

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 **Tuesday 10 September 2013 at 9.30 am**

Present:

Councillor R Crute (Chairman)

Members of the Committee:

Councillors J Armstrong, A Batey, J Clare, C Kay, P McCourt, H Nicholson, R Ormerod, J Rowlandson, M Simpson, P Stradling, O Temple, A Willis and S Zair

Co-opted Members:

Mr P Robson (JobCentre Plus)

Apologies:

Apologies for absence were received from Councillor(s) E Adam, J Maitland, Mr A Kitching and Ms J McKee (JobCentre Plus)

1 Chairman's Statement

Prior to the formal commencement of the meeting the Chairman informed the Committee of the death of Councillor G Mowbray, who was a serving Member of the Committee. The Committee stood for a minutes silence as a mark of respect for Councillor G Mowbray.

2 Apologies

Apologies for absence were received from Councillors E Adam and J Maitland and Mr A Kitching and Ms J McKee (JobCentre Plus).

3 Substitute Members

No notification of Substitute Members had been received.

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 Council's Approach to Regeneration - Overview of the Regeneration Statement

The Chairman introduced the Head of Strategy, Programmes and Performance, Regeneration and Economic Development, Andy Palmer who was in attendance to speak to Members in relation to the Regeneration Statement (for copy see file of minutes).

The Head of Strategy, Programmes and Performance explained that the purpose of the presentation was to give Members of the Committee an overview of the policy direction in relation to regeneration and economic development, as set out within the Council's Regeneration Statement. Councillors noted that the ambition of the Regeneration Statement was "to shape a County Durham where people want to live, work, invest and visit and enable our residents and businesses to achieve and exceed their potential" and that there were 5 key objectives linked to this:

- Thriving Durham City
- Vibrant and Successful Towns
- Vibrant and Sustainable Neighbourhoods and Rural Communities
- Competitive and Successful People
- A Top Location for Business.

The Committee were informed of several challenges including: impact of the economic downturn; high youth and long-term unemployment; lower land values, development interest; government budget cuts and removal of grants; low demand in the economy, flat market; Welfare Reform, impact on the most vulnerable; and higher demand for services. Members noted that there were several opportunities for developing major assets within Durham City and the main towns and that in order to best capitalise on them, there was a need to have a joined up policy framework. It was added that this was the case, having consistency through the County Durham Plan (CDP), Housing Strategy and the Council's Business Services function. The Head of Strategy, Programmes and Performance explained that the location of County Durham in the heart of the region, between 2 main ports, together with business growth in relation to manufacturing and exports was positive and that the new planning framework would help by lifting constraints on development and growth. Members learned that in addition to the Council's well funded Capital Programme there were new funding opportunities with the EU Programme, Regional Growth Fund (RGF) and Growing Places. It was added the Housing Stock Transfer project as regards the Council's housing stock was still ongoing. The Committee were made aware that there was a market-led approach in capitalising on opportunities and a "whole-town approach" with Regeneration and Economic Development (RED) and Neighbourhood Services coordinating their efforts.

The Head of Strategy, Programmes and Performance noted that some key initiatives were long term and that in respect of "Thriving Durham City" there were aspects such as a central business quarter, based around the Gala theatre and city centre improvements to areas such as North Road, the bus station and Hopper House.

Members learned of the plans for a Business Improvement District, with the Council coordinating on behalf of private sector businesses. It was noted that those businesses involved would be able to vote on how to invest and spend money collected in this regard, collected alongside business rates.

The Committee were reminded of several events and tourism opportunities including Lumiere, with the last event having attracted 3 times the visitors in comparison to the year previously and the Lindisfarne Gospels, with over 60,000 tickets having been sold.

