

Prosperity Scrutiny Committee

Wednesday 14th December 2011

Performance Report Quarters 1 & 2 (April – September 2011)

Report of the Chief Executive

1.0 Purpose of the report

The purpose of this report is to provide Prosperity Scrutiny Committee with a performance update for the period April to September 2011 and set out the direction of travel for the Council's Corporate Performance Framework in light of recent national government changes for performance reporting.

2.0 Background

Performance reports provided to Scrutiny Committee throughout 2010/11 as part of quarterly performance monitoring arrangements were closely linked to performance indicators from the previous government's national indicator list, with a particular focus on those prioritised within the Local Area Agreement.

In October 2010 the Coalition Government announced the deletion of the National Indicator set and also announced that from April 2011 there would no longer be a requirement for council's to produce an LAA. Both announcements signalled a move towards self regulation and improvement with more flexibility to report against local priorities using a set of locally determined measures for 2011/12.

The Council's aim is that, in future, performance reporting should be focused on the key priorities for the people, place and economy of Sunderland and should continue to be a robust appraisal of the situation resulting in actions. It should cover the main strengths, areas for improvement, outstanding risks and how these are being addressed. This is a move away from simply reporting all performance indicators with no weighting to reflect their relative importance to the Council. Instead, the aim is to draw attention to the areas that matter most and maximise improvement to deliver Value for Money.

It is envisaged that Scrutiny will continue to have an important role to play in the authority's revised performance management framework. This will include regular challenging of heads of service and senior officers on ongoing performance issues focussing on particular areas of concern.

Attached at Appendix 1 is an extract (produced by *Performance Plus*, the council's corporate performance management software system) of the performance indicators traditionally reported to this scrutiny committee.

The performance overview below sets out the current position in respect of these indicators and describes in more detail proposals for developing the performance monitoring framework in relation to the remit of this committee.

3.0 Performance Overview

Under the over arching theme of Prosperous and Learning City, the Local Area Agreement 2008 – 2011 included a key objective to *'support economic growth and participation in the economy by encouraging the development of an enterprising culture'*. This key priority was about increasing the number of jobs in the economy, increasing wage levels, increasing recorded business start ups and supporting business growth. It was about reducing the number of benefit claimants by enabling people to gain employment and it was about improving income levels to improve the quality of life of local people. As a result the below performance indicators were reported to this scrutiny committee:

- **The % of working age population aged 16 to 64 in employment (NI 151)**
- **The % of working age population aged 16 to 64 claiming out of work benefits (NI 152)**
- **The % of claimants within the worst performing neighbourhoods (NI 153)**
- **The average weekly wage of all full time employees employed within Sunderland (NI 166)**
- **The % of business registrations per 10,000 population aged 16 and over (NI 171)**
- **The % VAT registered businesses showing year on year employment growth.**

A report has previously been presented to scrutiny committee in relation to the year end performance for 2010/11. Since then there has been no further update the above indicators. Key messages from the 2010/11 scrutiny report are summarised below:-

The percentage of the working age population in employment had decreased from March 2010 – March 2011, however, it was highlighted that this was based on a small (1%) sample from a national survey. The report suggested an alternative measure of local performance is the percentage claiming out of work benefits for which the latest data was showing a decrease. However, unemployment can fall even when jobs are diminishing because individuals with little prospect of getting a job deregister. The latest data also showed a decrease for the worse performing neighbourhoods and an increase in the median gross weekly pay.

The report also highlighted that the number of business registrations had decreased although performance in relation to the percentage of VAT registered businesses showing year on year growth was stable.

There is a significant time lag in the data used to report against these indicators and consequently there is no further update on the latest data provided to Prosperity Scrutiny Committee in the 2010/11 year end performance report.

However, the Council continues to monitor the state of the city economy using anecdotal evidence and other data sources which can provide more up to date information, although they can also be more sporadic and therefore provide less reliable information about long term trends.

Inevitably Sunderland's economy is heavily reliant on the recovery of the national and global economy and the increasing uncertainties in the eurozone over recent months will inevitably have consequences for the city. The Bank of England has warned that the eurozone debt crisis is the "single biggest risk" to the UK recovery and has forecast a dramatically increased threat of a double-dip recession next year. Furthermore the Bank has reduced its **central growth estimate** to no more than 1% in both 2011 and 2012 from previous forecasts of around 1.5% and 2.2% respectively.

