interest.

A3 Items from Co-opted Members or Interested Parties, if any

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

A4 Media Relations:

The Overview and Scrutiny Officer, Diane Close referred Members to the recent prominent articles and news stories relating to the remit of the Economy and Enterprise Overview and Scrutiny Committee (for copy of slide, see file of minutes), namely two articles relating to Housing, one relating to 240 houses at Shotley Bridge, another in respect of Council Chiefs urging Housebuilders to access a national fund of £400 Million in relation to "Get Britain Building". Members also noted articles relating to approximately £17 Million of funding secured by the North East Local Enterprise Partnership (NELEP) for housing and economic development schemes in the region. The Committee also noted the creation of around 250 jobs with the development of a new Sainsbury's store at Salters Lane, Sedgefield.

Resolved:

That the presentation be noted.

A5 "The Statistical Bias Against Unitary Counties":

The Chair introduced the Head of Policy, Planning and Performance, Regeneration and Economic Development (RED), Andy Palmer and Professor for the Centre for Regional Economic and Social Research (CRESR), Sheffield Hallam University, Steve Fothergill who were in attendance to speak to Members on the Statistical Bias Against Unitary Counties (for copy of presentation, see file of minutes).

The Head of Policy, Planning and Performance, RED noted that Professor S Fothergill worked not only for Sheffield Hallam University, he also was a Director for the Industrial Communities Alliance and that his report was a piece of independent research.

Members were reminded that at a previous meeting of the Committee, the Head of Policy, Planning and Performance, RED, together with the Customer and Services Intelligence Manager, RED, Graham Tebbutt had presented information relating to the Performance data for the "Altogether Wealthier" theme and that Councillors had noted and commented upon the use of "Countywide" statistics. Members recalled that the Head of Policy, Planning and Performance, RED had mentioned that there was research being carried out on the potential impact of the use of moving to statistics that reflected the new Unitary Authority as a whole rather than the former "District" areas.

Councillors noted that in the past, funding and grants were "area-based" (District areas) and that these areas were far smaller than the "countywide" area now used for statistics. The Committee noted that the area-based system was "semi-dormant" as Government had withdrawn Area Based Grants (ABGs), however, if funding were to be based upon those smaller areas in the future that could mean that County Durham could be disadvantaged in relation to previous allocations. The Head of Policy, Planning and Performance, RED added that the preferred methodology for Durham County Council (DCC) was to collect statistics on a small area basis and as government had used "District" data in the past, it would be beneficial to keep that level of data "ticking over" at DCC and with the Office for National Statistics (ONS).

Professor S Fothergill reiterated that he wore two hats, one as an academic, and one representing the Local Authorities (LAs) that were members of the Industrial Communities Alliance (ICA), of which DCC and Northumberland County Council were members, adding that Durham had been a member of the ICA in various guises, from the era of the Coalfield Campaign onward.

The Committee were informed that Professor S Fothergill believed that DCC had been discriminated against due to the move to Unitary status since the Local Government Reorganisation (LGR) in 2009, together with other LAs that moved to Unitary status. Professor S Fothergill noted that this was not a call to go back to the previous arrangements, in the case of Durham a two-tier system, rather an acknowledgement that the LGR process in 2009 had created a problem.

Members noted that the move to Unitary status had meant that the “district level” statistics, that demonstrated which areas had acute problems with issues such as deprivation, were now hidden and this was not a direct comparison to the statistics still being gathered by other LAs still operating a two-tier “County-District” model. The Committee noted that there was potential for this to affect resource allocation from Government in the long-term.

Professor S Fothergill explained that his report (for copy, see file of minutes) was a starting point to begin the discussion of the statistical bias and provided an independent set of key statistics / evidence in order to present to the Department for Communities and Local Government (DCLG).