Councillors were informed of activities in relation to “vibrant and successful towns”, with a few examples for each being:

- Consett – public and private sector investment over £100 – Consett Academy; links to the Tyne and Wear conurbation; new leisure facilities; town centre improvement works; employment sites, new business park; and additional housing allocations.
- Stanley – Masterplan and physical improvements to town centre; Stanley Academy.
- Chester-le-Street – support for the Cricket Club in its expansion.
- Seaham – St. John’s Square; Seaham North Dock.
- Peterlee – a new rail station, discussions ongoing with rail operators, opening up employment opportunities to both north and south.
- Newton Aycliffe – improvement of the Heighington Railway Station; development and consultation on a Business Improvement District; the Hitachi development.
- Spennymoor – Durhamgate development, enabled through infrastructure works; with around 2,000 jobs over the next 10-15 years.
- Bishop Auckland – Auckland Castle; market square; improvements to the railway station.
- Barnard Castle – Heritage Lottery Fund (HLF) Townscape Improvements; Witham Hall; pedestrian suspension footbridge, Digital Dale.
- Crook – Major retail development at Queen Street; improved customer facilities at the Civic Centre/Customer Access Point.

The Head of Strategy, Programmes and Performance explained that in addition to the Housing Stock Transfer, there were other issues in relation to sustainable communities and rural communities such as private sector housing renewal; super fast broadband internet; access to employment; and protecting the most vulnerable transport users. Councillors were reminded of the 2 apprenticeships programmes, working with the National Apprenticeship Service (NAS), and looking to help increase apprenticeships in areas not covered by NAS. Members noted that there were over 300 apprenticeships to date, with Area Action Partnerships (AAPs) also being involved in relation to funding. It was added that in-house at Durham County Council (DCC) within RED there were 20-21 apprenticeships and that there were several apprenticeships for those in the looked after sector, working closely with colleague in Children and Adults Services (CAS). The Committee were reminded of the European Social Fund (ESF) Families Project, Derwentside Training being a Work Programme delivery agent; and the protection of homelessness advice from budget cuts.

Councillors noted that there were several issues to be addressed in order to make County Durham a top location for business including: supporting start-ups; providing quality business space; nurturing innovation; super fast broadband internet; and attracting inward investment. The Head of Strategy, Programmes and Performance reminded Members of the Hitachi investment at Amazon Park, Newton Aycliffe with 500 direct manufacturing jobs and an anticipated 7,000 further jobs in the UK supply chain. Members also learned that further engagement was ongoing as regards the labour market for those jobs, and with the University and technical college as regards training.

The Head of Strategy, Programmes and Performance explained that the Regeneration Statement was the document that provided the overall vision and ambition for the “Altogether Wealthier” area of the Sustainable Communities Strategy (SCS) and provided the framework for delivery and priorities for RED, the County Durham Economic Partnership (CDEP) and Overview and Scrutiny work programme. Members noted that policy was focused on growth through enhancing Durham City; embedding the Hitachi investment and putting the right economic infrastructure in place. The Head of Strategy, Programmes and Performance concluded by noting that it was important to have coordination of investment and that the Regeneration Statement was refreshed every 2 years, the last having been in 2012.

The Chairman thanked the Head of Strategy, Programmes and Performance and asked Members for their questions.

Members had several questions in relation to: transport being a central theme within regeneration; the definition of “rural” in respect of the roll out of super fast broadband; an apparent divide in the investment across the County; and the CDP being too “Durham-centric”. The Head of Strategy, Programmes and Performance explained that the Local Transport Plan 3 (LTP3) now has within it an employment weighting aligned with key employment sites, and transport issues were considered with a joined up approach, the RED directorate having within it all the relevant areas such as Planning, Transport, Housing, Employment and regular meetings of the relevant Officers took place. Members were informed that the presentation was not an exhaustive list of all activities and schemes, that while the CDP was a spatial plan building on Durham City, this was different to the capital investment being made across the County. It was explained that the greater allocations in Durham City were in order to help stimulate investment via the planning process. Members noted that the aim was for 100% provision of super fast broadband, with the Authority working with British Telecom. Councillors noted that there was a two-tier situation, those areas where market forces were sufficient for provision to be put in place and areas where low demand from either lack of money or low population meant that additional work was required. It was noted that the Council’s Head of ICT, Phil Jackman may be able to provide further information in this respect.

