

Economy and Enterprise Overview and Scrutiny Committee

7 November 2019

Business Durham – Progress Report



Joint report of Lorraine O'Donnell, Director of Transformation and Partnerships and Ian Thompson, Corporate Director of Regeneration and Local Services

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide members of the Economy and Enterprise Overview and Scrutiny Committee with background detail on the activities of Business Durham prior to a presentation by highlighting the work and impact of Business Durham in County Durham.

Executive summary

- 2 Members will be aware that the Committee receives, on an annual basis, an update on the activities undertaken by Business Durham, identifying the impact of that activity on the county.
- 3 The last progress report was considered by Committee in September 2018 and it was agreed by the Committee on 27 June 2019 when considering its future work programme that a further progress report would come to Committee for consideration.
- 4 Arrangements have been made for Brian Archer, Managing Director, Business Durham to attend on 7 November 2019 to provide a presentation focusing on:
 - Progress in delivering the agreed strategy
 - The performance and impact of Business DurhamA copy of the presentation is attached as Appendix 2.

Recommendations

- 5 Members of the Economy and Enterprise Overview and Scrutiny Committee are asked to note and comment upon the information provided in the report, during the presentation.
- 6 That the Economy and Enterprise Overview and Scrutiny Committee as part of the refresh of the committee's work programme for 2020/21 receives a further progress report on activity undertaken by Business Durham.

Background

- 7 Business Durham is the economic development arm of Durham County Council with the following mission, vision and strategic aims:

Mission

To enable economic growth, create jobs and improve lives in County Durham.

Vision

Business Durham will have a reputation for delivering measurable and inclusive economic growth.

Values

- Honest
- Accountable
- Results driven
- Responsive
- Inclusive
- Enjoyment
- Entrepreneurial

Strategic Aims

1. Build a profile and reputation for County Durham as the best place to invest, start or grow a business
2. Improve our financial resilience and surplus
3. Deliver measurable inclusive economic growth and account for our performance to our stakeholders
4. Transform our internal systems and processes to become a robust and agile organisation with a reputation for quality
5. Be an employer of choice attracting and retaining the very best people

- 8 Business Durham operates the Council's industrial and business property portfolio via a commercial model, both to attract and grow tenant companies but also to use any surplus to pay for Business Durham's public good activities in business engagement, innovation, sector development, strategy development, inward investment, and enterprise.
- 9 Business Durham continues to focus on sectors where activities will have the most economic impact. These sectors (effectively, non-retail and non-leisure) account for approximately 9,500 businesses (VAT/PAYE registered) in County Durham.
- 10 To advise, inform and support its work, Business Durham benefits from an Advisory Board, supported by DCC elected Members and private sector board members representing a range of business sectors in the County.

Performance Summary and Highlights

- 11 2018/19 was another successful year for Business Durham, with targets being met or exceeded. Business Durham produced a short Annual Review summarising the highlights of the year, which is attached as Appendix 3.
- 12 The Business Durham Property Team had a busy year with over 230 office and factory viewings resulting in 84 new lettings. Industrial properties in particular were still in high demand with overall occupancy at 84% and rental income on target at £4.19m. A number of significant Council investments were under consideration at Jade Business Park and Station Place, Newton Aycliffe responding to the demand for modern industrial space across the County.
- 13 Since its launch in May 2017, the **Finance Durham Fund** has invested £3.5M into 10 businesses, generating £5.2M private sector leverage and supporting the creation of 148 jobs. Together the portfolio employs over 250 staff across the County in core growth sectors including technology, engineering, tourism, renewables and scientific innovation. In addition, over 185 companies have benefitted from attending 1-2-1 Investment Clinics as part of the access to finance programme to help businesses become 'investor ready'. The Finance Durham Fund is managed by Maven Capital Partners on behalf of the Council. Maven also manage one of the five funds that make up the North East Fund, a £120m investment programme available to SMEs across Durham, Northumberland and Tyne and Wear. Business Durham works closely with the fund managers to ensure businesses in the County are aware of the finance available, and to date the North East Fund has made 25 investments totalling £3m into County Durham businesses.

- 14 The **Digital Drive Durham ERDF programme** was launched in January 2018 to enable businesses to become more resilient, efficient and profitable by using digital technology to gain a competitive edge and maximise growth. To date, 573 eligible businesses have registered with the programme and over 160 companies have received 12 hours support. The programme also offers a grant towards the cost of businesses implementing new digital technology and equipment within their business, and over 118 businesses have had grant offers approved to date. As a result of support received through the programme, companies have reported a net increase in employment of 43.76 FTEs.
- 15 ERDF funding approval was received in March 2019 for a three year extension to the **Durham Business Opportunities Programme (DBOP)** which will take the programme up to November 2022. The programme engages businesses and connects them with support and opportunities to help them to grow. To date the programme has provided intensive assistance to 142 businesses. This has included businesses in the childcare sector, creative businesses, small engineering/manufacturing firms and businesses in the food and drink sector, as well as 'Routes to Contract Success' support to enable businesses from a range of sectors to improve their chances of winning work.
- 16 ERDF funding approval was received in December 2018 for a £6m capital grants programme for businesses, the '**County Durham Growth Fund**', which will provide grants for SMEs that are investing in capital equipment or new premises in order to support their growth. The fund went live from 1 April 2019 and there has been strong interest in the capital grants from over 50 companies, which have plans to invest over £100k to expand their businesses. Decisions on the grant applications are made by an independent investment panel, chaired by one of the private sector members of the Business Durham Advisory Board.
- 17 There were 7 **inward investment projects** during the year, which will lead to the creation of over 2400 jobs in the County. Three of these projects were significant including the acquisition of the former Walkers plant in Peterlee by vegan food producer, VBites, led by Heather Mills, and will create 300 jobs; Biffa investing £15m in a plant in Seaham to reprocess plastic drinks bottles, creating 70 jobs; and one project that wishes to remain confidential.
- 18 Business Durham has maintained its work on innovation, the **North East Satellite Applications Centre of Excellence** held its annual conference "Into The Blue" in March 2019 with 111 attendees. Other events included a "SpacePreneurs" intensive enterprise challenge at

NETPark and a student enterprise two day challenge at Durham University.

