

**Cabinet**

**15 January 2025**

**Inclusive Economic Strategy, Annual Review 2024**

**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 Economy, and Partnerships**

**Electoral division(s) affected:**

Countywide

### **Purpose of the Report**

- 1 The County Durham Inclusive Economic Strategy (IES) was adopted by the council in late 2022 and the associated Delivery Plan was adopted in late 2023. This report provides Cabinet with an update on the implementation of the IES and progress towards its targets.

### **Executive Summary**

- 2 During 2024, the Inclusive Economic Strategy (IES) and Delivery Plan have been implemented with partners across the county. The Delivery Plan includes more than 150 actions and progress towards these is captured in the Annual Review 2024, which forms appendix 2 to this report.
- 3 External funding including the UK Shared Prosperity Fund (UKSPF) and other levelling up funds that were devolved to the county under the previous government have been crucial for the implementation of the IES. A range of new activities have been taken forward including a new Enterprise Framework, Business Growth programme, and new innovation initiatives. Important programmes such as DurhamWorks have been continued and a range of other employability programmes have been introduced, which have been vital to address the county's long standing worklessness challenges as well as economic recovery from Covid-19. The development of the IES and Delivery Plan have also

enabled partners to discuss and work together on a wide range of activities in other parts of the economy including our towns and visitor attractions.

- 4 The Annual Review showcases several of these activities in more detail, it also provides an update against each individual action and an indicator to show whether it is being delivered (green), is in development (amber), or is yet to start (red). Overall, there has been good progress, with the majority of actions being in delivery or completed. The council continues to deliver a wide range of activities that support the economy including strategic developments such as NETPark Phase 3 and The Story as well as a range of innovation, business, enterprise, visitor economy, and employability support programmes.
- 5 A key action within the Delivery Plan was to develop an Investment Framework. This sits alongside the Delivery Plan and provides an overarching narrative of current and future investment opportunities across the county and private and public sectors. As part of the Framework an assessment tool has been developed that provides a matrix for the council to assess the potential strategic impact of projects and their investment readiness. This offers an objective assessment of the investment propositions that are likely to have the biggest economic impact and are most likely to be deliverable to help guide future strategic priorities and decision making. An external facing investment 'pitch book' has also been produced which highlights flagship projects and articulates a clear pathway to attracting investment. The Investment Framework approach help the council with medium and long-term economic planning capabilities, enhancing its ability to adapt to a complex set of external funding landscapes and timescales.
- 6 An update of the Economic Review has been undertaken to provide a more detailed assessment of economic changes across a number of measures in recent years and is attached as appendix 3. This shows that the economy as a whole has largely recovered from Covid-19 and in some parts of the economy such as employment levels and productivity, pre-Covid levels of performance have been exceeded. Between 2020 and 2022 the county's economy grew by more than 16% to £10.7 billion and around 8,000 more residents are in employment now than before the IES was adopted, in 2022.
- 7 However, long-standing challenges persist with a different mix of issues in different parts of the county – as highlighted in the IES Scorecard. An ongoing challenge across the county, as well as region and country, is the 28,000 residents of working age who are not working due to long-term sickness.

- 8 It is proposed that work starts to refresh and update the IES Delivery Plan in 2025. This will include a review of what is working, identification of any gaps in provision, new needs, and opportunities to secure new regional and national funding to support the delivery of the IES.

**Recommendation(s)**

- 9 Cabinet is recommended to:
- (a) agree this progress update on the delivery of the Inclusive Economic Strategy and the Annual Review 2024 (appendix 2) and endorse the Investment Framework approach.
  - (b) agree to a formal review of the Inclusive Economic Strategy Delivery Plan in 2025, with partners of the County Durham Economic Partnership.

## Background

- 10 In December 2022, the council’s Cabinet adopted the Inclusive Economic Strategy (IES) and agreed to the development of delivery plans and a monitoring framework. The IES is a bold, ambitious, long-term strategy which focuses on harnessing our strengths and opportunities to make a step-change in our economic performance by 2035. It recognises the challenges and opportunities across the county and aims to ensure that as many as people as possible benefit from growth.
- 11 The ambition of the IES is for ‘more and better jobs in an inclusive, green economy’ and has five thematic areas of focus – known as the ‘5 Ps’. Within this framework, the ‘Planet’ theme crosscuts the other thematic areas of People, Productivity, Places, and Promotion. The council cannot deliver the strategy on its own but has a key role in strengthening existing partnerships, developing new partnerships, and facilitating and coordinating activities that will help to achieve the shared ambition.



