

# Economy and Enterprise Overview and Scrutiny Committee



7 April 2014

## Impact of Public Sector Funding and Policy Changes on the Economy of County Durham – Report of Members' Reference Group

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### Report of Lorraine O'Donnell, Assistant Chief Executive

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#### Purpose of the Report

- 1 The attached report presents the findings and recommendations of the Economy and Enterprise Overview and Scrutiny Committee Members' Reference Group looking at the impact of public sector funding and policy changes on the economy of County Durham.

#### Background

- 2 The Reference Group was established as a result of members' concern at changes in policy and funding that was being introduced by Government and how that would impact upon the economy of County Durham. This had been highlighted as an area for inclusion in the 2012/13 work programme of the Economy and Enterprise Overview and Scrutiny Committee however it was decided that the group would commence activity following the May 2013 election when the membership of the group would be refreshed.
- 3 Following the May election the group has had seven meetings with an update provided to the Economy and Enterprise Overview and Scrutiny Committee at the meeting on the 21 October 2013 with a further update highlighting the key findings and key areas for recommendations presented to the committee at the meeting on the 27 February 2014.
- 4 It was agreed that the Members' Reference Group would focus on:
  - Scale – How much is affected?
  - Theme – What was affected?
  - Geography – Where is affected?
  - Individual/Community/Business – Who is affected?
  - Interventions and support – Look at the work that is currently progressing within the Council and with partners to tackle economic issues, for example the work undertaken by Jobcentre Plus, colleges, Business Durham and the Area Action Partnerships (AAPs).

- Opportunities – Identify opportunities which may be available to assist mitigating any negative impact of reductions in funding and changes in Government funding and policy.
- 5 The key findings of the Members' Reference Group are identified in the attached report (Appendix 2) which resulted in the formulation of the following recommendations:
- That Durham County Council and partners continue to monitor the impact of changing policy and funding reductions on the economy of County Durham, identify concerns and opportunities and take these into account as part of the priority development processes.
  - That the Economy and Enterprise Overview and Scrutiny Committee receive as part of the six monthly systematic review of the recommendations contained in the Scrutiny Review report information of developments and key economic issues from the County Durham Economic Partnership Data Management Group.
  - That Durham County Council and partners consider the right balance in pursuing interventions that address need and deprivation within the County and opportunity, ensuring that any concerns influence priority actions.
  - That Durham County Council and partners undertake a coordinated approach to maximise opportunities and benefits for County Durham presented through the North East LEP, North East Strategic Economic Plan and the EU funding programme 2014-2020 (Durham €157 million as a Transition Region) for our residents, communities and businesses helping to give them the right tools and support to access employment and economic growth opportunities.
  - That the Economy and Enterprise Overview and Scrutiny Committee as part of the Committee's work programme for 2014/15 continue to receive update reports in relation to the progress of the EU funding programme 2014-2020.
  - That a review of this report and progress against recommendations will be undertaken six months after the report is considered by the Economy and Enterprise Overview and Scrutiny Committee at the meeting on the 7 April 2014.

### **Service response**

- 6 The following comments have been received from the Regeneration and Economic Development Service Grouping:

The Regeneration and Economic Development (RED) Service Grouping have welcomed the opportunity to undertake this piece of work with the Reference Group to consider the implications of changes to government policy and funding on the economy of County Durham. The scope of the work and discussions with Members has highlighted the key issues, challenges and opportunities facing the county. It is imperative that collectively with partners we continue to support the growth of the county's economy to stimulate growth, strive to reduce the deprivation gap within communities and where possible continue to mitigate the impacts of policy and funding changes.

As highlighted within the report analysis financial pressures facing the wider public sector and councils like Durham has had impact upon the services provided. Funding and policy changes, along with the drive to reduce deficits has affected the way we do business whether that is through efficiencies, changing services or different commissioning channels. A recent research report published in March 2014 by the Association of North East Councils and the Institute for Local Governance ['Challenging Times: prospects for Local Government in the North East of England'](#) highlights that some areas have been much more affected by the Government funding and policy changes. The research echoes that referenced by IPPR with members, *'that councils in the less prosperous parts of the county, including the North East, have been hardest hit by the government's cuts.'* Confirming that these areas are often more reliant on government grants, are less able to generate additional revenue from Council Tax and Business Rates and are also less able to benefit from new grant regimes that are growth focused rather than needs based.

This changed nature in funding has affected the types of services we have supported over recent years and an issue that has been highlighted with Members. This ANEC and ILG Report details that disparities in council funding and resources is likely to continue and intensify. It continues to note issues not covered within this analysis with members, stating that while there is increasing demand for local public sector services within the north east, these are being cut and are set against increasing demographic pressures, new legislation and consequences of welfare reforms and austerity measures. As a council we are mindful of these challenges and need to remain aware of how these pressures sit alongside local authority job losses and welfare changes. With reduced household disposable incomes and spending power this could continue undermine the economic recovery within our local economy.