- 19 The first cohort of 8 businesses on the **Durham City Incubator (DCI)** based at Salvus House, completed their 6 month programme in June 2019. They benefitted from a wide range of workshops, 1-2-1 support, and meeting with investors, attending events from other programmes such as Digital Drive and working with each other. The 8 new businesses have progressed well and collectively raised over £120,000 of investment funds during the 6 months. One of the businesses, Plastech Innovation, won two National Awards, SCidea 2019 and Shell LiveWIRE, and were winners of Durham University Blueprint Startup Challenge. The second DCI cohort started on 8 July 2019, with 8 new businesses selected from 26 applicants.
- 20 Enterprise and outreach activities during the year included the annual **Future Business Magnates (FBM)** competition, which was won by St Leonard's Catholic School, a team which has participated in the competition for the past 14 years but has, until this year, never won the top prize. A number of schools have also taken up the 'FBM Freshers' project which introduces year 7 students to the concepts around business start up in an exciting and fun way. A further highlight of Business Durham's STEM outreach work included Space Camp, where Astronaut Dr Michael Foale CBE, delivered a series of talks to pupils and the general public, with over 2000 attending over two days in early June 2019.
- 21 In order to enhance the **enterprise and start-up** offer in the County, Business Durham has applied for ERDF funding for a new project to support ambitious business start-ups 'Durham Ambitious Business Starts (DABS)' which will commence early in 2020, subject to ERDF funding approval.

Business Growth and Survival

- 22 Business Durham delivers the Northern Powerhouse Key Account Management Programme (NPH KAM) within County Durham on behalf of the Department for International Trade. The programme seeks to ensure that Foreign Direct Investors (FDIs) are supported to sustain and grow in County Durham. Business Durham exceeded its target of engaging with 15 FDI companies, actively engaging with 23 companies during 2018-19 and supporting 7 projects which will create 73 jobs. Business Durham also engages with 31 other FDIs in the County that are not part of the NPH KAM programme.
- 23 The impact of Brexit on the County's economy remains uncertain and has caused some FDIs to delay potential expansion projects. Through

its day to day business engagement work, Business Durham is keeping in touch with companies to understand their concerns, potential implications for their business or sector, and connecting them to sources of information or assistance on specific issues through our contacts in the Department for Business, Energy and Industrial Strategy. Business Durham has a dedicated 'Brexit' slot in its monthly business newsletter and directs businesses to the Brexit toolkit on the North East Growth Hub.

24 Business Survival Rates

% of businesses surviving in first 5 years:

	Year 1	Year 2	Year 3	Year 4	Year 5
Durham	92.4	74.1	59.4	50.6	42.6
North East	92.2	75.6	60.4	51.2	43.6
England	91.2	73.8	59.2	50.3	43.1

Business Durham supports business survival primarily through the Account Management Service. This forms the basis of trusted relationships with the business community which enables the early identification of problems or issues that can be addressed through the wider business support infrastructure. The feedback from the business community and Advisory Board is also valuable in identifying gaps in provision which informs Business Durham's EU bidding strategy. Currently £41m of EU project funding is planned for County Durham businesses which includes a Business Growth Fund, Digital Drive which helps businesses benefit from new technology, as well as Business start-up support.

Looking forward

- 25 Commercial challenges facing Business Durham include profitably growing the property portfolio and maximising occupancy levels, to simplify access for businesses and continue to change private sector perceptions of the Public Sector, to continue to build the Business Durham brand, to develop a commercial culture for reinvestment in economic and social good, and to respond to Brexit and EU bidding opportunities before they diminish.
- 26 Following the publication of the Government's Industrial Strategy White Paper in November 2017, it was announced in early summer that the

North East would be one of the first areas of the country to develop a Local Industrial Strategy (LIS). This work is being led by the North East LEP, which is currently refreshing the region's Strategic Economic Plan in order to prepare the ground for the Local Industrial Strategy. It is likely that future Government funding for economic growth, in particular the Shared Prosperity Fund, will be aligned to the LIS, so it is important that County Durham partners help to shape and influence the LIS. Business Durham is leading the development of an Industrial Strategy for County Durham, working closely with Durham University to gather a robust and up to date evidence base which will underpin this work.

Conclusion

Business Durham continues to deliver considerable economic impact for the region.

Background papers

- None

Other useful documents

- None

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Appendix 1: Implications

Legal Implications

This report is for information only

Finance

Not applicable

Consultation

Not applicable

Equality and Diversity / Public Sector Equality Duty

Not applicable

Human Rights

Not applicable

Climate Change

Not applicable

Crime and Disorder

Not applicable

Staffing

Not applicable

Accommodation

Not applicable

Risk

Not applicable

Procurement

Not applicable