

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 4 November 2024** at **9.30 am**

Present:

Councillor A Surtees (Chair)

Members of the Committee:

Councillors A Batey, R Crute, M Currah, P Heaviside, G Hutchinson, C Lines, R Manchester, J Miller, B Moist, R Ormerod, K Shaw, M Stead, D Wood, J Charlton (substitute for S Zair), O Gunn (substitute for G Binney) and E Peeke (substitute for A Sterling)

Co-opted Members:

Mrs R Morris

Also Present:

Councillors A Reed, J Rowlandson and E Scott

1 Apologies for Absence

Apologies for absence were received from Councillors G Binney, D Freeman, A Sterling and S Zair.

2 Substitute Members

Councillor J Charlton was substitute for Councillor S Zair, Councillor O Gunn was substitute for Councillor G Binney and Councillor E Peeke was substitute for A Sterling.

3 Minutes

The minutes of the meetings held on 11 September and the Special joint meeting held on 23 September 2024 were agreed as correct records and signed by the Chair.

4 Declarations of Interest

There were no declarations of interest.

5 Items from Co-opted Members or Interested Parties

There were no items from Co-opted Members or interested parties.

6 Major Programmes and Projects

The Committee received a report of the Corporate Director of Regeneration Economy and Growth and presentation that provided an update on the overall approach and performance of Major Programmes and Projects delivered by the Regeneration, Economy and Growth Directorate. The report also provided an update on key project delivery and issues with particular projects that had an impact on delivery (for copy of report and presentation slides, see file of minutes).

The Head of Transport and Contract Services introduced the item which aimed to provide assurance that appropriate standards and controls were in place to ensure programmes and projects were managed and delivered successfully within the delivery framework with appropriate levels of control, challenge, and intervention. He continued that the introduction of the Major Programme Board and the Portfolio Office approach ensured that projects are delivered efficiently and effectively. He highlighted that the approach used ensures that issues are escalated in a timely manner for decisions to be made.

He confirmed that the environment to deliver the various projects had been very challenging over the last few years, with increased rates of inflation, higher borrowing costs and shrinking markets impacting the viability and deliverability of projects. He continued that the REG Capital Programme was growing year on year, with the current financial year 2024/2025, both the number of projects and the overall value of the programme had increased in year from 150 to 156 schemes and increased in value from a base budget figure of £167,396,016 to £177,002,379. The Head of Transport and Contract Services commented that significant world events over recent years impacting on the costs of construction together with the Service Grouping managing an increased portfolio of projects, had resulted in an impact on delivery of some projects, however, DCC continues to be successful in terms of the programmes it continues to deliver. He continued by commenting that the delivery of the various projects is often complex, involving multiple stakeholders and having to show delivery credibility to funders which is demonstrated by the significant volume of external funding secured. He referred to paragraph 31 of the report and commented that the REG portfolio of programmes and projects is considerable across a range of thematic areas and is grouped into five areas for delivery purposes: Housing Renewal and Development; Town Centre Improvements; Employment Sites; Transport and Connectivity and Visitor Economy with detail of some of the projects that fall within the various areas identified within the report. He then made reference to the examples included within the presentation and commented that the challenges had included contracts coming back above the contract rate, unchartered drainage, inclement weather resulting in delays, high specification of design, pandemic and inflation, utility connection issues, compensation events and fewer contractors in the marketplace to undertake these huge projects/programmes.

The Committee were provided with a detailed presentation that focused on:-

- REG Major Programmes Portfolio and Capital Programme;
- Major Programmes Board and Portfolio Approach, including timelines, controls and guidance and business process;
- Construction Industry Intelligence;
- Case Studies: The Story, Belmont Primary and Secondary School and NetPark Phase 3.

