

Economy and Enterprise Overview and Scrutiny Committee

21 December 2015

Impact of public sector funding and policy changes on the economy of County Durham – Report of Members' Reference Group – Update



Joint Report of Lorraine O'Donnell, Assistant Chief Executive and Ian Thompson, Corporate Director, Regeneration and Economic Development

Purpose of the Report

- 1 The report provides members with an update on the progress made in relation to the recommendations contained within the Economy and Enterprise Overview and Scrutiny Committee Members' Reference Group (MRG) report 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 the changes in policy and funding being introduced by Government and how these changes 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 and it was agreed that a small members' reference group would be established to work with officers from the RED Service Grouping looking at the impact of these changes. It was decided that the group would commence activity following the May 2013 election when the membership of the group would be refreshed.
- 3 The report was considered by Cabinet at the meeting on the 7 May 2014. At that meeting Cabinet agreed the recommendations contained within the review report which included a recommendation for a six monthly update on progress against recommendations contained in the report. In addition, the review report was shared with the County Durham Economic Partnership (CDEP) at the meeting on the 3 November, 2014 and it was agreed by the CDEP Board that they would also feed into update reports. The committee has previously received an update at the meeting on the 8 January, 2015 and it is therefore timely that the progress update is provided to members at the December meeting of the Committee.

Terms of Reference of Review

- 4 During the review evidence was gathered in relation to the impact of changes in funding and policy on the following:
- Scale – How much is affected?
 - Theme – What is 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 mitigate any negative impact of reductions in funding and changes in Government policy.

Recommendations of Review

- 5 The review made 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 Cabinet.

Current position

- 6 The attached Action Plan (Appendix 2) provides information on the progress made in relation to the recommendations contained in the MRG Scrutiny review report.
- 7 It should be noted that Local Government has been subjected to further austerity measures since the last update report was tabled on the 8th January, 2015. The bulk of these austerity measures were announced in the joint Spending Review and Autumn Statement delivered to Parliament by the Chancellor of the Exchequer on the 25th November 2015.
- 8 In relation to local government Department for Communities and Local Government (DCLG) presently has a budget of £11.5bn. The core element of this budget is Revenue Support Group (RSG) of £9.5bn. The remainder of the DCLG budget is for New Homes Bonus. Over the next four years the Government's forecasts show that the DCLG budget will be reduced as follows:

Year	DCLG Budget	Reduction	
	£bn	£bn	%
2015/16	11.5	-	-
2016/17	9.6	1.9	16.5
2017/18	7.4	2.2	19.1
2018/19	6.1	1.3	11.3
2019/20	5.4	0.7	6.1
Total Reduction	-	6.1	53.0

- 9 It is expected that the £6.1bn reduction detailed above will be deducted from RSG which in 2015/16 amounts to £9.5bn, therefore on a straight line basis this would result in a 65% reduction in RSG over the four year period.
- 10 At this stage it is not possible to accurately forecast the value of the top slices to RSG on an annual basis for Additional New Homes Bonus, inflationary uplift in Business Rates and Top Up Grant and to finance the business rate safety net. The Spending Review has recognised the financial pressures facing single tier local authorities providing social care services and has created the option to charge social care council tax precept to raise additional income to spend exclusively on social care. This gives increased flexibility to raise council tax in an area by up to 3% per annum. For the council this could raise an additional income of £3.5m per annum. Financial modelling is being undertaken to understand the financial pressures. There are significant differences between how Local Authorities will plan for the cuts and future impacts of these announcements within the Spending Review.

- 11 Authorities like Durham with a relatively weak local tax base and significant adult and social care needs are unlikely to see any kind of benefit from the measures the Chancellor has introduced to offset the cut in the central grant. In reality the impact of these changes could result in deprived areas having less resources than wealthier areas; there is some deal of risk in widening the gap between income-rich and income-poor areas here producing a postcode lottery type effect. It is clear that Local Government has witnessed greater cuts than the rest of the public sector throughout the previous parliament which is set to continue through this parliament, with local taxpayers expected to cover a shortfall in funding given the announcement of new government policy without additional or new funding as has been the case with adult social care.
- 12 The spending Review announcement shows how, excluding local government, unprotected government departments have only been asked to find cash savings on average of circa 6% in terms of cuts to central government funding between 2016/17 and 2019/20. The cash reduction for central government support to local government over the period is circa 53%. Clearly resources within Local Government are becoming increasingly scarce and proportionally Councils will have less to spend on non-statutory services such as regeneration activity. The need for sustainable levels of private investment, based on market opportunity is therefore increasingly critical to our vision of a high value economy, locked into a positive cycle of higher demand and higher employment opportunities.
- 13 The approach that the County Durham Economic Partnership and the RED Service Grouping will continue to adopt is one of harnessing opportunity and utilising the assets and talents of the County to aid sustainable growth for the benefit of our residents. This emphasis will be considered and developed through the refresh of the Regeneration Statement.
- 14 Post-recession progress has been made with employment growth rising by 9,700 people from 64.8% to 68.1% within the county. There has also been a shift in the types of jobs in the County, with higher-skilled jobs replacing low-skilled work. The number of residents in managerial and professional positions has increased by 18,400 in the last two years whereas the number employed in elementary occupations has fallen by 6,700. A significant gap, however, remains between local and national employment rates, which would require around a further 16,000 residents currently not in employment to find work to eliminate. However we should not consider employment improvements in isolation to understand wider impacts and within the county we must continue to co-ordinate our investments in the social and physical infrastructure of the County whilst supporting indigenous businesses to grow, providing housing where people want to live and accelerating the natural rate of economic recovery from the financial crises of 2008 to build a more sustainable and robust economic base for the future.

The annual State of the County Report discussed the CDEP Board in November 2015 reviewed the county's progress against its measures of success and considered the wider impacts upon economic growth and progress within the county. More detail can be found of the partnership's website -

<http://www.countydurhampartnership.co.uk/Pages/EcP-CountyDurhamEconomicUpdate.aspx>.

Next steps

- 15 The Economy and Enterprise Overview and Scrutiny Committee as part of the systematic review process will receive a further update of progress made in relation to the recommendations contained in the MRG Scrutiny review report at a future meeting of the committee.

Recommendations

- 16 Members of the Economy and Enterprise Overview and Scrutiny Committee are asked to consider and comment upon the progress made in relation to the recommendations contained in the MRG Scrutiny review report.
- 17 That the Economy and Enterprise Overview and Scrutiny Committee receive a further report detailing progress made against the recommendations contained in the MRG Scrutiny review report at a future meeting.

Background papers:

Members' Reference Group Report.

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Appendix 1: Implications

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 and Local Growth Funding to ensure that the County maximises economic development and regeneration opportunities currently available to support economic growth and regeneration within the 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 Members Reference Group 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 Social Value Task Group which considers and promotes the requirements of the Social Value Act and manages actions that can be implemented to help small businesses and social enterprises win more contract opportunities.

Disability Issues – The Members Reference Group 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 in light of recent Spending Review changes within service areas.

Legal Implications - None