

## **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 **Friday 20 February 2015** at **9.30 am**

#### **Present:**

**Councillor R Crute (Chairman)**

#### **Members of the Committee:**

Councillors E Adam, J Armstrong, A Batey, J Bell, J Clare, J Maitland, J Rowlandson, M Simpson, P Stradling and O Temple

#### **1 Apologies for Absence**

Apologies for absence were received from Councillors H Nicholson, R Ormerod, A Patterson, A Willis and S Zair, along with those from Mr E Henderson and Mr I McLaren.

#### **2 Substitute Members**

No notification of Substitute Members had been received.

#### **3 Minutes**

The Minutes of the meeting held 8 January 2015 and special meetings held 5 December 2014, 15 December 2014 and 28 January 2015 were agreed as correct records and were signed by the Chairman.

#### **4 Declarations of Interest**

Councillor J Maitland declared an interest in Item 7 as a Board Member of East Durham Homes.

#### **5 Items from Co-opted Members or Interested Parties**

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

## **6 Media Relations**

The Overview and Scrutiny Officer, Diane Close referred Members to the recent prominent articles and news stories relating to the remit of the Economy and Enterprise Overview and Scrutiny Committee (for copy see file of minutes). The articles included: Barratt Homes forecasting 600 jobs within the North East to support housebuilding plans; a boost of 90 jobs over the next 5 years at Kromek, based at NETPark; and two articles relating to the item on the agenda looking at Skills Development, employers noting a lack of “soft skills” and North East School Leaders dispelling the myth of low aspirations amongst teenagers, identifying the need for more support for young people and strengthening for the networks and collaboration between schools and employers.

### **Resolved:**

That the presentation be noted.

The Chairman noted that in respect of the Agenda Item 9 relating to the Housing Strategy, the Inspector’s Interim Report on the County Durham Plan had identified options for the Council to consider and until the Council had reviewed the Inspector’s options it would be difficult to provide an update on the development of the Housing Strategy. Accordingly, the presentation would be rescheduled for a future meeting of the Committee. In addition, it was agreed to take Agenda Item 11 as Item 8, with Agenda Item 8 becoming Item 9.

## **7 Housing Stock Transfer**

The Chairman thanked the Housing Directions Manager, Marie Roe who was in attendance to give an update to Members in relation to the Housing Stock Transfer Project (for copy see file of minutes).

The Housing Directions Manager noted that the date for completion of the transfer of the stock to the new County Durham Housing Group (CDHG) was 23 March 2015, prior to the Department for Communities and Local Government’s (DCLG) deadline of 31 March 2015, which would allow the new Group to access the financial support it requires.

The Committee noted the current position as regards the transfer and also progress with key pieces of work including: conversion of the Council’s existing housing management organisations into Community Benefit Societies; registration with the Financial Conduct Authority; registration of the member organisations of the CDHG as “intending Registered Providers” with the Homes and Communities Agency (HCA); and the appointment of an Executive Management Team for the CDHG. Members learned that the preferred funding partner for the Group had been identified and a Funding Agreement had been developed. Councillors were reminded that Cabinet had agreed for final consent to be sought from the DCLG, to allow the transfer to take place and the application had been made to the Secretary of State on 18 February 2015 with a response expected the week before the transfer date.

Members understood that Cabinet had agreed the approach to the transfer of land and assets and that the Council were to provide warranties to the Group and its funders. It was noted that a suite of Service Level Agreements (SLA) had been developed which set out which services the Council would continue to provide for an agreed period following transfer. The Housing Directions Manager added that those staff that would transfer to the new Housing Group had been identified and they would be the subject to the provisions of TUPE, also the new Housing Group would be able to access the Local Government Pension Scheme.

The Chairman thanked the Housing Directions Manager and asked Members for their questions on the report.