The Funding and Programmes Manager advised that the REG Major Programmes Portfolio totalled £878 million with projects worth £647 million in secured funding and a further £244 million unsecured in pipeline projects at different phases of development, however this did not include private sector led projects where there was significant involvement of the council to facilitate their development, with these schemes worth over an estimated £1.4 billion in private sector development. She confirmed that there are 152 schemes with REG Capital programme totalling £167m in 2024/25 and that over 60 non-REG schemes were being delivered for other Council services. She then referred to a table in the presentation which showed REG capital projects in delivery, showing the number of projects had increased from 112 in 2018/2019 to 152 in 2024/25 with the value of the schemes increasing by 195% over that period of time, with the current outturn forecast totalling £176m.

The Funding and Programmes Manager commented that the Major Programmes Board (MPB) was established in 2021 to oversee the REG portfolio and was responsible for its strategic direction. The MPB had overseen the development of a Portfolio Office which sets standards and controls for REG Programmes and Projects and is a hub for coordination of all information, Board communication, monitoring and intervention activities. Council programmes were monitored regularly and the Portfolio Office considers a range of project health indicators such as risks in terms of costs, time, quality, scope and whether projects were achieving the original impact and outcomes.

In relation to controls and guidance it was confirmed that in addition to the Process Flow Diagram followed by the MPB, there was a guidance framework to help sponsors, programme and project managers understand the requirements and outputs needed to set projects up and ensure delivery of activities in accordance with the Portfolio Office requirements. This guidance facilitated consistent and effective project setup, development and delivery and would allow the MPB to track and assure the programme mandates and objectives and that the projects were achieving the expected outcomes.

Members were provided with the Major Programme Board, project reporting timetable and diagram detailing the Portfolio Office Business Processes and a breakdown of individual stages.

The Construction and Consultancy Service Manager then took Members through the key trends that were affecting the construction industry highlighting that by the end of 2023, the BCIS estimated that building costs had risen by 26.2% in the period January 2020 to December 2023. This increase in costs had an impact on many projects with huge increases in some material commodities up to 40-50% and affordability issues being reported to the Corporate Management Team. Fortunately, stability is now returning to the industry and there is now growth in order books and confidence returning to the market. He continued by highlighting that there had been growth in repair and maintenance which was outperforming the new build work which saw a decline in output in 2023.

With regards to national factors, he highlighted the ambition in the labour manifesto with a focus on energy, roads, rail, reservoirs, ports, gigafactories, carbon capture, green hydrogen, housing targets set at 3000,000 per year and the establishment of a new body, Great British Energy to deliver increased investment in energy generation within the UK borders. Devolution was at the heart of the new agenda and there were discussions around planning reform.

Members were provided with details in relation to the forecast growth in Tender Price Inflation, growth in the labour market and material costs. It was noted that overall the output had flatlined, but new orders were increasing and should feed through to output growth. Tender prices were easing; however they were still significantly higher than previous. It was also reported that building costs were stable, material costs had slightly increased and labour costs were still increasing although at a slower rate. He continued that there is a shrinking market with tighter margins with a number of large contractors going into administration and contractors choosing their procurement routes. He continued that it is anticipated that there would be serious ramifications resulting from the collapse of ISG and it was likely that there would be more insolvencies further down the supply chain.

The Construction and Consultancy Service Manager referred to Case Studies and provided detail in relation to The Story, Belmont Primary and Secondary School and NETPark Phase 3.

Councillor Moist thanked Officers for the report and presentation which followed on from the Corporate Directors commitment to provide regular updates to the Committee. He requested that the information in future reports be made simpler to understand and that the people of County Durham would like to see a precis of the information provided. He referred to the figure of £62m quoted for NETPark Phase 3 and asked whether this was the current projected cost and if the project would go over budget. He concluded by asking for clarification as to whether Belmont School was included in the Capital Programme figure for the REG Service Grouping.

The Funding and Programmes Manager responded that school builds were included within the Children and Young People's Service Grouping Capital Programme. Belmont school was one of the programmes/projects that the REG Service Grouping manage, with the Major Programmes Board having oversight of the project. She

continued that the Board had oversight on a six-week basis including detail of spend in relation to individual projects. It was confirmed that there was no current overspend on the NETPark Phase 3 project.