- 12 The County Durham Economic Partnership (CDEP) is a thematic partnership under the umbrella of the County Durham Partnership and adopted the IES as its principal strategy in December 2023. During 2023, council officers worked with CDEP stakeholders, businesses, education providers, and voluntary and community sector organisations to prepare the Delivery Plan, which sets out the practical steps that are being taken in the first three years to achieve the IES. The IES and its supporting documents align with the County Durham Vision, expanding its economic ambition for ‘more and better jobs’ and setting-out actions that will contribute towards achieving it. Similarly, the IES aligns directly

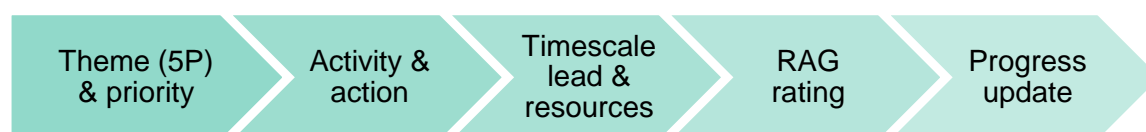
with the council's other strategies such as the Council Plan, County Durham Plan, and Climate Emergency Response Plan.

## Delivery Plan Development

- 13 The IES Delivery Plan was developed between March and September 2023 with members of the CDEP and other partner organisations who were not part of the CDEP. More than 40 external (e.g. non-council) partner organisations have been involved from businesses, education providers, and voluntary and community sector organisations. Organisations with specialist knowledge (e.g. Innovate UK) relevant to the IES priorities, and who do not ordinarily engage with the CDEP, were also engaged in the development of the Delivery Plans. Where relevant and realistic, partners were encouraged to take the lead on actions.

The council and its partners have been delivering a wide range of activities identified in the first phase of the Delivery Plan for 2023 to 2025, which was adopted by Cabinet in 2023. CDEP Board is overseeing the implementation of the IES and has received regular updates throughout 2024.

## IES Delivery Plan Logic Chain



- 14 The Delivery Plan uses a logic chain model which relates activities and actions to the 5P themes of the IES and also serves as a means of recording resources and progress (although some of this information is hidden in the Annual Review 2024 in order to simplify the report). The Annual Review showcases several of these activities in more detail, it also provides an update against each individual action and an indicator to show whether it is being delivered (green), is in development (amber), or is yet to start (red). Overall, there has been good progress, with 155 actions in delivery or completed, and just 3 yet to start.

## Delivery Plan Implementation

- 15 Sitting under the umbrella of the CDEP, an IES Delivery Group was established in February 2024 with a core group of partners from a range of sectors. Other organisations have also been invited to meetings to lead discussions on specific topics. The group reports to the CDEP Board and includes the respective thematic leads who led the development of the Delivery Plan. The purpose of the group is to drive forward the implementation of the IES Delivery Plan, maintain partner

engagement, and animate and accelerate activities where necessary. Thus far, the group has met four times and focused on:

- a) good businesses (e.g. BCorps<sup>1</sup>) and good work;
- b) small business procurement challenges and opportunities, the County Durham Pound, and the Procurement Act;
- c) community wealth building;
- d) devolution opportunities.

- 16 These discussions have brought new partners into the group, raised awareness of issues and opportunities, and will lead to new partnership activities being developed.
- 17 The Delivery Plan captures a broad range of activities, some of which had commenced before the IES and Delivery Plan were adopted, such as the county's Towns and Villages Programme, broadband and transport improvements, the development of strategic employment sites, as well as employability, regeneration, and business support programmes. External funding from the government such as the UK Shared Prosperity Fund (UKSPF), Multiply, and the Rural England Prosperity Fund have allowed CDEP to continue important existing programmes such as DurhamWorks<sup>2</sup> as well as developing new activities such as DurhamEnable<sup>3</sup>.
- 18 The development of the IES Delivery Plan enabled partners to meet to discuss past, current, and future issues and think creatively and collaboratively about new activities. Having flexible funding to support research and develop new approaches has been crucial. The UKSPF has also enabled new approaches to business support including an Enterprising Durham Framework focusing on new businesses, and a new Business Growth programme for growing and innovating businesses. The UKSPF has also enabled us to work in partnership to undertake a perceptions study of the county, to understand whether and how people view the county which will underpin a new approach to place branding and promoting the county to visitors, businesses and investors, and prospective students and future residents.
- 19 The vision for the IES is to create 'more and better jobs in an inclusive, green economy.' The Planet theme is cross-cutting and embedded throughout the IES and its delivery plan. A range of actions have been

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<sup>1</sup> BCorps are businesses that meet high social and environmental standards

<sup>2</sup> DurhamWorks is an inclusive programme aiming to find jobs for young people in County Durham and to remove any barriers preventing you from progressing into employment.

