

At a meeting of the PROSPERITY AND ECONOMIC DEVELOPMENT SCRUTINY COMMITTEE held in the CIVIC CENTRE on WEDNESDAY 19TH JANUARY, 2011 at 5.30 p.m.

Present:-

Councillor Mordey in the Chair

Councillors Bell, D. Forbes, P. Gibson, Howe, Snowdon, A. Wright and T. Wright.

Also Present:-

Councillor D. Tate – Chairman of the Management Scrutiny Committee.

Apologies for Absence

Apologies for absence were submitted to the meeting on behalf of Councillors Cuthbert and J.B. Scott.

Declarations of Interest

There were no declarations of interest made.

Minutes of the Last Meeting of the Committee held on 15th December 2010

1. RESOLVED that the minutes of the last meeting of the Committee held on 15th December, 2010 be confirmed and signed as a correct record, subject to the following amendment:-

The final paragraph of the forward plan item be amended by the inclusion of 'that it had been reported in the Sunderland Echo' so it read:-

'Councillor T. Wright referred to item 01477 to approve the appointment of contractors to deliver the Marine Walk public realm improvements. He noted that it had been reported in the Sunderland Echo, that a lot of retailers in the area were not happy with the proposals and hoped that Officers were talking to them and appropriate consultations were being carried out.'

North East Chamber of Commerce – Business Update

The Deputy Chief Executive submitted a report (copy circulated) which introduced Andrew Sugden (Director of Membership and Policy) and Ross Smith (Head of Policy and Research) from the North East Chamber of Commerce (NECC) who had been invited to the meeting to discuss the work of the Chamber, and in relation to the Committee's policy review, its contribution to the development of the low carbon economy.

(For copy report – see original minutes).

A copy of the NECC's 2011 Manifesto was attached as an appendix to the report and copies of 'Sustaining Growth' the NECC's Second Energy Policy Report was tabled for the Committee's information.

Mr. Smith advised that the Chamber's Business Barometer was an accurate reflection of what had been happening in the business world. Growth until mid 2008 had been followed by a trough from mid 2008 towards the end of 2009. The following five quarters showed no change, however the last survey for the final quarter of 2010 had shown a healthy increase in business.

Members were advised of the following three themes which would underlie the NECC's lobbying priorities:-

- safeguarding assets and policy positions which were crucial to maintaining the recovery;
- the scope for reform to bolster competitiveness;
- investment in priority areas to unlock economic growth.

With regard to the Second Energy Policy Report, Members were advised that it made a series of recommendations to help foster low carbon industries. It noted that the UK was currently wrestling with the twin challenges of meeting ambitious CO₂ reduction targets and ensuring the UK provided sufficient energy to cater for economic recovery and growth. The Report believed that both goals would be unachievable unless the following Structural, Social and Cultural and Technological challenges were addressed.

Structural:

- Fiscal policy must be clear, simple and consistent; with greater consideration given to the administrative burdens that it placed upon many businesses;
- Regulations must only be implemented when it was deemed absolutely necessary, ensuring that regulatory and investment timescales were more closely matched;
- Providing businesses with a single point of contact for business support on issues such as access to finance was of crucial importance if we were to facilitate an expansion of the private sector in the North East.

Social and Cultural:

- Businesses and households needed to be better informed about the cost benefits of energy and resource efficiency, so that the way society, as a whole, used energy could begin to change;
- The changing architecture of business support, including the creation of Local Enterprise Partnerships in England, must take full account of the opportunities and risks for the North East's low carbon industries;
- The Renewable Heat Incentive must be implemented in full without delay on a long term committed basis;
- Investment in district heating schemes throughout the UK must be promoted with greater emphasis on improving knowledge and understanding among local authorities and the public.
- Consumer behaviour needed to be both better understood and changed via targeted interventions such as Government assistance for carbon reduction initiatives for high energy users.

Technological:

- We must consider rolling out a comprehensive transport strategy in the North East linking low carbon transport technology, low carbon travel planning and smarter working practices.

