

CURRENT ECONOMIC POSITION & WORK WITH THE BUSINESS COMMUNITY

1. In response to growing concerns about the global economic crisis, the Association and the Northern Business Forum (NBF) convened a dinner (2 October) for local authority leaders, chief executives and business leaders to discuss the key challenges for the North East over the next 12 to 18 months. The Regional Minister, Nick Brown MP, was also in attendance. In particular, the meeting considered how business and local authorities can work together during difficult economic circumstances, and agree some specific areas for action.
2. Whilst not underestimating the significance of what is happening in world financial markets, local authority and business leaders highlighted the importance of continuing to look to the future, as well as dealing with the current challenges. The need to continue to focus on the communication of strong messages about the region as a place to do business in came out in discussions.
3. Discussions emphasised that whilst the economic conditions are currently challenging, the North East is in a better position than in previous economic downturns and we need to ensure that, alongside supporting business through the present difficulties, we should continue to promote the opportunities which exist.
4. To remain an outward facing region, Members stressed the need to continue to foster and develop relationships with a wide range of stakeholders, as well as with other regions and countries which will contribute to our long-term prosperity.
5. Members recognised that engagement with the business community would be crucial to the success of taking forward new arrangements in the region, and in ensuring that the North East is best positioned to take advantage of every opportunity for the economic and sustainable development of our region.
6. Local government and the business community have a shared agenda on a number of issues, which lie at the heart of the life and vitality of the region. There was consensus around ensuring that the right arrangements are in place to maximise the impact of the public and private sector's influence, for the benefit of everyone in the region.
7. A summary of the discussion, outlining key themes and priorities for local authorities and business, is attached as Annex A. This will be developed into a joint plan for action and circulated widely to local authorities, the business community and others as soon as possible.

Recommendation

8. Members are invited to:
 - a) note on the report and summary of discussion; and
 - b) approve the production of a 'joint agenda for action' between the Association and the NBF.

Contact: Hilary Knox, Deputy Chief Executive

JOINT NBF/ANEC Dinner with Nick Brown MP, Minister for the North East - 2 October 2008

Summary of Discussion – Key Points

The Economy

- Views were expressed that whilst the economic conditions are currently very tough, the North East is in a better position than in previous economic downturns and that we need to ensure that, alongside supporting business through the present difficulties, we should continue to promote the opportunities which exist (eg: new and renewable energies, the thriving industries in Teesside, the tourism industry), and to prepare for the economic upturn. Ensuring that we communicate positive messages from the region, where appropriate, to prospective investors, visitors, opinion formers and decision-makers, was regarded as an important priority.
- There was a view that we needed to identify where new wealth exists, and where this might come from – to enhance the level of funding allocation and investment in the North East.
- There was also a focus on existing industries in the region, and how these could be more effectively supported by a co-ordinated, partnership approach. The rejuvenation of older industrial estates, was also raised as a question for further discussion.
- Discussion focused on how partners could work together to support SMEs, such as, through Small Business Rate Relief (paid for by central Government but claimed by local government).
- Views were expressed that we needed to interrogate some of the myths and assumptions about operating in a global economy, and where necessary, change perceptions detrimental to the national and regional economy.
- In governance terms, it was felt that the move to 12 strategic unitary authorities for the North East gave the region its best chance to co-ordinate activity as a local government sector, and working in partnership with the business community, to address some of the challenges and carry forward opportunities, arising from a difficult economic climate. Views were expressed that it was up to the North East to devise its own strategy for dealing effectively with the economic down turn and how it would respond.

Liquidity

- Local authorities and other public sector bodies should look at how they can speed up payment to local suppliers.
- Local authorities should look at how they might invest their resources in local building societies to help ensure that there is resource available for the local mortgage market. These and related issues could be referred to ANEC's Finance Officer Group (which brings together treasurers from across the region).

- More strategically, partners needed to look at what the changes might be arising from the liquidity crisis, by projecting 3 years ahead, and considering what the economy might look like, and how we can take advantage of opportunities.

Use of Assets

- We should look at ways to release/prepare capital assets for the future, to assist through a period of economic downturn, but also to ensure that we are well positioned for the economic upturn. Public sector buildings could be let at nominal rents to help small and emerging businesses – a ‘bottom up’ approach.
- The rating of empty properties was considered to be a key issue which we should press the Government to reverse, particularly given the prevailing conditions.

Regional Funding Allocations

- It was felt important to maximise the opportunities presented by RFA, but equally to ensure that in the longer term the North East receives a fair and adequate share of the national ‘cake’, particularly given the recent reduction in the RDA’s budget. We need to work with the new Homes and Communities Agency to ensure that its activities support the regeneration of the region and link with regional priorities for action.
- It was noted that the RDAs/HCA nationally are currently analysing the position on regeneration across the country.