Councillor Moist continued by referring to the various REG projects being grouped together into the various areas and asked for clarification in relation to the Council House Build, would this have a nil value. The Funding and Programmes Manager responded that current costs were built into the programme and the actual cost would come through on a scheme by scheme basis as they are developed.

Councillor Moist was conscious that the public needed to be aware of the costs for various projects, to avoid another bus station scenario where people did not know the facts concerning that project.

Councillor Lines highlighted that Filtronic based at NETPark were doubling their commitment at the site and that he was confident that Phase 3 of the development would be filled. He asked whether there was similar interest in relation to other developments within the county. The Head of Transport and Contract Services advised that information in relation to other sites being developed within the county was commercially sensitive, however he assured Members that there was interest in all the available sites.

Councillor Surtees commented that Members had previously asked for case studies to be include within the presentation, including detail of reasons for any delay, cost of the project and challenges, noting the information provided was very detailed and helpful for Members.

Councillor Moist referred to the Leisure Transformation Programme and commented that he submitted additional questions following the Special joint meeting on the 23 September 2024, however he had not received a response to date. Councillor Surtees advised that the Chair of Economy and Enterprise Overview and Scrutiny Committee was liaising with Overview and Scrutiny Officers to ensure that a response was provided by the Service Grouping.

Resolved:

That members provided comment on the arrangements for the effective delivery, management and performance of major programmes and projects across REG.

7 Proposed Amendments to the County Durham Housing Strategy

The Committee received a report of the Corporate Director of Regeneration Economy and Growth and presentation that provided an update on the proposed amendments to the draft County Durham Housing Strategy (for copy of report, revised draft strategy, draft delivery plan and presentation, see file of minutes).

The Strategy and Delivery Manager delivered the presentation which provided members with detail of:

- Background in relation to the proposed amendments.
- Proposed amendments in relation to the Council House Build Programme
- Proposed amendments in relation to Houses of Multiple Occupations
- Other amendments
- Next steps

He reminded members that at the County Council meeting on the 17 July, following an extensive discussion, the decision of County council was to defer adoption of the CDHS with the main points of concern being the proliferation of HMOs in the county and the potential use of Article 4 Directions and the Council House Build Programme and the delivery timeframe and the composition of the proposed 500 units. Following the deferment of the Strategy at Council arrangements were made for two separate reports, one on each topic, to come for consideration by members of the Economy and Enterprise Overview and Scrutiny Committee on the 11 September. At the meeting on the 11 September members made comments on both issues, those comments have been used to inform the proposed amendments detailed in the report, presentation and draft Strategy.

In relation to the Council House Build Programme and new builds, it was confirmed that the intention was always to build 500 new homes, this was always the target, with the target to be delivered by 2026. The Strategy and Delivery Manager continued that what has changed is the delivery date, that has been rolled forward to 2029 with the intention that if the programme is successful to continue to roll the programme on following 2029 with further new builds.

In relation to HMOs, the Strategy and Delivery Manager commented that this issue was a wider issue about HMOs elsewhere in the county and the impact on neighbouring residents and the local community. Currently the policy in relation to HMOs is contained in the County Durham Plan, which will be going through a process of review in the near future, therefore it is timely to look at amending the policy within the County Durham Plan to reflect the concerns raised by members. In addition, in the 'what we will do' section of the strategy an assessment will be undertaken of the effectiveness of the approach to HMOs set out in the current plan with a county wide public engagement exercise to be undertaken to inform a future review and advise residents of what action is available to the LA to manage the number of HMOs in localities across the county. As part of this process the Authority will also look at use of Article 4 Directions which currently reflects the level of student accommodation in Durham City.

The Strategy and Delivery Manager then highlighted that further amendments are proposed to the CDHS, to reflect the national context, because of the general election and the proposed changes to the legislative programme set out by the new Government. In addition, the 12-month Delivery Plan has been updated to reflect that some of the original actions have been completed and others have been given new dates together with a small number of additional actions included.