Members congratulated the Housing Directions Manager and her Team on all the excellent work undertaken and asked questions relating to: the ongoing land mapping exercise; ensuring any suitable identified land was developed timely to meet our housing aspirations; and whether there had been, or would be, consultation on the future use of any large amounts of open space land that would be transferred to the new Housing Group.

The Housing Directions Manager explained that the ongoing mapping exercise was to clear up any anomalies, for example, where a property had been sold under Right to Buy along with an adjoining parcel of land, or with a garage. It was explained that one of the reasons behind the transfer of the housing stock was to be able to develop additional housing, 760 in the first 7 years, and areas to be developed would be looked at in terms of viability and demand, and in line with the land transfer as agreed by Cabinet and the relevant strategies.

It was suggested by Members that the Economy and Enterprise Overview and Scrutiny Committee receive, at a future meeting, details of the consultation process to be used by the new Housing Group in relation to future development.

**Resolved:**

- (i) That the report be noted.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee receive, at a future meeting, details of the consultation process to be used by the new Housing Group in relation to future housing development.

## **8 Combined Authority**

The Chairman thanked the Spatial Policy Team Leader, Regeneration and Economic Development, Maria Antoniou who was in attendance to give a update as regards the Combined Authority for the North East (for copy see file of minutes).

The Spatial Policy Team Leader reminded Members that the North East Combined Authority (NECA) had been established in April 2014 and the Leadership Board for the NECA comprised of the 6 Leaders and elected Mayor, from 7 North East Local Authorities together with the Chairman of the North East Local Enterprise Partnership (NELEP). It was added that the Leader of Durham County Council, Councillor Simon Henig was the Chairman of the NECA.

Councillors noted that the NECA had three broad areas of focus, namely: Transport; Employability and Inclusion; and Economic Development and Regeneration.

Members learned of the North East Growth Deal, which was announced in July 2014, which sets out funding allocation as regards Local Growth Fund (LGF). It was explained that the North East had secured £289.3 Million, though an amount was “re-announcement”, with £110.7 Million “new” funding being allocated to transport, employability and infrastructure.

The Spatial Policy Team Leader noted that the Chancellor’s Autumn Statement had announced £1 Billion of Growth Fund monies, with the North East securing an additional £40.6 Million in January 2015. It was noted that Durham’s allocation included projects such as: improvements at East Durham College at Houghall; Phase 3 works at NETPark; the Centre for Process Innovation (CPI); and power and road infrastructure works at the Newton Park site, adjacent to the Hitachi Site at Newton Aycliffe. It was added that there were several projects across the County in rural areas and that there were also transport schemes in terms of both sustainability and infrastructure. Councillors noted transport schemes included: works to Durham Rail Station; the re-announcement of the Rail Station for Horden/Peterlee; junction improvement works; and the infrastructure works for NETPark and the CPI as previously mentioned.

The Committee learned that the Leadership Board was supported by the “Transport North East Committee”, chaired by Councillor Nick Forbes, Leader of Newcastle City Council. Members noted that a key theme among many Combined Authorities, in terms of transport, was to look to securing longer-term funding. Councillors noted that funding from the Highways Agency had been secured for major works on the A1 and A19 and there was also ongoing improvement programmes in respect of public transport including: Nexus, in respect of the Metro; a Park and Ride scheme at Gateshead; and the rail station at Horden/Peterlee as previously mentioned. Members noted that the NEAC had agreed that a Quality Contract Scheme (QCS) proposal should be submitted to an independent QCS Board, with the proposed scheme giving powers in respect of bus services. It was explained that the NECA, together with the Association of North East Councils (ANEC), Rail North and the East Coast Mainline Authorities Consortium (ECMA) had been working to secure improvement to rail connectivity. Councillors noted the long-campaigned for direct air link to the United States from the region, with the new route from Newcastle to New York running for a trial period from 23 May to 7 September this year.