<sup>3</sup> DurhamEnable works 1-to-1 with jobseekers and employers, to break down the barriers to paid work faced by people with disabilities, neurodiversities, and long term health conditions.

undertaken to support this, including undertaking research to define the 'green economy' and 'green tech' more precisely, which has supported training courses for green jobs in emerging sectors and businesses and 'future proofing' the economy. We have continued support for businesses to adopt energy saving – and cost saving – technologies which has been vital as energy prices have spiralled in recent years.

- 20 We are also investing in the county's electric vehicle charging infrastructure to reduce air pollution and encourage electric vehicle adoption in all parts of the county. The improved electric vehicle infrastructure is also helping to ensure people with electric cars can visit more rural parts of the county and are investigating opportunities for more sustainable travel between visitor destinations. Significant investment has also supported the delivery of public transport and walking and cycle route improvements to encourage people to use their cars less frequently and integrating this into our visitor offer.
- 21 In the last 5 years more than 100 hectares of employment land has been developed. Since the adoption of the IES, there has been investment in the strategic business parks in the county including the commencement of phase 3a at NETPark (Sedgefield), new business space at Integra 61 (Bowburn), and the recent announcement of a new logistics park at Forrest Park (Newton Aycliffe). There has also been major private and public sector investment in the regeneration and improvement of Bishop Auckland town centre and long-term government investment committed to Spennymoor.
- 22 The IES aligns with the County Durham Plan and Housing Strategy. We are facilitating the development of homes close to current and future major employment areas. For example, Seaham Garden Village, close to Jade Business Park, is under development with 1,500 new homes and new community facilities. More than 1,900 new homes will be developed at Sniperley Park to support jobs growth in Durham City. And more than 1,400 new homes are planned for Low Copelaw, close to Aycliffe Business Park and Forrest Park which together form the largest business park in the North East. In total, across the county, planning permission has been granted for 12,000 homes which will help to improve, diversify, and grow the county's housing stock.
- 23 More than 2,000 residents throughout the county have benefitted from employability support. More than 200 businesses have been supported through the Durham Business Growth Programme and new business premises, with more – such as South Church - in the future pipeline. New and improved visitor attractions have been completed across the county including The Story, Remaking Beamish, and Raby Estate.

- 24 An Annual Review of the Delivery Plan, reviewing progress against all actions is attached in Appendix 2 and includes detail on more projects that the council and its partners have delivered. It showcases several of these activities in more detail, as well as providing updates against each individual action and an indicator to show whether it is being delivered (green), is in development (amber), or is yet to start (red). This helps to show, at a glance, the balance of actions that are being delivered and those which may need further consideration or reconsideration.