Councillor Currah referred to the strong feeling amongst Members in relation to the increase of HMOs in the East of the county and commented that properties were being acquired in Crook to potentially become HMOs. He commented that he had previously requested a legal definition from the appropriate service which applied to six beds and under from a planning perspective. He added that Members needed to be clear as to the current planning requirements regarding HMOs and what an article 4 Direction was and the evidence required should this approach be adopted.

The Strategy and Delivery Manager responded that currently under 7 occupants was classed as permitted development, and the property owner does not have to apply for planning permission. In relation to Article 4 Directions, the Government required robust evidence and he confirmed that a proliferation of HMOs in an area would not be enough for an Article 4 Direction to be granted due to current legislation. In relation to the response by DCC to the national consultation on the National Planning Policy Framework (NPPF), he confirmed that it highlighted the need for the process of granting an Article 4 Direction to be made simpler to recognise emerging issues in local communities rather than having to wait until there are issues.

Councillor Surtees confirmed that the focus of the discussion was on HMOs in general and not HMOs established for humanitarian support.

Councillor Moist referred to the meeting of the Economy and Enterprise Overview and Scrutiny Committee on the 11 September 2024 when there was a commitment made to build 500 new Council homes by 2029. He suggested that there was a need for a phased delivery of the programme with a specific delivery plan for the programme. He added that there was a lack of targets identifying what would be done and by when and made reference to there being a need for accountability. He concluded by saying that there was need within the county for these homes to be built as residents of County Durham were crying out for new homes.

The Head of Planning and Housing responded that the delivery was subject to the viability of sites and until the scheme was developed, they would not know if respective sites were viable or not. The contractor was currently working through the various sites and in the next 3 months they should have a better idea in relation to delivery. He continued by confirming that the first 2 sites in the programme would be going to Planning Committee in the next 3-4 weeks for consideration and would be fully costed in January 2025.

Councillor Moist asked for clarification as to whether DCC needed to be held to the existing identified sites and asked whether other additional sites were being investigated. The Head of Planning and Housing confirmed that DCC was looking at alternative sites where the land was owned by DCC and sites in private ownership. In addition, there were discussions about new Council homes being delivered on Chapter Homes sites.

Councillor Surtees suggested that a monitoring process be put in place to ensure that delivery targets were met with targets set as part of DCC's performance management

framework and that the delivery plan reflects the introduction of a monitoring process and delivery targets. In addition, there was a need to ensure that Overview and Scrutiny receives detail of progress made in relation to the delivery plan on a regular basis. The Head of Planning and Housing added that delivery of the programme would be monitored through the Major Programmes Board, and he would include a target within DCC's performance management framework. He also confirmed that progress and performance of the programme would be reported to Overview and Scrutiny on a regular basis.

Councillor Reed commented that properties in Crook were being purchased for conversion into HMOs and that it is having an impact on the local community. She continued that Members see planning applications coming through for properties such as the social club for change of use and then conversion to an HMO and highlighted concern that this building was not in the right location to be used as an HMO. She continued that where a landlord has retail premises, they were changing the use of the premises and submitting a planning application for an HMO, resulting in the loss of retail units on the highstreets, and she was concerned that if there was an upturn in demand for retail units, there would be a shortage of units to satisfy possible future demand within local communities. In Crook, she highlighted that there had been two changes of use in the last two years, where a retail unit had been converted into an HMO. She asked for clarification as to whether once a property is changed to residential use, could it revert back to retail use.

The Strategy and Delivery Manager responded that Policy 9 in the County Durham Plan covers protection of use within boundaries of town centres and confirmed that if a planning application comes forward for a change of use in relation to a retail premises, it would have to satisfy certain criteria before permission was granted. In relation to high streets, there was a balance that needed to be struck between empty units and the establishment of HMOs and it was a case of preference within local communities. He added that he managed the production of the Town Centre surveys and that the results of this year's survey showed that vacancy rates within town centres was reducing.