Councillors were referred to a slide setting out the key numbers in terms of LGR were that 8 new Unitary Authorities were created in 2009, 36 District councils were abolished, with 201 District Councils being retained. It was demonstrated to Members that there were several District Authorities that were of comparable size, by population, to the former District areas within County Durham and that those Districts were continuing to use data gathered at that level. Members were reminded that statistics for the “Districts” within the new Unitary Authorities were disappearing, including the Indices of Multiple Deprivation (IMD) for former Districts and various benefit claimant statistics. The Committee noted that there were statistics that continued to be gathered at a very local level, the Lower Super Output Areas (LSOAs), however, to “add up” the LSOA data to that of the former District levels required a degree of specialist knowledge, would take a certain amount of time and effort, and in the end may not be used by policy analysts who would likely use “off-the-peg” data.

Professor S Fothergill posed the question, “Does this Matter?” and referred Members to the changing rank of former County Durham Districts in comparison to the new Unitary DCC. Members noted that in respect of the 2010 IMD ranking, the former Easington District ranked 8, with Sedgefield at 37, Wear Valley at 44 and the new DCC at 56. Members learned that in relation to the “Worst 100 LAs” in terms of employment deprivation specifically, Easington had ranked as 1, Sedgefield as 5, Wear Valley as 12, Derwentside as 13, with the new DCC as 12. The Committee also noted that for the “Worst 100 LAs” in terms of incapacity benefits, Easington was again ranked 1, Wear Valley at 8, Sedgefield at 9, Derwentside at 21, with the new DCC ranked at 21. Professor S Fothergill added that in relation to the “Worst 100 LAs” in terms of health and disability, Easington had ranked 2, Sedgefield 4, Wear Valley 6 and the new DCC ranked at 27.

Members understood that the trend was for the new Unitary DCC to have an “improved ranking”, however, some LAs that moved to unitary status that did not have the geographical diversity of County Durham, their ranking had not been as affected significantly by the move to Unitary. The Committee noted that this would mean that potentially DCC could be disadvantaged in comparison to some other Unitary Authorities, not only those Districts LAs that remained.

Councillors were asked to note that in terms of population, DCC was the 6th largest LA in England, larger than Manchester or Liverpool and in terms of geographical area, the average new Unitary Authority was 50 times larger than the average London Borough, 13 times larger than the average Metropolitan Borough and 8 times larger than the average size of the other Unitary Authorities in England. Professor S Fothergill added that the new Unitary County Authorities covered several separate labour markets, unlike most other single-tier LAs.

The Committee were referred to the key conclusions of Professor S Fothergill’s report, that: disadvantage in parts of County Durham had been hidden as statistics moved from District level to Unitary; South East Northumberland was similarly affected; and other new Unitary Authorities were less affected as they were either substantially more prosperous or had less of an internal diversity in terms of economy or deprivation. Members were informed that whilst Northumberland as a new Unitary Authority would now be unlikely to be eligible for funding targeted at disadvantaged areas, Durham as a whole had a better chance dependent upon how many LAs were targeted and which indicators were used. Councillors were reminded that whilst ABGs had been abolished and that current Government was focused via “opportunities” rather than deprivation, there was potential long-term damage for DCC if District-level data was not used by Government as it was felt that it was inconceivable that disadvantage would not be used as a metric for resource allocation in the future. Professor S Fothergill added that also deprivation was likely to be used to determine areas for pilot schemes, funding bids and mapping exercises and this could then create a disparity between the new Unitary Authorities and the two-tier Counties.

Members were asked to note the recommendations as set out within Professor S Fothergill’s report:

- That Government should resume publication of statistics for former Districts
- Noting that this resumption would be at no cost by the routine addition of LSOA data to that of District level
- That Government amend the 2010 IMD to include the full range of figures for the former Districts alongside the ongoing “Shire Districts”
- That the resumption is implemented across the full range of Government
- That future decisions on resource allocation or prioritisation should use data for former Districts, on the same basis as for ongoing “Shire Districts”

The Committee noted that the reason for recommending District level statistics was that there were already existing off-the-peg definitions, they would be directly comparable to other ongoing District LAs, they would be easy to implement and could be used across all new Unitary Authorities consistently.

Members noted that the challenge, should DCC wish to challenge the use of whole Unitary Authority statistics in comparison to District level data, would be in leading and convincing the other new Unitary Authorities to come on board.