## Investment Framework

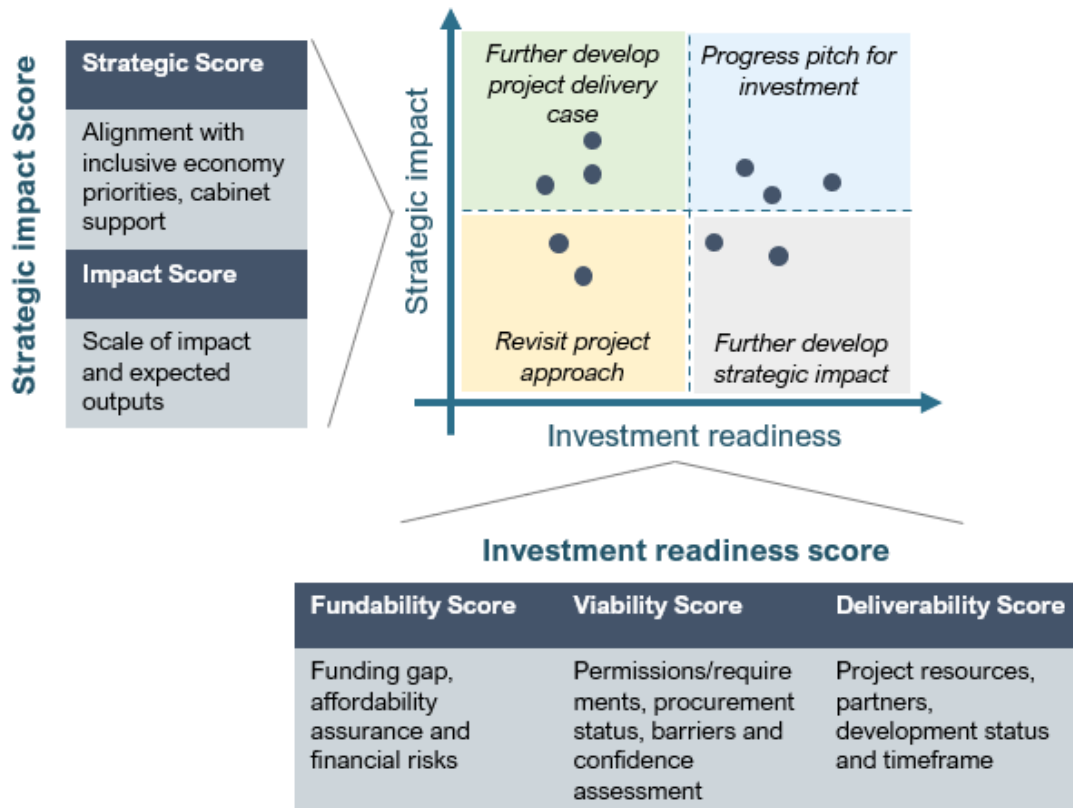
- 25 One of the steps identified within the Delivery Plan was the need to produce an Investment Framework to identify investment priorities and secure external funding for strategic projects and support regional devolution. Metro Dynamics were commissioned by the council to develop this and have worked with internal and external partners to develop an action-orientated Investment Framework that drives major investment into projects that support inclusive growth.
- 26 The key outputs from this Investment Frameworks are:
- (a) **An Investment Pitchbook:** launched in May 2024, the Pitchbook provides an overview of the county's economic vision, demonstrating the scale of its ambition and showcases a number of the county's key 'flagship' projects and strategic sites<sup>4</sup>. It provides a visual outward-facing tool for external audiences that can be used by the council at real estate conferences and events such as MIPIM and UKREiif. The Investment Pitchbook sets out projects by investment themes, identifying key information and a clear narrative for the projects, the potential benefits, and the investment opportunity. This approach has helped to secure a joint venture partner to work with us to deliver Durham City Innovation District and helped us to start discussions with potential inward investors.
  - (b) **A Project Assessment Tool:** where investment opportunities and their strategic opportunity and investment readiness are visualised and interrogated on an interactive map. The tool also has an interactive Investment Framework dashboard that provides a geographical representation of the details of projects. This tool is a key output of the Investment Framework and is used assess projects and inform strategic decision-making.

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<sup>4</sup> The county's strategic employment sites include Durham City Innovation District, Forrest Park, Integra 61, Jade Business Park, and NETPark; all of which have secured strategic developments and support local businesses.



27 A resource within Regeneration, Economy and Growth’s Funding and Programmes Team has been identified to drive this approach forward and lead on the development of a strategic pipeline. This framework will be utilised to help proactively develop projects and guide future investment decisions.