This more pessimistic outlook appears to be reflected in local figures for this year. Indicative figures in the city suggest that businesses are still starting up in Sunderland, but at a reduced rate to that seen last year. The North East Region as a whole is also seeing lower business start up activity than over the same period last year, although activity is higher in other regions including London.

Up until the start of 2011 the proportion and number of residents receiving unemployment benefits (JSA) in Sunderland had been decreasing from its peak in May 2009. However, this decline levelled out at the start of 2011 and the numbers began to increase again to a rate of 5.6% in September of this year. Whilst October's figures showed a slight reduction to 5.4%, the overall number of people claiming JSA in the city is still higher now than at any point between March 2010 and August 2011. Furthermore, as in the rest of the UK, unemployment amongst people aged 18-24 is higher than amongst any other age group in the city.

There are several factors influencing this increase in unemployment. Firstly, the slow growth of the UK economy has reduced the demand for labour. Furthermore increasing uncertainty across Europe and slowing growth in other parts of the world are reducing business confidence. There are also ongoing job losses across the public sector in the region. Another factor is likely to be the transfer of individuals from Incapacity Benefit onto JSA as part of the reforms of the Welfare System. It is not possible yet to determine what proportion of the increase is due to this change.

Despite the current economic situation, Sunderland City Council continues to focus on attracting inward investment and supporting businesses in the city.

Sunderland has been awarded Enterprise Zone status for sites covering 42 hectares close to the Nissan site and including the area of land known as Turbine Business Park. Businesses that take occupation of a property in the Zone may benefit from Business Rate Discounts or Enhanced Capital Allowances for investment in plant and machinery. An Implementation Plan for the Enterprise Zone was submitted by NELEP to Government in November 2011 and we are awaiting a formal response. Work is progressing to develop

simplified planning arrangements and plans for site development. In his Autumn Statement, the Chancellor announced that the Government will expand the existing Enterprise Zone in the North East to include land around the Port of Blyth, encouraging business investment in the renewables industry. He will also make 100 per cent capital allowances available in 6 Enterprise Zones including North Eastern and Tees Valley. This will benefit the larger scale investments that are envisaged for the NELEP Zone which including the sites close to the Nissan plant in Sunderland. The Regional Growth Fund for England will also be expanded by £1 billion and extended into 2014-15 to provide ongoing support to grow the private sector in areas currently dependent on the public sector.

ERDF and remaining WNF funding is being used by the Sunderland Enterprise Consortium to continue the 'Talent Scout' programme of Business Advisors and enterprise support, albeit at a smaller scale, to try to encourage business start ups in the city. Efforts are also continuing, with the University, to give local businesses access to high quality support and skills. Whilst the primary source of support to the unemployed is through the national Work Programme, the Council continues to try and support unemployed individuals through running 'Work Clubs' to encourage peer support. The Council is also looking at options for encouraging businesses to take on apprentices, which will hopefully be supported by recent Government announcements of support for apprenticeships. In addition DWP has also recently announced a programme of funding to support families with multiple problems into work. SNCBC is delivering this programme in Sunderland and hopes to help over 1000 people over 3 years in the city. Furthermore Sunderland City Council continues to work with other organisations to put together proposals for economic tools that could do more to encourage investment and development in Cities like Sunderland.

4.0 Future Performance Reporting for Prosperity

During the first six months of 2011/12 Sunderland City Council has been reviewing its performance framework around prosperity and in future this will be structured around the agreed outcomes of the cities Economic Masterplan.

Below sets out the five aims of the Economic Masterplan and the approach to proposed outcomes / key performance indicators that will be used to measure progress against these aims.

Aim 1 A new kind of university city – Performance measures for this aim will look at the role of the University in developing the skill base within the city as well as the development of entrepreneurship in relation to new businesses.

Aim 2 A national hub of the low carbon economy – Performance measures for this aim will measure the extent of low carbon business development as well as Sunderland as a low carbon place.

Aim 3 A prosperous and well-connected waterfront city – Performance measures for this aim will measure the extent to which the city centre has a strong economic and employment role for the city.

Aim 4 An inclusive city economy for all ages – This aim particularly focuses on measuring participation in the economy for specific groups.

Aim 5 A one city approach to economic leadership – This is the overarching aim to develop prosperity and performance measures will focus on success in achieving more wealth, more business and a higher overall employment rate.

5.0 Recommendation

The Committee considers the findings within this report, including areas of good progress made by the Council and those areas of further improvement highlighted in the report.