The Committee also noted that there was no guarantee of success in convincing Government to take District level data into account from the new Unitary Authorities, however, Professor S Fothergill believed that in taking the long view, there was a lot at stake and the problem was the visibility of local issues and the parity of treatment with other two-tier areas, not Local Government structures.

Professor S Fothergill concluded by outlining potential methods that could be employed to persuade Ministers to restore the publication and use of statistics at a District level for new Unitary Authorities including: release of the independent report to the media; use of national trade press; persuade Northumberland to come on board; get local MPs on side; seek meetings with Civil Servants to discuss the report; and arrange a ministerial delegation.

The Chair thanked Professor S Fothergill for his presentation and asked Members for their questions.

Mr T Batson thanked the Professor for his clear presentation and asked whether the sub-county divisions as created by the Area Action Partnerships (AAPs) could be used as a smaller unit of measure than the whole of County Durham. Professor S Fothergill noted that data gathered at that level maybe useful for the Council and in principle could be used by Government, however, Government may not be familiar with the AAP set up, how those statistics compare to existing District Authorities and therefore the sum of the LSOAs may be a preferable approach.

Councillor N Martin acknowledged that a pragmatic approach was sensible to ensure DCC did not lose out in respect of any funding opportunities, however, he asked whether Government policy was solely to award on the basis of IMD ranking. Professor S Fothergill noted that the current Government were moving away from awarding by deprivation and moving towards awarding to areas that demonstrated "opportunity". Councillor N Martin asked whether the label of "District" was the issue and was there not a better way of gathering the information. The Head of Policy, Planning and Performance, RED cited the example that the former District area of Chester-le-Street in the past had accessed funding based on competitive application, using evidence gathered by the then District Council, however, it was noted that now Government had moved away from that type of funding allocation and therefore it was best to be able to provide evidence and statistics in a format that Government could easily digest. The Head of Policy, Planning and Performance, RED added that whilst there may be some more preferable sub-county units by which to gather information, for example by AAP, this would not be easily comparable to existing District Authorities and that ensuring that DCC was treated on a "level playing field" as other Authorities should funding be allocated by IMD now or in the future.

Councillor P Stradling agreed with the points made by Professor S Fothergill, noting that in his particular area of Horden, within what was the Easington District, there was a clear need to ensure that the issues that affected those deprived communities was not masked by taking statistics from across the Unitary Authority as a whole.

Councillor P Stradling added that it was evident that to ensure fairness, Government should use “District” level data in order to make fair comparisons, however, the difficulty was what Overview and Scrutiny could do to affect a change.

Councillor J Armstrong explained that he had noted the graphic change in the statistics relating to IMD, health and disability and benefits from pre-LGR data to the new Unitary figures for not only DCC, but Northumberland and the North East in general and agreed with Councillor P Stradling that how this was addressed was the issue. Councillor J Armstrong added that he felt that the recommendations as set out were reasonable and that Northumberland County Council and M.P.s should be involved, however, he noted that perhaps one way of championing this approach would be by the relevant DCC Cabinet Member raising the issue with the Association of North East Councils (ANEC) in order for them to bring the issue to the fore.

Mr A Kitching explained that he appreciated the title of the report, “bias” towards new Unitary Authorities, however, he asked whether if DCC and others were to fight for Government to consider “District” level statistics when funding was being allocated, would this not result in other Authorities who’s ranking in the IMD had effectively been “improved” as a result of the abolition of 36 District Authorities arguing that they themselves would then be disadvantaged. Professor S Fothergill acknowledged that some Authorities may argue that, however, whilst 36 Districts were abolished 201 continue and the call for Government to consider the new Unitary Authorities on an “even keel” with existing District Authorities would be difficult to argue against as it was comparing “like-for-like”.