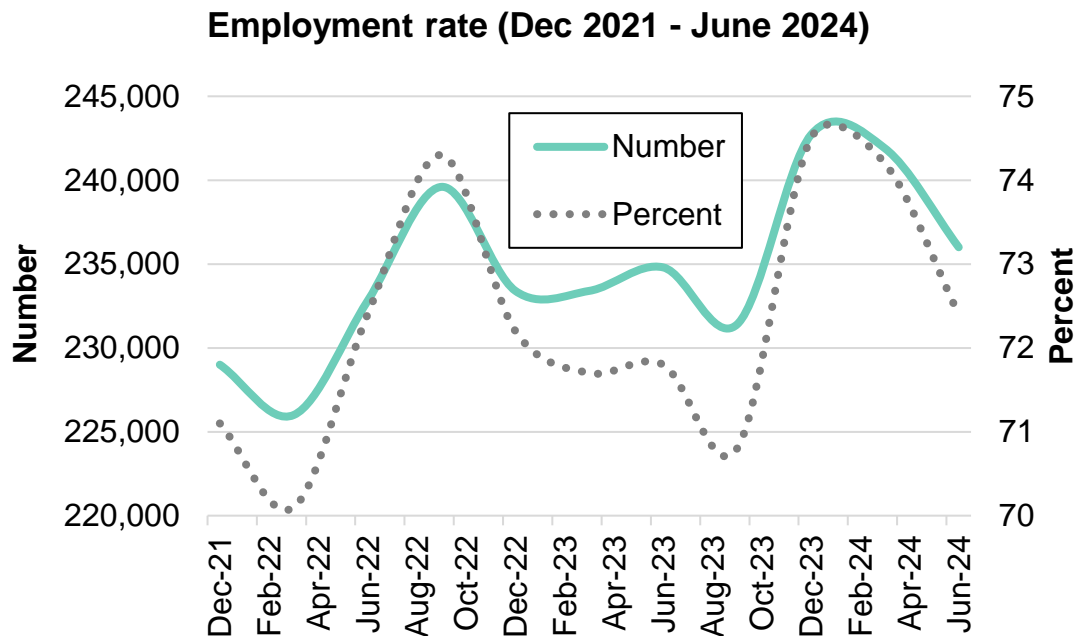
## Progress Towards Targets

28 The IES Delivery Plan includes a monitoring and performance framework which identified the following headline targets for 2035. The targets are based on the ambition of matching the average rates of performance in England:

- (a) **More jobs:** 13,500 more people in employment or self-employment (6% increase).
- (b) **Better jobs:** 30,000 more people in managerial, professional, and associate professional (e.g. ‘highest skilled’) jobs (32% increase).
- (c) **Inclusive growth:** Higher levels of employment or self-employment in all parts of the county (particularly in the Bishop Auckland, Easington, Durham City, Sedgefield constituencies).

(d) **Green growth:** 400,000 tonnes of CO2 emitted from transport, heat, and electricity (an 80% reduction from 2019 of 2.2m tonnes CO2e).

29 In relation to the ‘**more jobs**’ target, the latest data (up to June 2024) suggests that County Durham has made significant progress towards closing the gap with England. Between December 2021 and June 2024, the employment rate increased from 71% to 72%, with the England average being 76%. The increase in County Durham means 8,000 more people are in work, which is good progress towards the headline target 13,500 target by 2035. However, the data is based on a relatively small number of surveys and can be subject to volatile changes, so we need to monitor the data to see whether these high rates can be improved and sustained.



30 The IES performance framework uses changes in employment within different parts of the county as the main indicator for ‘**inclusive growth.**’ The employment rate for the county as a whole has fluctuated at around 73% over the last few years – as shown above. Across the county, there has been significant variance in the employment rate since 2021, with the data suggesting a substantial increase in Durham City (6,800 more people in work) compared to a substantial decrease in Easington (1,900 fewer people in work). However, this data is also volatile, so we need to monitor changes over a longer period of time and consider broader evidence for the changes.

Parliamentary constituency	Change in employment (Dec 2021 – June 2024)
City of Durham	+6,800

North Durham	+3,800
Blaydon <sup>5</sup> & Consett	+2,300
Newton Aycliffe & Spennymoor	+800
Bishop Auckland	+300
Easington	-1,900

- 31 As with the national and regional situation, there is a large and growing proportion of the workforce that is not working due to long-term health problems. This equates to 28,000 people in County Durham which presents a significant challenge and needs a coordinated response.
- 32 The first IES indicator used for ‘**better jobs**’ is the proportion of residents working in the highest skilled occupations. The County Durham rate has grown from 39% in 2021 to 47% in March 2024, which is equivalent to 22,700 more residents in these occupations. This suggests 20% growth in County Durham compared to 6% in England, meaning County Durham has closed the gap with the national rate. However, this data is based on the same surveys as above and may fluctuate over time.
- 33 The second indicator used to track changes in ‘**better jobs**’ is Gross Value Added Per Filled Job. This data is published annually and has a significant lag, so the latest data is for 2022, but shows a modest increase from £50,154 in 2021 to £51,361 in 2022. This represents a 2.4% increase (£1,207) in County Durham compared to a 2.2% increase in England, suggesting the county has closed the gap a little with the national average. The latest revised data for 2022 suggests that the gap between the county and the England average was actually smaller than the data suggested when the IES was written. This may make the target of closing the gap with the England average over the lifetime of the strategy more realistic.
- 34 The ‘**green growth**’ aim of the IES is to decouple economic growth from pollution. The IES target mirrors the CO2 reduction target in the county’s Climate Emergency Response Plan<sup>6</sup> (CERP), which aims to reach net zero carbon emissions by 2045. In order to stay on this long-term pathway, by 2035, and the completion of the IES, the target for CO2 emissions is 400,000 tonnes.
- 35 Between 2019 and 2022 (latest data) emissions in the county fell by 11% to 2,007,000 tonnes. Most parts of the economy (e.g. transport,