Councillors noted the award of Europe’s Leading Destination 2013 to Yorkshire and cited this as an opportunity to link our tourism offer. Members also noted the issue of the Housing Stock Transfer and their concerns of a potential exodus of tenants from housing associations to the private sector, the knock on effect this would have in planning for transport and employment infrastructure. Councillors asked for additional information as regards the Hitachi development; vibrant towns, specifically Bishop Auckland; the amount of net export; and the sustainability of the DCC apprenticeship positions.

The Head of Strategy, Programmes and Performance noted the Chief Executive of Visit County Durham (VCD), Melanie Sensicle was a regular attendee at the Committee and would be able to update Members as regards linking tourism offers to the wider region. Members noted that contractors had broke ground at the Hitachi site a few weeks ago and that the scheme was on track. Members noted that the proposed date for rolling stock to come off the production line at Newton Aycliffe was 2017.

The Head of Strategy, Programmes and Performance explained that the Housing Stock Transfer project was complicated, with the current preferred option being a stock transfer and the impact of Welfare Reform would need to be considered. Members were reminded that the Housing Stock Transfer Project Manager, Marie Roe was a regular attendee at Committee and would be able to update Members on progress. Members noted that the Bishop Auckland Masterplan was recently refreshed and looked at potential investment in the Castle and Trust, and issues surrounding the town centre, with the Local Plan looking at additional housing allocation.

As regards the exports from County Durham, the Head of Strategy, Programmes and Performance explained that the industrial estate at Newton Aycliffe was the second largest in the region and the main manufacturing hub for County Durham. Members noted the work with the "Top 200" companies in order to grow and expand those businesses, and the North East Local Enterprise Partnership (NELEP), County Durham Partnership (CDP) and Business Durham work together. Councillors noted that figures as regards exports would be reported back to Members for their information. The Head of Strategy, Programmes and Performance noted that the DCC apprenticeship scheme was a wage subsidy and in a lot of the cases, it was undertaken to take the risk out of training for companies. Members noted that apprentices were required to complete Level 2 or Level 3 training.

The Principal Overview and Scrutiny Officer, Stephen Gwilym noted that there was some reassurance from the Committee's work programme over the next 6-8 months in that it reflected the issues set out in the Regeneration Statement, with the next meeting of the Committee on 24 September 2013 having both the Housing Stock Transfer Project and an update on the Overview and Scrutiny Review on Empty Homes on the agenda. Members were also reminded of the upcoming Overview and Scrutiny Workshop session looking at the County Durham Plan on 4 November 2013 and noted that Masterplans for County Durham would be a future agenda item for the Committee. The Principal Overview and Scrutiny Officer added that the Chief Executive, VCD would be invited to come back to Committee to keep Members up to date on tourism issues, and that other bespoke sessions on issues could be arranged as required.

Resolved:

That the report and presentation be noted.

7 County Durham Economic Partnership - Overview

The Chairman asked the Head of Strategy, Programmes and Performance to give Members an overview as regards the County Durham Economic Partnership (for copy see file of minutes).

The Head of Strategy, Programmes and Performance reminded Members that the Vice-Chair of the CDEP, Sue Parkinson had been in attendance at the last meeting of the Committee in June to give an update on the work of the CDEP and the new Chair of the CDEP, Professor Brian Tanner was appointed in September 2012. Councillors were made aware that Professor Brian Tanner was Dean of Knowledge Transfer at Durham University and also a Director of Kromek, an imaging company based at NETPark, Sedgfield.

Members noted that the CDEP had been established in 1994 and was the forum at which the Local Authorities that comprised the two-tier local government at the time could negotiate and discuss, together with the Voluntary and Community Sector (VCS) and Higher Education and Further Education Colleges and so on as regards how funding such as Single Regeneration Budget (SRB) and Single Programme would be allocated. The Committee learned that subsequent to Local Government Reorganisation (LGR) in 2009 there were significant changes to the CDEP, with there now being over 60 organisations representing the public, private and VCS sectors.