The Overview and Scrutiny Manager, Feisal Jassat noted that there was a need to consider the national picture and also to ensure that Northumberland was identified as another key player, note that DCC was a member of the ICA and could input via that channel and, that the sub-county analysis and data be shared with Members. Professor S Fothergill noted that the ICA represented 60 LAs, with the only two of the new Unitary Authorities being Durham and Northumberland and accordingly, with that only representing 2 out of 60 LAs, then it would not be fair for the ICA to lead on the matter, rather for DCC to lead using the evidence as reported.

Resolved:

- (i) That the Chair of the Economy and Enterprise Overview and Scrutiny Committee discuss with the appropriate Cabinet Portfolio Holder the issues raised in the report and the presentation to determine next steps.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee receive a report at a future meeting providing an overview of the work undertaken on the geographical profiles at Area Action Partnership level.

A6 Update on the Stock Option Appraisal:

The Chair introduced the Housing Stock Options Manager RED, Marie Roe who was in attendance to update Members on the Stock Option Appraisal (SOA) Project (for copy of presentation, see file of notes).

The Housing Stock Options Manager thanked the Members for the opportunity to speak at the Committee and reiterated the purpose of the SOA for those Members that were not familiar with the Project.

Members were reminded that there was a need to review the investment requirements in the Council's housing stock over the next 30 years, with around 19,000 properties across the three areas administered by Durham City Homes (DCH) an "in-house management organisation" (IHMO), and the two "arms-length management organisations" (ALMOs) of Dale and Valley Homes (DVH) and East Durham Homes (EDH). Councillors noted that there was a need to secure investment and to be confident that all potential options had been explored, together with the need to ensure that DCC was well placed to be able to adapt and respond to the changing policy landscape, both locally and nationally. The Committee were informed that it was important to be able to secure adequate funding to be able to continue to deliver the Decent Homes Standard (DHS) and maintain that standard in the future. The Housing Stock Options Manager added that there was a need for DCC to be able to deliver sustainable communities, to meet customer needs and aspirations and to contribute positively to regeneration issues.

It was explained that, last year, independent Legal and Financial Advisors had been appointed in order to look at the potential future financial options for the housing stock and governance arrangements. Members were asked to recall that the management options would be to retain the stock, or to look for a transfer of the stock, either via a traditional "large scale voluntary transfer" (LSVT), to a "community owned, council owed (CoCo) organisation, or a combination of LSVTs/CoCos. Councillors were reminded at this point that modelling had shown that there would be shortfall of between £30-60 Million in years 1 to 10 of the 30 year period and therefore, a full consultation process was decided upon to evaluate the potential options. The Committee noted that all relevant parties were involved, including customers, staff, Board Members (IHMO/ALMOs), Councillors and other key stakeholders throughout the Summer of 2011 and Members were reminded of the several updates provided to the Committee at meetings in the late Summer and Autumn.

The Housing Stock Options Manager explained that "Phase 1" of the SOA Project including all research and feedback gathered so far was presented to DCC Cabinet on 14 December 2011 in a 30 page report that had two main recommendations that were agreed; to continue to make arrangements for the implementation of self-financing in April 2012, in line with legislation; and to continue to explore options for a transfer of the Council's housing stock. Members noted that the change to self-financing meant that from 1 April 2012, the rental income generated could be retained, however, there would need to be a one-off "settlement" in order to allow for this and that the idea of a stock transfer was a potential solution to "plug the gap" in relation to the financial position in years 1 to 10 of the 30 year period being considered.

The Committee learned that guidance on stock transfer had not yet been issued from Central Government, the "Revised Housing Strategy" having been originally scheduled for Autumn 2011, and then January 2012, now put back until April/May 2012. The Housing Stock Options Manager explained that Government had indicated in November 2011 that they would still be offering the possibility of stock transfer, and therefore since agreement at Cabinet in December 2011, DCC have continued to look at the issue of transfer, together with those around the quality of the stock and the required investment in order to ensure that quality, renewal/regeneration and economic growth.

Members were informed that as the SOA was a major strategic project, it was being overseen and lead by the Council's Assistant Chief Executive, who chaired the Project Board.

Councillors noted that there were revised governance arrangements to ensure inclusiveness and the Major Consultancy Group continued to work with customers, partners and other stakeholders to ensure the best option for the future of the housing stock was identified.