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<sup>5</sup> Part of the Blaydon & Consett constituency is outside County Durham, therefore the changes in employment shown in this table do not sum to the data in the employment rate chart above.

<sup>6</sup> <https://www.durham.gov.uk/media/45491/Climate-Emergency-Response-Plan-CERP-2024-27/pdf/ClimateEmergencyResponsePlan2024to2027.pdf?m=1728054184303>

commerce, domestic, agriculture, public sector) contributed to the reductions in emissions. There was a small increase in CO2 emissions from industry during this short period, but this contrasts with the longer-term decarbonisation trends.

- 36 As the CERP identifies, the greatest challenge is cutting emissions from domestic heating which accounts for 38% of all CO2 emissions in the county, and transport which accounts for 33% of the county's total CO2 emissions. Ongoing activities to replace inefficient homes and retrofit better insulation and more efficient home energy solutions are key to cutting emissions, alongside a shift to less vehicle use and a move away from vehicles that use fossil fuels.

### **IES Scorecard**

- 37 The Delivery Plan also includes a new scorecard system to illustrate issues around inclusive growth across a range of measures in different parts of the county. It shows how the county's performance compares to the England average, and how parliamentary constituencies compare to the county average. These scorecards have been integrated within Durham Insight alongside other economic indicators used for the IES, which means the data is publicly available and allows users and partners to undertake their own analysis.
- 38 The shaded cells highlight the current economic challenges across the county. For example, it highlights that County Durham is above the England average in terms of self-employment and employment support claimants, but behind England on 10 of the other 12 measures. Similarly, Easington performs above the County Durham average on unemployment, but is behind the county average on 11 other measures. In contrast, Durham City performs better than the county average on 11 measures, except for residents that are economically inactive due to long-term sickness.

County / Parliamentary Constituency	Economically active residents	Employment	Full-time employment	Self-employment	Unemployment	Claimant count	Econ. Inactive: Long-term sick	Highest skilled jobs	Lowest skilled jobs	Level 4+ qualifications	Level 3+ qualifications	No qualifications
<b>County Durham</b>	75%	72%	69%	10%	3%	4%	34%	47%	25%	36%	61%	8%
Bishop Auckland												
Blaydon & Consett												
Durham City												
Easington												
Newton Aycliffe & Spennymoor												
North Durham												

- 39 The IES has a long-term focus, up to 2035, because these issues are complex and need a long-term approach to resolve them. Over the next decade we will continue to work with partners to continue to try to tackle these issues, improve the opportunities and performance of local communities and the county as a whole. Recently, bespoke analysis has been undertaken in-house inform the targeting of employability support to residents in different age groups, with different personal circumstances, and in different locations across the county.

## Economic Review Update

- 40 As part of this IES update, an update of the 2021 Economic Review has been undertaken to give a more detailed assessment of economic changes across a number of measures in recent years. The Economic Review is attached as appendix 3.
- 41 The initial Economic Review informed the development of the IES and delivery plan and was undertaken soon after the Covid-19 pandemic. It included a number of economic forecasts for the post-Covid-19 period which, on reflection, were relatively accurate. In many respects, the County's economy has recovered well since the Covid-19 pandemic; the number of businesses in the county has increased, education levels are continuing to improve, and the county is attracting more visitors.
- 42 A key improvement has been the significant growth of the overall Gross Value Added (GVA) for the county, which indicates productivity. After several years of slow growth, GVA grew from £9.2 billion in 2020 to

£9.8 billion in 2021, and £10.7 billion in 2022 (the latest data). Although part of this growth relates to the high levels of inflation over the last few years, it also indicates the strengthening of the county's economy.