The Head of Strategy, Programmes and Performance explained that “Altogether Wealthier” was the priority for both the SCS and County Durham Partnership, with the Regeneration Statement vision being as described in the previous agenda item. It was noted that in order to chart progress the CDEP had several “measures of success” to be achieved by 2030, not performance indicators in the traditional sense, rather positions that could help show impact had been made. These included:

- Increase the employment rate to 73% of the working age population (achieve and maintain pre-recession levels).
- Increase the number of businesses by 4,300.
- Have a gross household disposable income of 103% of the regional figure.
- Have a per capita Gross Value Added (GVA) of 87% of the regional figure.
- To ensure “nobody is left behind”, that deprivation, as measured nationally against the Index of Deprivation, is reduced such that the number of Lower Super Output Areas (LSOAs) in the bottom 20% falls from 174 to 64.

Members were asked to note a graph showing the employment rate since January 2004 with the average for County Durham being close to the national average around 2007 followed by a sharp decline with the recession. It was noted that there had been a slight upturn over the last 12 months, though this was dominated by part time or temporary positions.

Councillors noted that the inherited partnership structure was heavily seminar based and comprised of a board and several working groups. It was explained that the new structure followed a more strategic model with strong leadership, a stronger relationship with the NELEP and a view to having a clear message for Durham with enhanced influencing capacity. Members learned that there would be an Annual Conference which would see wider networking and scrutiny involvement, including AAP leads, in order to set policy frameworks. The Head of Strategy, Programmes and Performance added that the approach to partnership working had also been refreshed, with the board and working groups looking to use market intelligence to help set strategy and focus for actions. The Committee noted that this new approach also included collaboration on key economic issues with partners in order to exploit opportunities and increase influencing abilities.

Councillors learned that the new structure consisted of:

- CDEP board
- Business Enterprise and Skills Working Group
- Economic Infrastructure Working Group
- Thriving Durham City Group

It was also noted that there was 3 forums that worked alongside, those being:

- Housing Forum
- Rural Forum
- Cultural Partnership

Members noted that Councillor E Tomlinson chaired the Rural Forum and Mr R Kelly, former Chief Executive of Gateshead Council was the Chairman of the Cultural Partnership. Councillors noted that the key priorities were in line with those from the Regeneration Statement including: influencing and informing wider decision making with the NELEP and North East Leadership Board (Combined Authority); enabling effective investment planning within the County; and creating more opportunities for employment, including for young people.

The Chairman asked whether the membership of the CDEP board was flexible, and would be able to adapt as required. The Head of Strategy, Programmes and Performance explained that the board could be flexible as required.

Resolved:

That the report and presentation be noted.

8 EU Structural Funds Programme

The Chairman asked the Head of Strategy, Programmes and Performance to give Members an overview as regards the new European Union (EU) Structural and Investment Funding Programme (for copy see file of minutes).

The Head of Strategy, Programmes and Performance explained that there were several positive opportunities within the new EU Structure Funding Programme and that funding operated on a 7 year cycle, the new period being 2014 – 2020. Members were informed that the notional allocation to the NELEP area was €539.6 million, with Durham as a “transition” area having a ring-fenced allocation of €157 million. Councillors noted that there was scope for additional funding above that and there was flexibility in how the funds could be spent. It was added that LEPs were to produce, for their area, a “European Investment Strategy” that would form part of the wider “Growth Plan” and also tie into other EU objectives. Members noted that there was alignment with the “Growth Deal”, however, some European Funding was available to spend from mid-2014, Growth Deals from April 2015.

The Committee learned that the EU Investment Strategy was a “broad brush” as regards spending and was for areas of spend rather than projects. It was explained that the final

European Structural and Investment (ESI) Strategies must be submitted by LEPs by the end of January 2014. Members learned that there were several core themes and they were split between European Regional Development Fund (ERDF) and ESF areas with a 60:40 ratio. It was noted that there were 4 core themes within under ERDF that would have to have 60% spend: Innovation; Small and Medium Sized Enterprise (SME) competitiveness; ICT; and low carbon, with a minimum of 15% on low carbon. Councillors were informed that there was also scope for areas such as Climate Change adaptation, environmental protection and sustainable transport. The Head of Strategy, Programmes and Performance noted that for ESF, the areas were Employment, Skills and Social Inclusion, with the latter having a requirement of at least 20% ESF.