In respect of self-financing, Members learned that DCC was on track to be able to implement self-financing arrangements in April 2012 and had developed a 30 year Housing Revenue Account (HRA) Business Plan and a 5 year Medium Term Financial Plan (MTFP) for the HRA. Councillors were made aware of the work undertaken to set rent levels and to agree service charges together with the decision making on borrowing in order to make the settlement payments to the DCLG.

Members noted that the MTFP had projected a need for £3 Million of savings to be made within the Housing Service, with the current position being that £2 Million worth of savings had been achieved, meaning the Housing Service was on track to meet its MTFP obligations. The Housing Stock Options Manager explained that there would be also a need to ensure that the future management arrangements were also robust so that any possible further savings beyond the £3 Million for the MTFP could be achieved, with a transparent review of self-financing looking at those management arrangements.

The Housing Stock Options Manager added that, as previous stated, Government had announced that they intended to continue to offer a programme of stock transfer, guidance was now scheduled for April/May 2012 and DCC was working with the appointed Advisors to revisit the financial projections and produce transfer business plans for the housing stock.

The Committee were made aware that there were 8 recommended project objectives, for example keeping local services and regenerating areas, and there was a need to continue to work in partnership with stakeholders in order to pin down the best transfer option.

Councillors learned that DCC was in regular contact with DCLG and the Homes and Communities Agency (HCA) with DCLG being very interested in the SOA Project being carried out by DCC as it was the largest being carried out in the country. The Housing Stock Options Manager added that a Business Case for Stock Transfer would be submitted in December 2012, and this mirrored the comment made in the earlier presentation by Professor S Fothergill in respect of the Government looking for "opportunities" rather than at issues of deprivation.

The Committee learned that the process of engagement with key stakeholders would not be slowed down or cut back, with regular newsletters, briefings, additions to the websites and meetings with Tenants and Residents' Associations to continue, the DCC Design Team currently working on the newsletters. Councillors were also asked to note that the use of the Independent Tenant Advisor (ITA) would continue, in line with established best practise, to ensure independent and impartial advice and support for customers. The Housing Stock Options Manager added that the Communication and Consultation Strategy for the SOA Project would be revised in order to reflect the next phase of the Project.

The Housing Stock Options Manager concluded by outlining the next steps of the SOA Project, those being:

- To implement self-financing arrangements from April 2012
- To refresh financial projections and finalise the outcomes DCC and stakeholders expect to achieve from a stock transfer
- To establish groups to complete a review of existing housing management arrangements, develop comprehensive long term investment plans and determine the best transfer option
- To submit a Business Case for Stock Transfer to the HCA and DCLG by the end of December 2012

The Chair thanked the Housing Stock Options Manager for her presentation and asked Members for their questions.

Mr A Kitching asked whether there would be any “council houses” in 5 years time and whether there would be protection for sheltered housing as there was for the Transfer to Sedgfield Borough Homes. The Housing Stock Options Manager noted that depending upon the outcome of the SOA Project; it could be that there would be 19,000 albeit under whatever new management arrangements are deemed to be appropriate. In relation to the issue of sheltered housing, the Housing Stock Options Manager explained that any protection could be wrote into new management / stock transfer agreements, however, advertising this to the public would be important so that they are aware of the protection being afforded to those valuable assets.

Resolved:

- (i) That the Economy and Enterprise Overview and Scrutiny Committee note the information provided in the presentation in relation to the Stock Options Appraisal Project.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee receive a further progress update in relation to the Stock Options Appraisal Project at a future meeting.

A7 Update on the Local Enterprise Partnership (LEP):

The Chair introduced the Principal Regeneration Strategy Officer, RED, Glenn Martin who was in attendance to update Members on the Local Enterprise Partnership (for copy, see file of notes).

The Principal Regeneration Strategy Officer thanked the Members for the opportunity to speak at the Committee and reiterated the main points in relation to the new North Eastern Local Enterprise Partnership (NELEP) including opportunities and developments. Members were asked to note that the new NELEP website had gone live 2 weeks ago as part of a transparent process of moving forward, the NELEP now had public relations support in addition and was in the process of recruiting an Executive Support Team of 5 posts.

