

Economy and Enterprise Overview and Scrutiny Committee

30 October 2020

Business Durham – Progress Report



Report of Amy Harhoff, Corporate Director of Regeneration, Economy and Growth

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 To provide members of the Economy and Enterprise Overview and Scrutiny Committee (E&E OSC) with background detail on the activities of Business Durham prior to a presentation highlighting the work and impact of Business Durham in County Durham, including detail of support provided during the COVID-19 pandemic.

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 November 2019. However, at the E&E OSC on 23 July 2020 members received a report and presentation highlighting the economic impact of COVID-19 on the county. The report and presentation included detail of the support provided by Business Durham during the pandemic to the business sector in County Durham and recovery plans.
- 4 The committee when considering its work programme for 2020/21 agreed to include an update on the activities and performance of Business Durham together with a further update on continued support provided to the business sector and progress made in relation to recovery plans.

5 Arrangements have been made for Sarah Slaven, Managing Director (Interim), Business Durham to attend on 30 October 2020 to provide a presentation focusing on:

- 2019/20 performance and highlights
- Covid 19 impact and support for businesses

A copy of the presentation is attached as Appendix 3.

Recommendations

6 Members of the Economy and Enterprise Overview and Scrutiny Committee are asked to note and comment upon the information provided in the report and during the presentation.

7 That the Economy and Enterprise Overview and Scrutiny Committee as part of the refresh of the committee's work programme for 2021/22 receives a further progress report on activity undertaken by Business Durham including support to aid recovery of the business sector resulting from the COVID-19 pandemic.

Background

8 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.

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. Develop the ecosystem to enable County Durham to be a leader in innovation and enterprise
5. Invest in our people, systems, and processes to ensure our organisation is robust and agile with a reputation for quality

- 9 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.
- 10 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.
- 11 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

- 12 2019/20 was another successful year for Business Durham, with targets being met or exceeded (see Appendix 2). Highlights of the year included:

- 86% Occupancy
- 2108 jobs created/safeguarded
- £62M GVA growth
- 1040 businesses engaged
- £3.4M secured for businesses
- 8 inward investors
- £0.9M new contracts won
- 16 business start-ups
- 2575 people engaged in enterprise

- 13 Income for the **Business Durham portfolio** ended the year at 5.2% above target and 9.1% better than the previous year, reflecting increased occupancy across the portfolio, in particular at NETPark with higher rental values. Occupancy across the portfolio at 86.40% was above target for the year with industrial occupancy remaining constant around 90%, and increases in occupancy of offices and at NETPark.

- 14 2019/20 also saw a major investment in 155,000 sq. ft. of Council-funded speculative industrial units at **Jade Business Park** in Murton, which will be owned by the Council and managed by Business Durham. Sumitomo Electric Wiring Systems Europe, a supplier to Nissan, was announced as a pre-let on the largest unit of 55,000 sq. ft. and despite difficult weather conditions and the impact of COVID-19, Sumitomo were able to move in to their unit in July 2020, with all 7 units complete by August 2020. There is strong interest in the remaining six units following a period of intense marketing.
- 15 The Council has also agreed a further £5m investment at **Station Place, Merchant Park, Newton Aycliffe**, to support a development of 50,000 sq. ft of speculative industrial units, responding to the demand for modern industrial space across the County. Subject to planning approval, construction on site is expected to commence in January 2021 with units available from September 2021. Business Durham will manage and market the units and be responsible for a 30 year head lease with the developer.
- 16 Since its launch in May 2017, the **Finance Durham Fund** has invested £5.44 million into 13 companies, generating £7.2 million private sector leverage and supporting the creation of 223 jobs. Together the portfolio employs over 270 staff across the County in core growth sectors including technology, engineering, tourism, renewables and scientific innovation. 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 53 investments totalling £8.3m into County Durham businesses (19.1% of the total invested in the region).
- 17 The **Digital Drive County 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, 521 businesses have been assisted through the programme, with 360 businesses receiving at least 12 hours support. The programme also offers a grant towards the cost of businesses implementing new digital technology and equipment within their business, and 264 grants totalling over £889,000 have been paid out to businesses. A fast-track approach to grants was introduced as part of the Covid-19 response and has been particularly valuable to enable businesses to implement home-working and online services. In May 2020, funding approval for a further £2.34 million ERDF was received to extend the Digital Drive programme up to June 2023.