The Spatial Policy Team Leader explained that unlike Transport, Employability and Inclusion did not have a formal Committee however the Lead Member for Employability and Inclusion, Councillor Grant Davey (Leader of Northumberland County Council) attended the North East Skills Board, which also included representatives from the Skills Funding Agency (SFA), Job Centre Plus (JCP) together with private and voluntary sector representatives. Members learned of the case for devolution of Government powers was being developed which included functions and budgets in respect of welfare and employability which would allow the North East to tailor a framework to deliver welfare and employability support. It was also highlighted that the NECA had secured a position as a “Mental Health and Employment Trailblazer” and was also involved in partnership arrangement to expand the number and range of apprenticeship opportunities via “The Apprenticeship Hub”.

It was explained that the Councillor Paul Watson, Leader of Sunderland City Council, was the Lead for Economic Development and Regeneration and while there was no formal Committee, Councillor P Watson and others from the NECA worked with the NELEP, including the NE Innovation Board and NE Business Support Board. It was noted that the focus was on delivering against the Strategic Economic Plan, with an emphasis on: assets; infrastructure; inward investment; and business support.

It was explained that work was ongoing in respect of: coordination of funds; having the right tools in place, such as a regional development plan; a one-stop-shop approach in respect of inward investment; and business support, mainly via the NELEP with links to the NECA and Local Authorities. Members noted that Councillor S Henig, as Chairman of the NECA, had wrote to regional stakeholders and each Local Authority had contacted local stakeholders as regards consultation events setting out the proposals for devolved powers. Councillors noted that the consultation event that would be held in Durham was scheduled for 17 March 2015, and that if the process was similar to that for the Greater Manchester City Region then the consultation process could last around 12 months.

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

Councillor O Temple asked if a complete list of the projects benefiting from the Growth Deal could be obtained. The Spatial Policy Team Leader explained that they were listed on the Government's Growth Deal website, and details of how to access these could be circulated to Members. Councillor E Adam asked what was meant by devolution of appropriate welfare and employability powers as set out at paragraph 21 of the report. The Spatial Policy Team Leader explained that the Work Programme was a national, Government led scheme relating to getting people into employment, delivered locally by various agencies. It was noted however, that there could be scope to have changes at a local level to be able to best match local needs, with co-design and co-commissioning. It was highlighted that Scotland and the Greater Manchester City Region had been able to negotiate more tailored schemes.

Resolved:

- (i) That the report be noted.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee receive further reports on the Combined Authority's key activities at future meetings of the Committee.

## **9 EU Funding Programme**

The Chairman thanked the Head of Strategy, Programmes and Performance, Regeneration and Economic Development, Andy Palmer who was in attendance to give an update to Members in relation to the EU Funding Programme (for copy see file of minutes).

The Head of Strategy, Programmes and Performance reminded Members that there were various strands to the EU Structural Funds Programme and that the programme for 2014-2020 had yet to be approved.

Members noted that the programme was in effect a national one and the UK Government was in negotiation with the EU Commission regarding the English Operational Programme (OP). Councillors noted that the position had not advanced significantly since the last report to Committee in October 2014 and there had been a number of delays. It was explained that while the Programme was delayed, there would be a 3 year period at the end of the Programme to be able to complete projects, with allocations having to be made before the end of 2020.

Councillors noted that the NELEP had been allocated £450 Million and Members were reminded that as County Durham was a "Transition Region", it was unique within the NELEP area, having a ring-fenced allocation amount of £135 Million.

The Committee noted that OPs for Scotland, Northern Ireland and Wales had been agreed, however, the English OP had not yet been signed off by the EU as they did not formally recognise the LEPs in this context. It was explained that Government had noted the OP should be agreed by the end of March 2015, however if it was not then the current year EU funding cycle would be missed and projects would need to be re-profiled. Councillors were reminded that there were 5 strategic objectives in relation to the European Structural Investment Fund Strategy (ESIF) those being: Innovation; Business Growth; Low Carbon; Inclusive Growth; and Skills.