Planning and Economic Regeneration

- We need to consider how the planning system can support businesses who might be preparing for future developments which in the interim have to be put on hold.
- Economic development and planning officers within local authorities should look at how they can continue to ensure they deliver a ‘customer focused, outward facing’ approach, as well as being perceived as ‘open to business’, aspirational and with minimum bureaucracy.
- An event was proposed aimed at bringing together the region’s public sector economic development and planning specialists to consider these issues.
 - We need to have a long-term approach from the public sector during the current economic difficulties and should avoid ‘fiddling around at the edges’.
 - There is a need for more collaboration and robust debate between planners and developers to understand key issues and aspirations from both sectors, with a view to building greater trust, co-operation, understanding and ongoing dialogue.
 - The public sector could buy land to help start demand.
 - More flexibility is needed from Government.
 - We don’t want the planning system to change every three years – there is a need for a more consistent approach.
 - We need to look at the amenability of the planning system to support investment from developers.
 - There needs to be a structure or mechanism put in place to engage business in local development frameworks as, once they are in place, business feel it is too late for them to influence or contribute to in any meaningful way.
 - Broader planning issues need a hard discussion about local versus regional, particularly where there is competition between local areas - this was regarded as particularly important in relation to becoming more competitive as

a region, in a market place where the North East is competing with other regions of the country.

Procurement

- Local authorities should take a fresh look at how their procurement spend can support local businesses, as well as help drive up efficiencies.
 - We need consistency from the public sector and innovative approaches to procurement.
 - There should be sharing of best practice and information, to avoid reinventing the wheel.
 - ANEC and the North East Improvement and Efficiency Partnership should be a key player in ensuring consistency of approach across the public sector.
 - Local authorities argue against pushing out small business but sometimes the decision is taken out of their hands by national regulations, through Best Value and the Audit Commission.
 - There is a need for better cross departmental working at national level and restrictions on the amount of national guidance.
 - We need more flexibility across the public sector when commissioning and better dialogue and feedback between the public and private sector is needed.
 - There is a need for better harmonisation and standardised PQQs.
 - Large contracts should be broken down so that small businesses can compete.
 - The partnership between BT and South Tyneside Council was highlighted as one example of good practice in procurement.
 - There is a need for training and capacity building with managers beneath Chief Executive level, to ensure a strategic approach to procurement is both understood and undertaken at all levels throughout the local authority. Some businesses experience resistance, bureaucracy and lack of vision when dealing with procurement officers who might not share the 'bigger picture'.
 - There is a need for a standardisation of procurement processes across local authorities, with greater accessibility and transparency.
 - Small businesses are particularly concerned about the aggregation of contracts with precludes them from successfully tendering for contracts.
 - North Tyneside was given as an example of a good case study, whereby the tendering/procurement process for a recent £800 million capital investment project, actively supported the local economy, through guaranteeing 100 apprenticeships, with positive benefits for improving skills and employment.

Transport

- Greater strategic capacity at a regional level was required. Advice from outside of the North East would be critical, and influence over national bodies such as the Highways Agency and Network Rail was extremely important. Greater flexibility across funding streams would be helpful, as would having an integrated, long term strategic plan around which funding packages could be considered/assembled.
 - We need consistent messages to come from both the public and private sector (especially during RFA2) and need to lobby for key priorities.
 - The region needs to put forward the economic case for transport and a stronger business case is needed to argue for transport improvements.
 - The position of the Interim Regional Transport Board should be formally resolved, building on the expertise we already have in the transport sector.
 - It was suggested that business organisations are already 'singing from the same hymn sheet' on the key transport needs for the region.

- There is an argument that we already know what the priorities are and that the problem is that there are too many funding streams for different modes.
- We need better co-ordination at Government level which should allow the region to be more flexible in how it tackles transport problems.
- We need a long term integrated strategy, that has a 30 year vision and a government policy in relation to national infrastructure, that recognises regionally balanced growth.
- A discussion around whether business should pay for improvements was inconclusive, through for instance the Business Rate Supplement.
- Local authorities should have better partnerships with the private sector to help determine priorities.
- There were some views that there are too many public quangos determining the region's transport spending In relation to transport connectivity, views were expressed about the importance of links between the Tyne and Wear and Tees Valley City Regions and in relation to east-west, as well as north-south communication links.
- The link between transport and economic development was raised, and in particular, the importance of ensuring that transport infrastructure improvements and investment decisions, result in transport links to employment opportunities and employment sites.
- On light rail, discussion highlighted the importance between integration of the Tyne and Wear Metro reinvigoration with proposals for the development of a Tees Valley Metro.
- The Leamside Line and the Ashington – Blyth – Tyne Lines were both raised as examples of rail schemes which could be reinstated to play a significant part in improving connectivity in the region, and in linking areas of need to areas of opportunity.