Councillors learned that there were 3 LEP workstreams: Vision; Pipeline; and Governance, with the Head of Strategy, Programmes and Performance being the Chairman of the latter. It was explained that within Durham, the submission was being worked on via the CDEP with involvement from various partners, as necessary, at the project level. Members noted that emerging investments included “smart growth” areas such as capital and infrastructure investment and provision of SME space at key employment sites; tailored business support; supporting innovation, linked to Durham University; and Digital Durham. Councillors learned that in respect of “inclusive growth” there were areas such as: Business Energy Efficiency Programme; Development of Renewable Energy Village; Flood Mitigation; Sustainable Transport; Promoting employment and labour mobility, including youth employment; employment and brokerage service; community led local development volunteering; apprenticeship packages; graduate support programmes; and work based learning. The Committee learned that there was a strong role for the AAPs in this respect.

The Head of Strategy, Programmes and Performance explained that in the past there was little or no say from local areas on what national programmes they wished to be involved in. Members noted now it was for local areas to “opt-in” and in effect Government has to sell these programmes to local areas. It was added that such national programmes included UK Trade and Investment (UKTI), Manufacturing Advisory Service (MAS), Growth Accelerator, Skill Funding Agency, European Investment Bank (EIB) and Big Lottery. Members learned that it would be in many cases be a “balance of benefits” when considering opt-in for national scheme, whether the match funding would outweigh local autonomy in operating a programme.

Councillors learned that the Youth Employment Initiative attracted “cohesion fund” to some NUTS2 regions, including Durham and Tees Valley, equating to €9 million for Durham for 2014 and 2015, to be matched with €9 million from Durham’s ESF allocation. Members noted that the total programme of €24 million needs to be committed and mostly spent by 2015, to support sustainable integration into the labour market of NEETs (those Not in Employment, Education or Training) aged 15-24. Members learned that Linda Bailey, Strategic Manager - Progression and Learning, Children and Adults Services, DCC was Chairperson of the relevant group at the CDEP.

The Head of Strategy, Programmes and Performance concluded by noting that next steps were:

- For the CDEP to continue to take lead on developing Durham's "Transition" programme and feed into the LEP Strategy.
- Wait and respond to Government.
- Continue to raise awareness and identify opportunities.
- Start working up project ideas into projects using a partnership approach to leverage synergies.
- Maintain the CDEP partnership group as the vehicle for doing this for the Durham transitional programme.
- Scrutiny involvement in the CDEP Conference.

The Chairman thanked the Head of Strategy, Programmes and Performance and asked Members for their questions.

Members asked questions relating to flexibility of spend across areas; timescales in order for money to be spent and noted that some reports referred to figures in sterling, some in euros and that consistency would be helpful.

The Head of Strategy, Programmes and Performance noted that there was flexibility in the funds allocated to the NELEP, however there were funds specifically for County Durham, and then other funds that could be spent anywhere in the NELEP area, including County Durham. Members were informed that funds would need to be allocated by 2015 and spent within 2 years after the end of the scheme, by 2017. It was noted that the SFA usually distributed those types of funds and there would be further details within the next 3-4 months as regards this. The Chairman noted that a further report would be brought to the Committee in February 2014, though if any major developments occurred in the interim, then this should of course be brought back to Members sooner.

Resolved:

- (i) That the report and presentation be noted.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee receive future updates on the development of the EU Structural and Investment Funds Programme 2014 - 2020.

9 Improving Economic Governance in the North East Local Enterprise Partnership (LEP) Area

The Chairman introduced the Spatial Policy Team Leader, Regeneration and Economic Development, Maria Antoniou who was in attendance to give an update for Members in relation to Improving Economic Governance in the NELEP area (for copy see file of minutes).