- 18 The first phase of the ERDF funded **Durham Business Opportunities Programme (DBOP)** was completed in November 2019, and an interim evaluation was undertaken by New Skills Consulting. The DBOP programme works with SMEs in the County who have not traditionally accessed business support, specifically by identifying and helping them access market opportunities, connecting them to other support opportunities and looking to fill unmet needs. The evaluation found that the majority of businesses assisted in Phase 1 were micro businesses with a turnover of less than £50k, and that 63% of respondents had not previously received business support. Client feedback was very positive with 86% rating the process by which they accessed support as being good or very good, and the evaluators concluded that the programme provided good value for money with £2.28 of net additional GVA created for every £1 of public sector investment.
- 19 Phase 2 of the DBOP programme is now underway and intensive strands of support commissioned through the programme have been focused towards helping companies to recover from COVID-19 and look for new market opportunities. This includes 'Construction Routes to Contract Success' aimed at SMEs in the construction supply chain, support for the Engineering sector, working with the Engineering and Manufacturing Network (EMN) and 1:1 intensive marketing support for micro and small businesses to help them get back on track and fund new customers.
- 20 The **County Durham Growth Fund** provides grants for SMEs that are investing in capital equipment or new premises in order to support their growth. The fund commenced in April 2019 and to date has awarded grants to 12 businesses totalling £3.8 million, with 414 jobs forecast to be created. A further 14 projects have been approved in principle, subject to due diligence. ERDF approval has been received to extend the project until June 2023 with an additional £4 million of grant funding, meaning the fund now has £5.1 million available to allocate to projects over the next 3 years which will help to support SME growth plans as the economy moves into the recovery phase.
- 21 There were 8 **inward investment projects** during 2019/20, all of which were smaller projects than in some years, but which will lead to the creation of over 170 jobs in the County. Economic uncertainty due to Brexit had a considerable impact on enquiries, with larger inward investment projects taking longer to come to a decision, and activity was further affected by the impact of COVID-19 in the period from March-July 2020. Inward Investment enquiries have since started to return to more normal levels especially in the manufacturing and technology sectors.

- 22 A highlight of 2019/20 was the Business Durham-led **Trade Mission to South Africa** which took place in September 2019. 15 companies from the North East, including 6 from County Durham, participated in the trade mission, the largest delegation from the region to date. The businesses had the opportunity to meet businesses and trade officials in Johannesburg and Durban, to identify potential market opportunities and make contacts across a range of sectors. Over £500,000 of contracts were generated as a result of the mission. Following on from this, the Chairman of Durham County Council, and an officer from Business Durham attended the South Africa Investment Conference in Johannesburg in early November 2019, at the invitation of Her Excellency Nomatamba Tambo, South Africa High Commissioner to the UK. The conference provided an opportunity to learn more about the investment planned in the Cape Town region and to further strengthen the relationship between the County Council and Business Durham with Department for International Trade colleagues from Durban and Johannesburg.
- 23 Business Durham has maintained its work on innovation during the year in particular in relation to opportunities in the space sector. A business case to extend Business Durham's contract to run the **North East Satellite Applications Centre of Excellence** for a further 2 years to March 2022 was approved by the Satellite Application Catapult. A feasibility and options study of the space sector in the region was completed in April 2020, which will help to inform the development of a longer term plan for the Centre of Excellence beyond 2022, and highlights the opportunity to create a Space Hub at NETPark.
- 24 **Durham City Incubator (DCI)** a partnership initiative with Durham University and New College Durham, which is based at Salvus House, has seen two further cohorts complete their 6 month accelerator programme. This brings the total number of entrepreneurs supported to set up a business in Durham to 28. Several of the businesses on Cohort 2 (July-December 2019) have had considerable success as a result of the support received. One has secured £250K investment, one received an award for the best business with social aims in the 'If We Can You Can' competition, and one business has taken on 2.5 staff. Four of the businesses have taken office space at Salvus House on completion of the programme and one was been offered space within the Atom Bank incubator. The 6 businesses on Cohort 3 (January-June 2020) suffered some disruption due to COVID-19, but have continued to progress with developing their products, services and marketing. A further 5 businesses commenced on Cohort 4 in July, which will be delivered as a virtual programme to December 2020. Three of the participants are graduates from Durham University and another is from New College Durham.