Skills

- Views were expressed that continued investment in skills development is important to prepare for the economic upturn.
 - Local government could encourage and develop the take up of apprenticeships in the sector – targets should be set.
 - There is a need to ensure that young people are interested in what the North East can offer, amongst other things by promoting what being a student in the North East can lead to –publicise our modern industries and technologies, our R&D spin off activities etc.
 - We need to look at how we can support our young entrepreneurs who have not experienced an economic downturn.
 - ANEC has initiated a series of young people's debates in order that they may contribute to policy development and thinking. A joint ANEC/ONE sponsored event for young people on the economy and the region's economic future was proposed.
 - Apprenticeships are vital for some sectors in the North East including the chemicals.
 - We need to have better business-university collaboration.
 - Some colleges have become more responsive and pro-active with the needs of businesses.
 - Train to Gain should be more responsive to business needs and should reduce competition between public providers.
 - Fees are more concerned with competing for students and we should be taking a far more strategic approach. We need to have a more responsive system.
 - There is potential for a website to help build bespoke programmes for businesses to determine what the best programmes are.

- The skills system is complex for employers to negotiate which is not helped in the current reforms.
- We need a more strategic long-term approach.
- Businesses need to have more influence in the National Curriculum.
- Interface between business and schools needs to be improved.
- Vocational courses need to be more demand-led and engage better with employers.
- Issues were raised about the appropriateness of skills supply/provision with demand for employers for skills, and that there needed to be a cleverer approach to joining up supply and demand.
- It was felt that there needed to be a long term commitment to skills in practical areas, eg in engineering.
- Perceptions about constant changes in skills funding were not considered helpful to business.

Tourism

- It was noted that the region's tourism industry was doing well and that there was a further opportunity to market the region as part of the next stage in One NorthEast's 'Passionate People, Passionate Places' campaign. The importance of destination marketing was highlighted, as was the importance of promotional activities by gateways into and out of the region.
- Generally, the cultural agenda was highlighted as an important part of the region's economy and should remain a focus during challenging economic times.

CLEAN COAL DEBATE

Introduction

1. In the Association's first 'Green' Manifesto, launched at the recent political Party Conferences, new and renewable energy are highlighted as key areas in which North East local government leadership has a crucial role to play. Building upon a proud history of sustainable renewable energy and new technology in the North East, the Association has committed to developing and encouraging:
 - working with partners to ensure that existing and developing renewable energy options are utilised to best effect; and
 - working with business and other stakeholders to ensure that the opportunities presented by new and renewable energy industries can be fully realised.
2. One of the Association's over-arching pledges in the Green Manifesto is to support opportunities for exploring and debating options and latest research into a range of alternative energy and carbon capture technologies, including 'clean coal'.

What is clean coal?

3. Clean coal is an umbrella term used in the promotion of the use of coal as an energy source by emphasising methods being developed to reduce its environmental impact.
4. The term describes technologies designed to enhance both the efficiency and the environmental acceptability of coal extraction, preparation and use, including chemically washing minerals and impurities from the coal, gasification, the removal of sulfur dioxide, and carbon capture and storage technologies to capture the carbon dioxide from the flue gas.

Promoting the use of clean coal

5. The North East has the potential to significantly contribute to energy targets and a low carbon economy by building upon technical innovation. The region's universities including Newcastle University and the recently established Carbon Capture Storage Research Group at Durham University are exploring the opportunities presented by the developments of cleaner coal technology.
6. Gateshead Council recently hosted the second annual Thomas Hepburn lecture to look at the energy challenges in the 21st Century and specifically cited clean coal as a potential solution for the energy challenges facing the UK, based on presentations by Professor Paul Younger, Newcastle University and Ian Lavery, President of the NUM.

7. Developments in this field could have enormous potential for the North East region, as Energy Minister Malcolm Wicks has noted on a recent previous occasion. Clean coal also has potentially significant implications for national and global energy strategies and development.

Invitation to join PURGe / Clean Coal Coalition

8. Recognising the renewed political focus on energy policy and climate change, PURGe, (Public Utilities Reform Group) is due to launch a campaign to seek a more explicit commitment to taking forward the clean coal debate and lobby. This would involve the following:
 - institute a clean coal steering group (meeting monthly);
 - raise the clean coal concept within Parliament;
 - commission research that indicates the social and environmental benefits that clean coal could yield;
 - undertake associated media work;
 - seek meetings with key Government departments; and
 - organise lobbying and advocacy activities.
9. There is currently a proposal from PURGe for a national cross party coalition, to be co-chaired by Dave Anderson MP. Given the clear linkages between the PURGe agenda and the Association's Green Manifesto commitments, the Association's Deputy Chief Executive will attend the initial meeting of the Forum on 22 October, to which interested parties have been invited, including energy industry representatives, local authorities, trade unions, business and other partners. Discussion will focus on establishing interest amongst the various partners for working collaboratively to create an effective campaign around the benefits of clean coal.
10. PURGe is proposing to build a twelve month programme of work to support a 'clean coal campaign', and is seeking stakeholder contributions of £2,000 from each partner organisation. Connect Public Affairs is acting as the Secretariat to the Forum.
11. A further verbal update will be given following the meeting scheduled for 22 October.

Recommendations

12. Members are invited to:
 - a) receive a further verbal update from the Deputy Chief Executive who is attending the first meeting of the group;
 - b) endorse a proposal for the Association to contribute to the debate, regionally and nationally, on clean coal technology; and
 - c) approve the Association representation on the PURGe campaign coalition.

Contact: Hilary Knox, Deputy Chief Executive