Councillor Shaw raised the issue of HMOs within Selective Licensing areas of the county and commented that Government was happy that the areas designated in the Selective Licensing Scheme were regulated robustly. He referred to the planned engagement exercise with local residents across the county and commented that there was a growing number of HMOs being established within Selective Licensing areas. He continued that within his local area, 8 properties had been purchased in one street by a charitable housing organisation and converted into HMOs, providing support to tenants with drug and alcohol addiction. He asked whether the evidence which had been gathered to support the application for the Selective Licensing Scheme could be used to apply for Article 4 Directions. The Strategy and Delivery Manager advised that the Selective Licensing Scheme was introduced to regulate private sector housing within the designated areas, noting the difficulties to ascertain whether it was HMOs causing the issues within local areas or whether it was the wider private sector generally.

Councillor Shaw continued by commenting that by allowing multiple HMOs to be established within the same area there would be no improvement within that area and therefore that area would never recover. He commented on the impact this was having on property values of resident's homes within particular locations. The Head of Planning and Housing responded that DCC's was limited in relation to the use of Article 4 Directions due to the way in which the legislation was drafted. He confirmed that DCC had responded to the NPPF consultation to say that there was a need for the current criteria to be reviewed. He continued that the evidence would be insufficient and even if the Service look at this particular issue globally it would be challenging as the evidence is not there to satisfy current legislative requirements and the application would fail. Selective Licensing powers were in place and were a better tool than trying to stop requests via the planning process.

The Strategy and Delivery Manager advised that the engagement exercise being undertaken would provide an opportunity for local residents to supply evidence and the service would then determine whether an Article 4 Direction was feasible.

Councillor Shaw commented that in relation to the issue in his local area, concerning the eight properties in one street being converted into HMOs because it was a registered housing provider who was the owner of the properties then the powers within the Selective Licensing Scheme do not apply. The Head of Planning and Housing advised that a meeting was being arranged with the housing provider to discuss how DCC could support them in relation to managing the properties.

Councillor Miller commented that a commercial property in his community was converted into a five to six bed HMO and that antisocial behaviour had increased by 50%. In his experience, the council had responded querying whether it was residents of the HMO causing issues or other residents because of the HMO being located in that area. The Head of Planning and Housing advised that the issues maybe a result of the HMO, however one HMO would not meet the criteria for an Article 4 Direction. The issues raised by Councillor Shaw where there were 8 HMOs within one street would stand more of a chance in relation to an Article 4 Direction. The Head of Planning and Housing accepted that HMOs could cause problems and that if issues happened after the HMO was created then this would indicate that the issue was the result of the HMO.

Councillor Crute referred to the previous meeting of the Committee where he requested for open and meaningful engagement be undertaken across the county with local communities moving towards the review of the County Durham Plan. He highlighted the need to review current planning requirements in relation to HMOs with six beds and under being considered as permitted development. He added that what is being proposed is heading in the right direction, however, he highlighted that evidence needed to be gathered now, prior to undertaking the engagement exercise with residents. The Strategy and Delivery Manager advised that the Service would be working on gathering evidence from local communities as they move into the review of the plan.

Councillor Charlton commented that some social housing providers were more responsible than others. She was disappointed that low-cost housing in the county was being bought up by private landlords to establish HMOs and queried whether Estate Agents could be asked to be more cautious when marketing and selling properties.

Councillor Wood commented that the Selective Licensing Scheme was a large complex scheme. He continued that there is an increase in the number of empty properties within the county and the low property prices in certain areas of the county was attracting private landlords to purchase these properties and convert them into HMOs. He asked if DCC could take any action under the current Selective Licensing Scheme conditions. The Head of Planning and Housing clarified that the Selective Licensing Scheme does not apply to empty properties.

In response to a further query from Councillor Wood as to whether there was any scope within the 36 Selective Licensing Scheme conditions that could be applied to HMOs, the Head of Planning and Housing advised that Selective Licensing was about the management of units and the licence cannot be used to manage HMOs. He continued that DCC could acquire empty properties and suggested that Members inform the service of any properties within their localities that could be considered for future acquisition.