Members learned that the County Durham Economic Partnership (CDEP) had a role in coordinating, as Durham was a Transition Region and a number of work streams had been established in line with the CDEP/Altogether Wealthier strategic priorities. It was noted that the work streams were: innovation; enterprise and business support; access to finance (JEREMIE), capital infrastructure; youth unemployment; social inclusion; adult skills and employability; and low carbon/sustainability. Councillors noted that those work streams would inform the "Open Calls" for project applications, with the Council providing support to the CDEP, and there being a number of criteria a proposed project must meet to be eligible for EU Funding. The Committee was reminded that as the English OP had not yet been agreed it would only be possible to work through the process up to a point, then the finalised OP would be required.

The Head of Strategy, Programmes and Performance explained that the National Governance Board for the OP would have a number of sub-committees that operation within LEP areas, the area sub-committee for the NELEP area being referred to as the "European Investment Group", with the DCLG acting as a "Managing Authority". It was reiterated that the European Investment Group was not a sub-committee of the NELEP, rather of the National Governance Board. It was noted that the Group had met in shadow form and agreed terms of reference, and would operate in full after the OP was confirmed. Members were referred to a governance structure diagram and noted that the CDEP was considered as the "County Durham Advisory Group" feeding into the sub-committee.

The Committee noted that there were several current issues, including the issue of match funding or co-financing. It was explained that in the past local partners were able to put in their EU funds to "buy services" from Government Departments and those Departments would match fund at source.

It was noted that this was not the case now, an example being the SFA no longer matching EU funds in terms of the Youth Employment Initiative (YEI), and given the removal of a range of Government grants and reductions in Council expenditure the sourcing of match funding could become an inhibiting factor for the Programme.

Members noted that issues included the delays to the OP as described and the rejection by the Department for Environment, Food and Rural Affairs (DEFRA) of an application for a £2.4 Million Leader Programme by the North Pennine Dales. It was added that the Local Action Group had submitted an appeal and that the result of the appeal had not yet been announced.

It was explained that the emerging Durham Programme was coordinated by the CDEP, and areas the Council could be involved in delivery of included: business support to Small and Medium Sized Enterprises (SMEs); Capital Infrastructure to support business development; employability/apprentice support/youth employment; support to the voluntary and community sectors following the transfer of assets; and low carbon initiatives/Green Deal. Members were referred to a list of emerging projects appended to the Committee report.

The Head of Strategy, Programmes and Performance concluded by explaining that the loss of manufacturing in general and reduced Government allocation was balanced by current levels of EU funding.

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

Members asked questions in respect of: Members being made aware of the outcome of the North Pennine Dales Leader appeal; the Programme being “Council-centric” and whether there was a conflict of interest if the Council was bidding for funding and also charged with publicising the process of applying for EU funds; and whether businesses and the voluntary sector were fully aware of the EU Programme.

The Head of Strategy, Programmes and Performance noted that Members could be made aware once the outcome of the North Pennine Dales Leader appeal was known. It was explained that the Council was not involved in a programme management role, that was for Government, though the Council did have a role in terms of community leadership and the danger was that potential funding may be lost as there was less ability to match fund projects. Councillor J Clare noted that at a recent conference regarding the European Social Fund (ESF) there was a large number of third sector groups in attendance who were keen to access funding where they could and added that he felt the business community may not be as aware, or as keen to “jump through the hoops”.

The Head of Strategy, Programmes and Performance added that once Open Calls were active, they would be heavily promoted from that point. It was added that there would be a need to manage expectations in the context of the reduced ability to source match funding and the Council could provide support in terms of applications.

**Resolved:**

- (i) That the Economy and Enterprise Overview and Scrutiny Committee note the update report.
- (ii) That the Economy and Enterprise Overview and Scrutiny Committee receive further progress reports at future meetings of the Committee.

## **10 Skills Development in County Durham**

The Chairman thanked the Employability Manager, Regeneration and Economic Development, John Tindale who was in attendance to give an update to Members in relation to Skills Development in County Durham (for copy see file of minutes).