The Committee were informed that the NELEP had secured £16.7 Million from the Government's "Growing Places Fund" and this would indirectly be used to support jobs, primarily through schemes encompassing infrastructure, transport and housing. It was added that there could be "recycling" of the funding (reinvestment) when LAs are invited to submit pre-qualification questionnaires (PQQs) to Government in relation to this fund, those having been submitted just prior to Christmas 2011.

The Principal Regeneration Strategy Officer explained that there would be continued work to establish Low Carbon Enterprise Zones at three sites, including the North Bank of the Tyne, the Port of Blyth and the A19 Corridor. Members noted that there were other "enterprise zones" that did not fall into this exact category such as PETEC at NETPark.

Members were advised of the new rural forum, the North Eastern Farming and Rural Advisory Network (NEFRAN) that had been established with backing from the NELEP and the Department for the Environment and Rural Affairs (DEFRA). The Committee learned that NEFRAN had submitted a bid for funding from a £3 Million pot to establish a Rural Growth Network which could equate to around 500 jobs for the North East. It was explained that this included representation from DCC, Northumberland County Council, Gateshead Council, Newcastle University, Private Landowners and Northumberland National Park. Members were reminded that County Durham had a large geographical area and through collaboration, it was hoped DCC could "punch its weight" accordingly.

The Committee learned that the Private Sector Lead of the NELEP Skills and employment Group would attend a meeting of the County Durham Economic Partnership (CDEP) in March 2012 to help build on the work began by One North East such as planning for future workforce needs. Members were also informed of a Memorandum of Understanding that would be signed between the NELEP and the Government's "UK Trade and Investment" that would allow the NELEP to access their database of inward investment enquires in order to help develop a regular dialogue with Government.

The Principal Regeneration Strategy Officer added that there was ongoing work with the Northern tourism Alliance and the NELEP for the coordination of tourism activities and that the NELEP was looking to see how bids into the £2.4 Billion (nationally) third round of the Regional Growth Fund (RGF) could be coordinated. Members noted that this RGF bid coordination could include helping to develop several smaller bids together in an attempt to improve the success rate of securing Government support. Councillors were advised that there would likely be a fourth, and possibly a fifth, round of RGF funding bids and that the Chief Executive and the Head of Economic Development, Sarah Robson were leading in respect of DCC and the NELEP.

The Chair thanked the Principal Regeneration Strategy Officer for his verbal update on the report and asked Members for their questions.

Mr A Kitching noted that many of the points raised were in relation to Northumberland or other areas within the North East and asked what was specifically happening in County Durham. The Principal Regeneration Strategy Officer explained that the NELEP was for the "North Eastern" area; however, he could get a list of specific activities for the next Committee.

The Vice-Chair, Councillor A Naylor noted that the Working Group set up by the committee, the Improving Employment Opportunities of Young People (18-24) had undertaken several site visits to various training providers and that the opportunities for young people to develop high levels of technical skills were there and asked how these types of providers could be assisted.

The Principal Regeneration Strategy Officer explained that the Government's "Skills Agenda" would make reference to the NELEP as a consultative group in relation to the "Employer Ownership of Skills" to drive forward the skills agenda. Members noted that Andrew Hodgson, likely known to Councillors in his role as Chair of the Tyne and Wear Employment and Skills Board, was the Vice-Chair of the NELEP and DCC would work with him to ensure that skills and training for County Durham would be leading the way.

The Principal Regeneration Strategy Officer acknowledged Members' concerns for those over 19 years of age and how funding for training was affected post-19 and added that the NELEP could be a strong voice for lobbying of such issues.

Councillor J Armstrong concurred with the comments made by Councillor A Naylor and added congratulations to the work of the Economic Regeneration Manager, Graham Wood in respect of the County Durham Apprenticeship Programme which had been commented upon at a recent visit to Derwentside Further Education College.

Resolved:

That the Report be noted.