- 25 In February 2020, ERDF funding was approved for a new project to enhance the enterprise and start-up offer in the County, called '**Durham Ambitious Business Starts (DABS)**'. The programme launched in June and has two elements: support for potential entrepreneurs thinking of starting a business, and support for new businesses that have been trading for less than one year. A variety of innovative delivery methods are being piloted, together with an online 'start-up portal' and Durham's first virtual 'Festival of Enterprise' which will take place on 21st and 22nd October 2020 to inspire and showcase the support available.
- 26 The **Future Business Magnates 2020** enterprise competition was launched in November 2019, and the participating teams were challenged to come up with a new business idea to fit the theme "Build a Business to Protect the Planet", with support for the competition from the BBC and the Environment Agency. Sadly the competition had to be halted when schools were closed in March as part of the national lockdown, and given the level of disruption experienced, it was not possible for the teams to complete the remaining two competition challenges. Instead of the Awards Ceremony at the end of the competition, all participating students received a certificate and voucher recognising their efforts. Due to the pandemic, no face to face enterprise activity is planned for the remainder of the academic year and instead time will be spent developing virtual enterprise activity that can be used as a resource by schools in the future

Impact of Covid 19

- 27 Since April 2020, overall occupancy of the property portfolio has increased from 86% to 92% with significant new lettings at NETPark in particular, despite COVID-19. It is felt COVID-19 has yet to have a major impact on performance with Government assistance helping companies survive the first quarter. All tenants were offered a rent deferral from quarter one into quarters two, three and four with some 60% of tenants taking up the offer.
- 28 NETPark and all business centres remain open with COVID-19 social distancing measures in place. The majority of NETPark tenants continue to operate from site, as business as usual, with activity at the business centres and industrial sites gradually increasing, but not yet back to pre-lockdown levels.

- 29 Whilst businesses in some sectors continue to be badly affected, there are encouraging signs in other sectors. A number of manufacturing and distribution companies have reported accelerated volumes as the population has stayed at home or had staycations, and those in work or on furlough have undertaken home improvement projects. Most manufacturing firms are now operating at around 70-80% of pre-Covid volumes, and the latest investment panel for the County Durham Growth Fund approved 3 manufacturing business projects that will create over 70 jobs in the County. There is a healthy pipeline of business enquiries for the fund, indicating that there continue to be companies in the County that are progressing expansion plans.
- 30 Similarly, businesses attending the business networks that Business Durham facilitates across the County, which are currently being held online, are reporting positive trends and new opportunities, including a number that are recruiting staff. Business Durham continues to showcase these positive business news stories and case studies on its website.

Support for Businesses

- 31 Business Durham has continued to respond to high numbers of business enquiries and to reach out proactively to businesses in the County, engaging with 654 businesses in the period from April to September 2020.
- 32 The team supported the Council's Business Rates team to expend the small business grants, retail, hospitality and leisure grants, and the local authority discretionary grants before these schemes closed at the end of August 2020. This included chasing up over 300 businesses to ensure they didn't miss the deadline.
- 33 To ensure that businesses are aware of support to help them adapt and recover, Business Durham has co-ordinated a COVID Business Support Brochure outlining the local and regional business support programmes that are available for County Durham businesses to access. The brochure is available on the Business Durham website: <https://www.businessdurham.co.uk/covid-19-recovery/covid-recovery-for-businesses/business-support-brochure/> and a copy has been provided to all Members.
- 34 The team have also developed a proposal for a Business Recovery Grant scheme, designed to support businesses that have a credible plan to adapt and recover, but lack the finance to be able to implement it, and where the costs cannot be funded from one of the existing grant schemes. The proposal is currently under consideration within the Council.