The Employability Manager referred Members to copies of the presentation (for copy see file of minutes) including statistics relating to employment, qualifications and apprenticeships and added that if Members could contact him as regards information for their particular Divisions.

The Committee learned that a current key issue was the Information, Advice and Guidance (IAG) as offered in schools relating to employment and training options and it was explained that employers' feedback was that there was a need to get young people ready for work in terms of "soft skills" such as communication and time-keeping. Members noted that Labour Market Intelligence was another important area, being able to understand what opportunities were available and who could help, including employers, in terms of maximising those opportunities. Councillors were reminded that economic confidence was important in terms of employers being willing to invest in training, taking on apprentices or expanding their business. Members noted that another important aspect was funding arrangements, with issues as explained under the EU Funding Agenda Item and the reduced budgets that Local Authorities faced. Councillors learned that another key issue was that of Adult Skills, for those over 24 years of age, as most schemes and programmes focussed on those 18-24 years of age.

The Employability Manager noted 5 skills priorities that were national, regional and local: that employers lead on skills development; improved workplace productivity; clear pathway for young people development; meaningful work experience; and success measured by jobs, progression and qualifications. In respect of employers leading on skills development, an example was given whereby a local cricket club wanted 2 apprenticeships focusing on grounds maintenance, with coaching and working with young people in addition. It was explained that initially there was no suitable apprenticeship programmes with both of the aspects the cricket club desired, so accordingly Officers at the Council spoke to New College Durham (NCD) and NCD then created a suitable apprenticeship framework to allow 2 apprentices to be employed.

The Committee noted that priorities for 2015 included the areas of: Workforce; Business; and Enabling. Members learned that in respect of “workforce”, priorities included: improving qualifications and skills; skills to enable progression to employment; skills to improve enterprise; and more focus on economically deprived communities. Councillors noted in respect of “business”, priorities included: meeting the skills demands of growth sectors; increasing apprenticeship opportunities; and to stimulate demand for higher level skills. Members learned that in respect of “enabling”, priorities included: developed high quality IAG; producing good market intelligence for employers, learners and providers; and supporting employers to access the funding system. The Employability Manager explained that the CDEP has a Business, Enterprise and Skills Group which would focus on delivering the priorities and programmes which included: a pilot scheme helping teenage parents into apprenticeships; mentoring; helping those affected by Welfare Reform; a programme of support devolved from Government, “Generation North East”; and a local spin on the Youth Contract, involving 5 of the 7 North East Local Authority and being led by Newcastle City Council, with Durham County Council having local input via 2 advisors, 1 advisor for 18-24 year olds, 1 advisor for businesses.

The Chairman thanked the Employability Manager and asked Members for their questions on the report.

Councillor E Adam noted that Further Education had been the “poor relation” of the education system for many years and now it appeared as a core area. Councillor E Adam added that there was clearly a shortage of funding for learners and there could be difficulty in employers effectively managing such funding given capacity and resource issues. Councillor E Adam concluded by noting that many young people were struggling, with many not having 5 A-C grade GCSEs, and required help in developing the soft skills, as noted in the presentation and therefore asked whether there was too much focus on the higher level apprenticeships. The Employability Manager explained that there were some local initiatives that looked to develop young people’s skills including: Generation North East, part-time working for young mothers; seasonal work; and mentoring. It was added that it was important that young people were directed to the right area for them to progress, including options such as volunteering or become self-employed.

Councillor J Clare noted that there were a large number of providers of training and initiatives for young people and felt that there were “too many players”. Councillor J Clare continued by adding that there should be more focus on a coordinated approach that looked at the needs within the county, at a sub-county level, and also the needs of individuals to ensure people were being signposted in a direction appropriate for them. Councillor P Stradling added that he too felt there was a need to ensure that those needing help in developing basic skills were given the help they need to move forward, as well as offering higher level apprenticeships.

**Resolved:**

That the presentation and report be noted.