In response to an enquiry from Councillor P. Gibson, Mr. Sugden advised that the Chamber of Commerce would encourage as much environmentally sustainable growth as possible. It would be a 'definite win win' if this were to happen as many low carbon development businesses were based in the North East.

In response to an enquiry from Councillor A. Wright, Mr. Sugden stated that with regard to the promotion of 'Green Travel' the key issue was perhaps reducing the actual need to travel. The position of coach and bus operators was vital, although huge strides had been made, the batteries on electric buses remained huge and reduced passenger capacity by 15%.

Councillor Gibson referred to the display of the Nissan Leaf cars that had taken place outside the Members car park earlier that day and which he had only come across by chance. Members expressed concern that the Committee had not been invited to the event as it would have been extremely useful, being held on the same day as it was due to consider a presentation on Low Carbon Vehicles as part of its policy review.

Mr. Smith advised that Sunderland had a world leading role to play with regard to battery development with the Leaf production being the catalyst. The research and development work being undertaken in the City would result in an increase in battery life and a reduction in size.

Councillor T. Wright stated that he was well aware of the NECC through their training arm which he believed was second to none. He stated that skills and training were extremely important as would the LEP. He asked that as the LEP was to be business led, would the NECC be involved.

Mr. Sugden replied that the NECC were clearly pleased that the LEP had been secured as this was where skills funding would be directed in the future. In the current economic climate employers had retrenched with regard to the amount they invested in skills training and particularly in relation to apprenticeships. There was a concern within the NECC that this may ultimately lead to a skills gap. The youth unemployment figures were not good. A number of economic development issues formally dealt with in the region would now be controlled by Whitehall.

Councillor Howe stated that concerns had been raised with regard to lithium-ion batteries and also queried how the Government would ensure electricity generation kept pace with the demand from electric vehicles. He asked whether the Chamber were able to put pressure on the Government with regard to the Country's energy generating capacity.

Mr. Sugden advised that it was something the Chamber had lobbied the Government about. There was a disadvantage currently whereby energy access in the South East was actually subsidised yet in the North access to energy was charged for. With the aim of ensuring levels of electricity generation were maintained the Chamber would support the new generation of nuclear power. Thought would also have to be given to pressure put on the grid by peaks in demand for the charging of electric vehicles e.g. just before the morning and evening rush hours.

Councillor A. Wright referred to the Localism Bill and feared there was a potential for chaos with regard to the planning system. There was a need to push the Government to re-visit the drafting of the Bill which was shambolic and had the potential to create a free for all.

Mr. Smith confirmed that in the view of the NECC, the removal of the Regional Spatial Strategy was worrying. The potential for a patchwork of neighbourhood plans would create huge problems for developers. The NECC was to host a meeting for developers and Local Authorities during the following week with regard to the Localism Bill.

There being no further questions for Mr. Sugden or Mr. Smith the Chairman thanked them for their attendance. In reply Mr. Sugden thanked the Committee for their invitation and offered to return in 12 or 18 months if Members felt this would be useful.

2. RESOLVED that the report from the North East Chamber be received and noted and that the information provided with regard to the development of the low carbon economy be incorporated into the policy review.

Low Carbon Economy – Policy Review 2010/11: Vehicles

The Deputy Chief Executive submitted a report (copy circulated) which introduced Janet Snaith, Head of City Business and Investment Team who was present to provide Members with a presentation on the development of the vehicle sector of the low carbon economy in Sunderland.

(For copy report and presentation – see original minutes).

Ms. Snaith informed Members that Aim 2 of the Economic Masterplan was to become a national hub of the Low Carbon Economy. The key business sectors in this regard were Ultra Low Carbon Vehicles, Offshore Wind Energy and Software Development.

Creating a Low Carbon Economic Area for Ultra Low Carbon Vehicles would involve facilitating the transformation of the automotive manufacturing sector including providing support for innovation, skills development and infrastructure.

Sunderland was already positioned as a national hub for ultra low carbon vehicle manufacturing being the home for manufacturers such as Snorkel, Smith Electronic Vehicles and jumbtugs.