- 43 The hospitality and retail sectors and micro-sized businesses (fewer than 10 employees) are still finding economic conditions challenging and complex forms of deprivation are prevalent across the county. A key challenge across the county is the high and increasing quantity and proportion of the population that are economically inactive due to long-term sickness – which is also recognised by the North East Combined Authority (NECA) and the government as a key economic challenge.
- 44 The main forecasts that have not transpired are the predicted slow productivity growth in the county after the pandemic, and the predicted widening of the gap between the county and England. In contrast, the county has shown strong growth and outperformed England on some productivity measures as detailed in appendix 3. County Durham is also showing stronger performance than the average for the NECA area on a number of measures including employment, unemployment, employment support claimants, and economic inactivity.

### **Emerging Delivery Issues**

- 45 The IES and its supporting documents have been vital for positioning County Durham with respect to negotiations with NECA and the government. Our clear, ambitious, partnership-led strategy has helped to secure additional devolved funding and demonstrate opportunities to businesses who are starting, growing, and locating new operations in the county. Our evidence and investment prospectus have helped to inform emerging regional strategies and investment plans and discussions between NECA and the government in relation to new national strategies.
- 46 We will work with NECA and the government to maintain funding and support for the county. We have already secured an Investment Zone at NETPark and lead NECAs 'culture, creative, tourism and sport' portfolio. We are also working with NECA to ensure our opportunities and needs are supported via the new North East Local Growth Plan, which will be agreed with government in the coming months.
- 47 The transition from existing to new regional and national programmes is creating a degree of uncertainty regarding how we implement the IES in the future. The government has outlined a 1-year extension to the UK Shared Prosperity fund, which should include an allocation to County Durham, and a commitment to previous funding to regenerate Spennymoor. However, major external funding streams that support economic development – including the various Levelling Up funds and

the UKSPF - are due to come to a completion by the end of March 2026. Therefore, we are seeking Cabinet support to undertake a formal review of the IES Delivery Plan, with partners, in 2025 to identify new and successor activities.

- 48 Since the IES was adopted the economic conditions in the county, region, county, and across the globe have been difficult but we need to critically review the delivery of activities to learn lessons and optimise future investment and partnership delivery. This will include a review of what is working, identifying gaps in provision and new needs, as well as opportunities to secure regional and national funding and investment to deliver the IES. The county is also well positioned to continue to attract private sector investment and working with external partners to leverage their investment in the county is vital as the council continues to work with constrained finances. We are due to provide and update and discuss future options with Economy and Enterprise Overview and Scrutiny Committee in February 2025 which will be a valuable part of the review process.

## **Conclusions**

- 49 The IES Delivery Plan has been in delivery for a year and the Annual Report 2024 provides an update on the good progress that has been made. This is reflected in broader economic indicators which show that the county's economy is growing in a number of ways which need to be improved and sustained between now and 2035. There are still a range of underlying economic challenges such as long-term sickness amongst the workforce, which need to be supported with external funding and partnership approaches. It is proposed that DCC officers support the CDEP to review and update the IES Delivery Plan in 2025 to take into account the changing circumstances or projects and key changes to strategic and funding issues.

## **Other useful documents**

Inclusive Economic Strategy

Inclusive Economic Strategy Delivery Plan

Economic Review 2021

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## **Appendix 1: Implications**

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### **Legal Implications**

None.

### **Finance**

We are working with NECA and the government to secure funding to continue the delivery of the IES and associated documents.

### **Consultation and Engagement**

Extensive consultation has been undertaken to develop the IES and Delivery Plan and it is proposed that further engagement is undertaken with a wide range of partners to review and update the IES Delivery Plan in 2025.

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

The IES aims to support the reduction of poverty, inequalities, and complex forms of deprivation across the county, alongside other measures.

### **Climate Change**

The Planet theme of the IES aims to support the reduction of greenhouse gases and is aligned the target to reduce CO2 in the county's Climate Emergency Response Plan (CERP).

### **Human Rights**

None.

### **Crime and Disorder**

None.

### **Staffing**

External funding has been used to support a number of posts to delivery specific employability support programmes. Where time-limited posts are at risk staff have been informed of the situation.

### **Accommodation**

None.

### **Risk**

The uncertain global and UK economic and political conditions are a threat to the delivery of the IES. These are monitored via a separate risk assessment.



## **Procurement**

None.