As a Service Grouping, RED will continue to assess the implications of policy and funding changes in our approach to service design and delivery. Working with partners through the County Durham Economic Partnership and specifically the newly established Data Management Group we will continue to consider and understand the changing economic environment is having upon the economy of County Durham and the challenges and opportunities this presents. Through this group it is planned to review our current measures of success that provide a barometer of the county's economy and help to measure the performance of council interventions.

It is important that we can respond positively to these changing and challenging times, adapting service delivery as possible and reconsidering our priorities when tackling budget reductions and targeting our support. The majority of RED's services and activities provide longer term measures and approaches to promoting economic development to improve the local economy including development of strategic sites, business support and employability support.

These changes and impacts take time. It is necessary that we continue to provide detailed statistics, research and analysis for strategy, plan and activity development through our Spatial Policy Team to ensure our interventions are fit for purpose and have the desired impacts. This service support will continue to provide context and knowledge for our Service Grouping, alongside the production of regular economic updates.

As a Service Grouping we will continue to consider the right balance of support and interventions that address need and support opportunities within the county. This involves working closely with partners to develop appropriate interventions and making the most of the available funding opportunities that are presented - whether this is through the next EU funding period 2014-20 or supporting partners with Regional Growth Fund applications.

As recognised within the report the regional approach to supporting regeneration and economic development has changed significantly over recent years. RED will continue to support and work closely with partners within the North East Local Enterprise Partnership and through the North East Leadership Board to maximise opportunities for County Durham. This in recent months has included extensive partnership working to inform the development of the NELEP EU Structural and Investment Fund Strategy and the North East Strategic Economic Plan (SEP). The SEP, once agreed, will outline the agenda for growth for the north east. Some of County Durham's key assets will be recognised such as:

- cultural and academic urban core within Durham City
- second largest industrial area within the north east local enterprise partnership area at Aycliffe Business Park
- key growth areas alongside the A1(M) and A19
- innovation hub at NETPark
- inward investments such and Hitachi Rail Europe at Merchant Park

Our partnership approach to enhancing this agenda for growth by supporting economic growth and job creation within the county is crucial to making a difference and supporting our ambition of *creating sustainable places where people want to live, work, invest and visit whilst enabling residents and businesses to achieve their potential*. Considering and understanding the changes to policy and funding, alongside the challenging economic times is intrinsic to this approach. The opportunities available to and within the county need to be capitalised to address market failure and support investment in the right places whether this is through the creation of business sites and premises or employability programmes to support people into employment. Balancing need and opportunity is complex.

Through the development of a County Durham Investment Plan with the CDEP has indicated the priorities for investment in line with EU funding priorities and those identified by the partnership. The next few years present challenging times for the partnership and the RED Service Grouping to maintain the balance of service delivery in areas of the county witnessing decline and opportunities to stimulate further economic growth and tackle the ongoing pressures associated with deprivation.

### **Next steps**

- 7 It was originally decided that the report of the Members' Reference Group following approval by the Economy and Enterprise Overview and Scrutiny Committee would then be shared with the relevant Cabinet Portfolio Holders. However, following the completion of the report having looked at the nature of the key findings and resulting recommendations it is suggested that the report be submitted to Cabinet for consideration.

### **Recommendations**

- 8 That the Economy and Enterprise Overview and Scrutiny Committee agree the report of the members' reference group focusing on the impact of public sector funding and policy changes on the economy of County Durham.
- 9 That the report of the Members' Reference Group be submitted to Cabinet for consideration.

### **Background papers:**

Member's Reference Group Report.

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## **Appendix 1: Implications**

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**Finance** – The report identifies the importance of Durham County Council utilising all opportunities in relation to new initiatives for funding for example the European Funding Programme 2014-2020 to ensure that the County maximises the funding opportunities currently available for the benefit of County Durham.

**Staffing** – None.

**Risk** – The RED Service Grouping will identify within the appropriate Service Plan key risks as a result of changes in Government funding and policy on the economy of County Durham.

**Equality and Diversity / Public Sector Equality Duty** - In accordance with its agreed Equality and Diversity strategy, the Council will undertake an Equality Impact assessment of the implications of any changes in Government funding or policy (including cuts in funding) which will impact upon the economy of County Durham.

**Accommodation** – None

**Crime and Disorder** – None

**Human Rights** – None

**Consultation** – None

**Procurement** – The report makes reference to the work already undertaken by DCC in relation to helping businesses in the County access contract opportunities. It also refers to the establishment of the Social Value Task Group currently looking at how the requirements of the Social Value Act can be implemented to help small businesses and social enterprises win more contract opportunities.

**Disability Issues** – The report identifies groups which have been most affected by the changes in Government funding and policy, on a national level those with disabilities had been identified and in relation to County Durham those reliant on benefit which would include those with disabilities. The RED Service Grouping will continue to monitor data in relation to those groups most affected.

**Legal Implications** - None