Nissan's Sunderland plant had been selected as the location for its European Centre of Excellence for Battery Manufacturing. More than £200 million was being invested in the plant and 350 people would be employed to produce 60,000 lithium-ion batteries annually from 2012. The plant would feature 'clean room' environments requiring high level technical skills. The plant was one of only 4 globally.

The plant had also beaten off competition from across Europe to secure production of the Leaf Electric Vehicle beginning in 2013 with 50,000 to be built each year. To facilitate the development of the battery plant and the Leaf production, Nissan had received £20.7 million grant funding from the UK Government.

With regard to research and development, a 20 year lease was being negotiated on Nissan's test track to provide an open facility for the testing and evaluation of low emissions vehicles. This would comprise part of the National Low Carbon Vehicle Research and Development Centre to be operated by Gateshead College with financial support from ONE North East. This would complement the R&D expertise at the University of Sunderland's Institute of Automotive and Manufacturing Advanced Practice (AMAP). AMAP had recently worked with Shen Li High Technology (Shanghi) and AVID Vehicles (Cramlington) to convert two buses to hydrogen power.

Sunderland City Council had been a key player in the success of the automotive manufacturing sector proactively engaging with Nissan to help the company realise their plans and providing a wide range of support to suppliers. Examples included:-

- financial incentives at key points in company development;
- identifying suitable sites and premises;
- providing help with recruitment and training;

- expert advice on technical issues such as site development and planning;
- various sector support initiatives and events.

With regard to skills and training, Nissan worked closely with local universities and colleges including the Skills Academy for Automotive Manufacturing at Gateshead College. Apprenticeships were a key part of Nissan's training strategy with students combining a year of study at the Academy with four years on the job training.

Gateshead College was developing the Skills Academy for Sustainable Manufacturing, Productivity and Innovation on the Nissan site. When completed in 2011, this would be the UK's first low carbon training centre.

The University of Sunderland has introduced an MSc in Low Carbon Vehicle Technology - the first qualification of its kind in the UK. The programme had been designed in consultation with the industry and was for people already employed in the sector.

With regard to supporting infrastructure for EVs Government-funded programme to create a network of charging points – played a key role in securing Nissan investment in EVs. 1,300 points were planned by 2013.

Sites in Sunderland include:-

- Sunderland City Council Car Parks;
- The Bridges;
- Park Lane Interchange;
- University of Sunderland;
- City Hospitals Sunderland;
- North East Business Innovation Centre;
- evolve Business Centre.

With regard to the strain on resources available, the following issues had been identified:-

- Abolition of ONE North East (the RDA has projects worth £50 million underway and eight people working full-time on EVs).
- The City Council's limited capacity to take up the slack, given the current round of budget cuts.
- End of the Government's Grant for Business Investment (GBI) scheme.
- Regional Growth Fund might be difficult to tailor to the needs of the sector (for example, bidding rounds might not fit with company plans).

The following issues had also been identified regarding the market potential for EVs:-

- Uncertainty over timescales for consumer uptake of EVs – they are likely to remain a niche vehicle for the next 20 years.

- Electricity generation capacity currently doesn't exist to support large-scale adoption of EVs.
- Nissan was playing the 'long game' – establishing brand identity (they are investing £400 million in plant that would initially produce just 50,000 units per annum).
- Not just EVs – global R&D was taking place in Sunderland on alternative technologies such as hybrid vehicles and hydrogen fuel cells.
- This needed to be viewed as a long-term opportunity for the City – It couldn't afford to focus on ultra low carbon vehicles to the exclusion of conventional technologies.

The Chairman referred to the electric fleet vehicles already being provided by Smith Vehicles and asked if it was possible to phase in such vehicles to the Council's fleet as and when the traditional vehicles came to the end of their natural life.

Ms. Snaith advised that the Association of North East Councils (ANEC) were investigating the whole low carbon agenda and that Sunderland were the lead authority with regard to vehicles. The very issue raised by the Chairman was being looked at however the vehicles were currently very expensive and therefore an approach for funding had been made to the European Investment Bank. It remained to be seen whether fleets would be pooled across the region or would remain with individual Local Authorities.