Councillor A Batey commented that DCC manage the private sector properties in areas covered by the Selective Licensing scheme and questioned why suitable empty properties in these areas have not been purchased for inclusion in the Council Homes Delivery Programme, highlighting that these properties would be easy to manage as they were located in areas where the conditions of the Selective Licensing scheme apply. She commented that any properties purchased for inclusion in the Council Homes Delivery Programme would be acquisitions and therefore would not be included in the 500 new build figure. She concluded by commenting that most Members would be able to list properties in their local communities for the Service Grouping to investigate with a possible view to purchase.

Councillor Peeke asked for clarification as to why this approach was not taken already. The Head of Planning and Housing explained that 170 properties had been purchased over the last 3 years and confirmed that owner's consent was required, however it was noted that DCC could take enforcement action. He continued that where a seller was willing to sell to DCC, the authority would be happy to discuss the purchase of that particular property. He highlighted the need for viable options and going forward there was no reason why the authority cannot continue with acquisitions.

Councillor A Batey added that there was a property in West Pelton that had been empty for 12 years and confirmed that she would provide the service with details following the conclusion of the meeting. The Strategy and Delivery Manager advised

that the Empty Homes Team had a target of bringing 250 empty properties back into use per year.

Councillor Shaw commented that since 2021 only one social housing provider had bought back previously sold housing and asked for clarification as to why there is reluctance amongst the housing providers to buy back previous housing stock. The Head of Planning and Housing confirmed that he would ask the question at the next Housing Forum meeting.

Councillor Surtees commented that a plan for Easington was produced a number of years ago in relation to housing provision, however it did not progress and she confirmed that she would speak to the relevant Officers following the meeting concerning the progress of this plan. She concluded by encouraging Officers to continue to gather evidence in relation to the increase in HMOs across the county.

Resolved:

- i) That the report, presentation, proposed revised draft strategy and delivery plan be noted.
- ii) That members comments in relation to the proposed revisions are shared with the Service Grouping to inform the further development of the County Durham Housing Strategy and delivery plan to be approved by Cabinet and County Council.

8 Quarter One, 2024/25 Performance Management Report

The Committee received a report of the Chief Executive which provided an overview of progress towards achieving the strategic ambitions and objectives set out in the 2024-28 Council Plan and contained the most recent performance data available as of 30 June 2024. The information related to activity and events taking place in the first quarter of the 2024/25 financial year (April to June) (for copy see file of minutes).

The Strategy Team Leader presented the report and highlighted the key messages structured around the four thematic areas that were going well and issues that were being addressed.

Mrs Morris referred to the Gross Value Added (GVA) performance which was on par with the North East average, but lower than the National average and asked whether evidence was being developed to help target areas of underperformance to close the gap and bring in line with national targets. She also commented that in relation to the employability programmes 160 clients had registered onto the various available programmes during this quarter and then asked for clarification of the overall number of residents in County Durham that are eligible for the programmes. The Strategy Team Leader advised that they were working on a geographical breakdown and economic profile which would be reported to the Special meeting of the Committee in February 2024. With regards to employability, she was aware of target figures for

overall schemes, however she would contact the Service Grouping for a response for circulation to members of the committee.

Resolved:

That the overall position and direction of travel in relation to quarter one performance (April to June), and the actions taken to address areas of challenge be noted.

9 Minutes of the County Durham Economic Partnership Board

The minutes of the County Durham Economic Partnership Board held on 5 June 2024 were noted for information.

10 Any Other Business

The Chair reminded Members that all Overview and Scrutiny Members were invited to an Informal Information Session being hosted by Environment and Sustainable Communities Overview and Scrutiny Committee which would provide an update on Durham County Councils Allotment Management Policy. In addition, arrangements had been made for a visit to East Durham College on the 25 November with transport leaving County Hall at 9.15am, Members were asked to contact Diane Close, Overview and Scrutiny Officer to confirm attendance. Economy and Enterprise Overview and Scrutiny Members would also be invited to the Environment and Sustainable Communities Overview and Scrutiny Committee on the 22 November where an update would be provided on the Strategic Leisure Framework and the Management of Durham County Council Theatres and Cinemas.