The Spatial Policy Team Leader reminded Members of the North East Independent Economic Review (NEIER) report that was published in April 2013 with creating “more and better jobs” being at the heart of its agenda, in the order of 60,000 for the region. Members noted that the popular view of overreliance on the public sector was not necessarily correct, rather a weakened private sector needed to be strengthened. Councillors learned that social inclusion and employability had been identified as a gap. The Committee were reminded that the NEIER report made 14 recommendations, with the top five priorities as identified by Lord Adonis, the lead on the NEIER report, were:

- To promote the region at home and abroad as a magnet for trade, talent, tourism and inward investment
- A doubling in the number of youth apprenticeships, alongside higher school standards and an increase in the proportion going on to higher education
- The development of strong “innovation and growth clusters”
- Big improvements in transport infrastructure and services
- The creation of stronger public institutions, including the location of key national institutions, such as the new British Business Park, in the North East

Members were reminded that the NEIER endorsed the commitment of the Local Authority Leaders and Elected Mayor (LA7) on the establishment of a new statutory body in the form of a Combined Authority (CA).

The Spatial Policy Team Leader explained that at a conference on 6 September 2013 there had been a lot of progress reported including: Skills Plan; partnerships with Schools; Skills Incentive Partners, with 2 other LEPs; access to 3rd Round EGF and Joint European Resources for Micro to Medium Enterprises (JEREMIE); a concierge service for one point of contact for the “North East”; the appointment of an “Inward Investment Manager”; discussions regarding transatlantic routes being opened up via Newcastle Airport; the use of the Leamside Line for freight, freeing up the main East Coast line with Network Rail, Highways Agency being involved; Pinch Point funding from the Department of Transport; and the devolution of transport funding, including specific projects such as a Rail Station for Horden.

The Committee noted that there would be a Strategic Economic Plan (SEP) and Local Growth Deals (LGDs) from Government in response to the Heseltine Review. Members noted that the SEP would provide the opportunity to develop a shared approach for the North East and that the SEP was to: articulate the shared strategic economic vision for local growth; provide the overarching policy framework and implementation plan for the region; create the basis for prioritisation of a range of investment funds and alignment of local assets and resources; and create the basis for negotiation of a LGD. It was added that the SEP must also frame a multi-year implementation plan, to be assessed by Government, and that the NEIER helped to provide an appropriate evidence base.

The Spatial Policy Team Leader explained that having the CA was critical in being able to have financial and political accountability and Members were reminded as regards what a CA was and was not, as previously brought to Committee in June.

Members noted the approach of the CA and also the economic growth responsibilities including:

- Setting the growth plan and investment strategy for the North East
- Economic intelligence and analysis as a basis for strategic planning and coordination
- Acting as the accountable body for a range of devolved funding
- Strategy and decision-making on the skills agenda across the North East
- Coordinating inward investment activity through an “Investment Gateway” working with Local Authority Economic Development Teams

The Committee noted that the CA would take responsibility for some transport functions: preparation of the Local Transport Plan; preparation of a bus strategy; powers to make a Quality Partnership Scheme or Quality Contract Scheme; and the making of joint and through ticketing schemes. It was added that several operational functions would still be devolved to Local Authorities: information provision; infrastructure delivery; commissioning/procurement of subsidised bus services; and concessionary travel.

Members were provided with a list of milestones in respect of Government and Local issues and next steps were for the CA to be established in shadow form as soon as possible; the Secretary of State to be consulted on proposals and a Lords and MPs event in October; Parliamentary debate, January 2014; and 1 April 2014, proposed establishment of a CA alongside those for South Yorkshire and West Yorkshire.

The Chairman thanked the Spatial Policy Team Leader and asked Members for their questions.

Members asked questions as regards how Scrutiny arrangements would be developed; measuring delivery of the CA; processes and strategies in place should a Local Authority come out of the CA; a simplified “flow chart” to allow the “man in the industrial estate” to understand the new arrangements and provide a single point of contact.

The Spatial Policy Team Leader noted that whilst all areas nationally had LEPs, not all had a CA in place and that staff from the NELEP and Local Authorities were working on the SEP and updates on progress would be brought back to Members via this Committee.

Resolved:

- (i) That the report and presentation be noted.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee continues to receive future updates on the development of the Combined Authority including detail of governance and Scrutiny arrangements.