Councillor Howe referred to slide 6 of the presentation regarding the North of Nissan Strategic Site and expressed concern that it included green belt land. Kevin Donkin, Policy Officer advised that the land though now designated green belt had originally been scheduled for industrial use. The Council was keen to retain all its green belt however the site was a strategic imperative. The remaining green belt would remain sacrosanct.

Councillor D. Forbes regretted that an opportunity had been missed to utilise the former BR Rail Freight facility at White Mare Pool to distribute Nissan's vehicles, rather than placing a further burden on the over stretched road network.

Ms. Snaith advised that Nissan had considered looking to open part of the Leamside Line to link the White Mare Pool facility to the East Coast Main Line however the costs involved had been prohibitive.

There being no further questions for Ms. Snaith or Mr. Donkin the Chairman thanked Ms. Snaith for her presentation and it was:-

3. RESOLVED that the presentation be received and noted and that the information provided be used as evidence for the Committee's Policy Review.

Sunderland Employment Strategy 2011-2014

The Deputy Chief Executive submitted a report (copy circulated) which sought the views and comments of the Committee on the draft Sunderland Employment Strategy 2011-2014.

(For copy report – see original minutes).

Karen Alexander, Employment and Training Manager presented the report outlining the key aspects of the Employment Strategy and contrasting the current delivery model with the effect the Coalition Government's new policy to reform the welfare state would have on the Strategy.

The Chairman suggested that it appeared that under the new provisions which would come into effect on 1st April the Council would move away from being a direct delivery arm to providing a strategic overview. Ms. Alexander explained that there should still be areas of support for people just that they would no longer be either funded or directly provided by the Council. The Council's role would be to pass on its knowledge regarding how to deliver such mainstream services. The services would be based around a framework contract. The Government had sought bids from large secure organisations to deliver the services. Two organisations known as 'Prime Contractors' would be appointed to cover the northern region who would then sub-contract services. The Council's Job Linkage Team had positioned itself to become a sub-contractor.

In response to an enquiry from Councillor T. Wright, the Committee was advised that the names of the successful prime contractors should be announced in early April. Nine firms had made the short-list.

The Chairman asked if the new delivery proposals would be a more efficient way of providing the services. Ms. Alexander replied that, that was the Government's intention, however there was a large amount of guess work regarding the end result. Concern had been raised about the potential for 'creaming and parking' whereby if funding was to be outcome based providers may be incentivised to concentrate their efforts on clients who were easy to place in work and 'park' the more difficult cases whilst doing so. The Chairman expressed his concern that the hardest to reach appeared to be labelled in this way. In addition Members expressed concern that national service providers would not have the needs of the local area at their heart, that the new offer would not sustain the current level of Job Linkages and that the new service was likely to be inferior to the current one.

The Chairman having thanked Ms. Alexander for her report, it was:-

4. RESOLVED that the report be received and noted.

Low Carbon Place Task and Finish Group Work Programme 2010-11

Claire Harrison, Assistant Scrutiny Officer, presented a report of the Chief Executive (copy circulated) which provided Members with the current Work Programme for the Committee's Low Carbon Place Task and Finish Group for the 2010-11 Council Year.

(For copy report – see original minutes).

Ms. Harrison advised that the retrofit visit would take place the following day. Members were also advised that the Task and Finish Group would be submitted to the Committee in April.

5. RESOLVED that the Low Carbon Place Task and Finish Group Work Programme for 2010-2011 be received and noted.

Forward Plan – Key Decisions for the Period 1st January, 2011 to 30th April, 2011

The Chief Executive submitted a report (copy circulated) to provide Members with an opportunity to consider those items on the Executive's Forward Plan for the period 1st January, 2011 to 30th April, 2011 relating to the Prosperity and Economic Development Scrutiny Committee.

(For copy report – see original minutes).

6. RESOLVED that the Forward Plan be received and noted.

Work Programme 2010-11

The Chief Executive submitted a report (copy circulated) which attached for Members' information the Committee's current programme of work for the 2010-11 Council year.

(For copy report – see original minutes).

7. RESOLVED that the Committee's Work Programme for 2010-11 be received and noted.

The Chairman then closed the meeting having thanked everyone for their attendance

(Signed) M. MORDEY,
Chairman.