- 35 Business Durham is developing links with specialist firms in the region that assist business restructuring, to ensure they are aware of the support available to businesses when they are dealing with companies that are in danger of going into administration or insolvency. Business engagement staff continue to alert businesses to the support on offer for employees at risk of redundancy, in partnership with Employability Durham, DWP, and the National Careers Service. It is anticipated that there will be an increase in businesses restructuring, and employees being made redundant once the current furlough arrangements change at the end of October 2020.
- 36 Work has also been undertaken to assess the capacity of the start-up provider network in the County to support an anticipated increase in demand from people looking to start their own business, due to redundancy. A number of measures are being put in place including the development of a start-up portal through the DABS programme that will offer 'self-serve' information and support.

Looking Forward

- 37 Covid 19 support and recovery will continue to be the top priority for Business Durham for the remainder of the year, whilst also ensuring no dip in financial and performance measures. Ongoing business engagement, including delivery of the Northern Powerhouse Key Account Management programme will ensure the team are able to pick up intelligence and evidence of the impact on businesses and the economy.
- 38 In addition to this, Business Durham will continue to progress plans to develop new opportunities for the future, including enhancing inward investment capacity and activity, strengthening the innovation offer in the County, particularly in relation to opportunities in the space sector, and bringing NETPark Phase 3 and other key local sites to market, ensuring the County has a good pipeline of modern industrial property to support future economic growth.

Conclusion

- 39 Business Durham continues to deliver considerable economic impact for the County and provide vital support for businesses in response to the impact of COVID 19.

Background papers

- None

Other useful documents

- None

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

Appendix 2: Business Durham 2019/20 Performance

Strategic Aims	Objectives 2019-20	Target	Achieved
1. Build a reputation for County Durham as THE place to start grow or invest in a business	1.1 Increase social media activity, PR and presence	Q4	Q4
	1.2 Strengthen visual identity and deliver marketing collateral	Q1	Q1
	1.3 Establish process for more effective use of data gathered to inform activity and decisions	Q2	Q2
	1.4 Targeted in depth activity aligned to geographic and sectoral opportunities to drive business engagement	Q4	Delayed
2. Improve financial resilience	2.1 Increase business occupancy	85%	86.4%
	2.2 Generate more commercial rental income	£4.2M	£4.42M
	2.3 Deliver property operating surplus	£1.2M	£1.29M
	2.4 Successfully bid for and win new contracts	£3.0M	£0.9M
	2.5 Extend value of property portfolio	£13.5M	£19.0M
	2.6 Net debt reduced (30 days +)	£250,000	£171,970
3. Increase productivity and growth	3.1 Jobs created or safeguarded	1,500	2,108
	3.2 Increase number of businesses engaged	1,000	1,040
	3.3 Businesses intensively assisted	300	403
	3.4 Value of GVA growth	£44M	£61.9M
	3.5 Inward Investment projects secured	10	8
	3.6 People engaged in enterprise activities	2,500	2,575
	3.7 Investment secured for companies	£5M	£3.4M
	3.8 Business start ups (DCI)	18	16
4. Drive up quality transform internal processes	4.1 Achieve Investors in People	Q4	On hold
	4.2 Embed core processes and invest in technology	Q4	Achieved
5. Attract and retain the best people	5.1 Staff satisfaction level	80%	92.5%
	5.2 Proportion of staff upskilled	100%	100%
	5.3 Reduce staff sickness and absenteeism	(10%)	-
	5.4 Achieve Better Health at Work Award	Q4	Achieved