



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

Electoral division(s) affected:

Countywide

Purpose of the Report

- 1 This report provides members with an overview of the current business start-up 'ecosystem' in County Durham, including the enterprise and start-up programmes which will conclude in June 2023 as ERDF funding comes to an end. The report also provides an update on the work being undertaken to develop the future provision of business start-up support, enabled by the UK Shared Prosperity Fund and the Enterprising Durham Framework.

Executive Summary

- 2 The County Durham Inclusive Economic Strategy highlights the need to strengthen our economy by increasing the number of start-ups as well as encouraging business growth and business investment in the county. One of the four priorities under the Productivity Pillar of the IES is to "Provide excellent support at all stages for businesses to start-up, sustain, thrive and grow in County Durham". As part of the development of the IES Delivery Plan the current start-up 'ecosystem' is being reviewed to meet this priority, learning from the programmes that have been successful in supporting business start-ups to date, and looking at new ways to encourage and support more businesses to start-up in the County.
- 3 Business start-up support has historically been provided across the County by the three enterprise agencies - CDC Enterprise Agency (CDC), East Durham Business Service (EDBS), and South Durham Enterprise Agency (SDEA) - who are members of the North East Enterprise Agencies Ltd (NEEAL) consortium and together deliver an ERDF business start-up programme with a focus on disadvantaged individuals and communities that need the most support, such as the unemployed and residents of rural areas.
- 4 Business Durham supports the start-up ecosystem and has successfully run two ERDF programmes, Durham Ambitious Business Start-ups (DABS) and Durham City Incubator (DCI). In addition to this, Durham University Careers and Enterprise Team run a broad range of enterprise activity at Durham University including Game Changer, Blueprint Challenge, Durham Venture School and Northern Accelerator programme. However, the start-up offer in the County is not always easy to access and can appear fragmented, and

over the last 2 years, partners have been meeting together to address this as an informal County Durham Start-up Provider Network, led by Business Durham.

- 5 Using UK Shared Prosperity Fund resources, Durham County Council, supported by the County Durham Economic Partnership, recently commissioned a piece of work to develop an Enterprising Durham Framework with the aim: *'To create an integrated partnership delivery approach to supporting enterprise and business start-up in County Durham.'*
- 6 Enterprise delivery partners have come together, through facilitated engagement and consultation, to develop The Enterprising Framework, to agree how partner organisations can best deliver integrated, inclusive, quality support for enterprising start-ups, enterprising people, and enterprising places. The design of new support must put the clients' needs at its heart and create a service that builds the capabilities of the client and ensure it is accessible to everyone across all communities.
- 7 The Enterprising Durham Framework process has been very positive, and partner organisations involved in start-up services see a real opportunity to join up start-up support in the County to provide a better offer to business start-ups at all stages, building upon the best practice and lessons learned from current start-up support programmes. While discussions are still ongoing, there is a sense that the Enterprising Durham Framework enables inclusive design and inclusive implementation of support for start-ups in the County.
- 8 UKSPF resources of £2 million have been allocated to take this forward and activities will be developed in line with the principles in the framework over the next two months, with delivery starting from September 2023, subject to approval of the detailed delivery plan.
- 9 The Enterprising Durham Framework sets out the foundation to build a start-up ecosystem in County Durham that will deliver on the County Durham Inclusive Economic Strategy priority to ensure the provision of excellent support at all stages for businesses to start-up, sustain, thrive and grow in County Durham.

Recommendations

- 10 Members of the Economy and Enterprise Overview and Scrutiny Committee are asked to note and comment on the information provided in this report.

Background

- 11 The rate of business start-ups in County Durham has historically been below the regional and national average. It is important to be aware that the official government statistics on business start-ups only include businesses that register for VAT or PAYE, and therefore micro businesses and the number of people entering self-employment are not accurately reflected in the figures.

- 12 In terms of the increase in the total number of businesses in recent years, the County has seen very similar performance in comparison to the regional figures. The latest data estimates from the Office for National Statistics (ONS) show there were 14,725 active enterprises in County Durham in 2022, equivalent to **276** businesses per 10,000 population. This is similar to the North East average (273 per 10,000 population) although still significantly lower than the England & Wales average (426 per 10,000 population).
- 13 Over the last 3 years County Durham has seen growth in the overall number of businesses at a rate comparable to and in some years above, the growth in the number of businesses regionally and nationally. In 2020 the County saw an increase of **310** businesses (**2%** growth) compared with 1% regionally and nationally. In 2021 the County did particularly well with an overall increase of **460** businesses (**3%** growth) compared to 1% in the North East region and Great Britain. In 2022, the County saw a net increase of **160** businesses (**1.1%** growth) higher than regional (1%) and national (0.1%) increases.
- 14 ONS also publish data on the number of new enterprise 'births' per annum which shows that the annual number of business births in the County has been increasing over the last 4 years from **1,565** in 2018 to **1,810** in 2021 (the latest year for which data has been published). The data also indicates that County Durham performs slightly above the regional and national figures for the survival rate of new businesses, with **75.1%** of businesses 'born' in the County in 2018 surviving for at least 2 years post start-up (compared with 74.4% in the North East and 74.3% in England and Wales) and **60.4%** surviving for at least 3 years (compared with 56.8% in the North East and 57.5% in England and Wales).
- 15 Although the above statistics provide a good indication of the levels of business start-up, it is difficult to obtain a full picture of the number of businesses that start-up in the County each year, as many businesses start up without taking any formal advice, or engaging with business start-up support services. There is a wide range of information available on the internet including free start-up guides and business plan templates, and the Government offers a National Business Support Helpline which provides free advice by telephone or via webchat (and is delivered by UMi, a company headquartered in Seaham). This means that potential business founders can 'self-serve' and it is difficult to accurately track total start-up numbers.
- 16 Data on the opening of new business bank accounts can also be used to provide an indication of the number of business start-ups, although these figures also need to be treated with caution, as some businesses will open more than one business account, many self-employed people use a personal rather than business bank account, and start-ups are increasingly using the new online challenger banks which do not currently contribute to the start-up datasets. Figures from BankSearch Information Consultancy, which collates data from the main providers of business banking services indicated that there were 5 start-ups for every 10,000 working age population in County Durham in February 2022, comparable to the business start-up rate of 5.5 for the whole of the North East. County Durham typically accounts for 18-20% of all

business start-ups in the region, a similar level to the County's 20% share of the total number of businesses in the region.

- 17 Although the County's start-up rates in recent years compare reasonably well with the regional performance, the County Durham Inclusive Economic Strategy (IES) highlights the need to further strengthen our economy by increasing the number of start-ups as well as encouraging business growth and business investment in the county, with one of the four priorities under the Productivity Pillar of the IES being to *"Provide excellent support at all stages for businesses to start-up, sustain, thrive and grow in County Durham"*.
- 18 There are a range of services that support pre-start and start-up businesses in County Durham, which are delivered by Business Durham, key partners including the Enterprise Agencies and Durham University, as well as several smaller locally based initiatives. However, it has been recognised that the start-up offer in the County is not always easy to access and can appear fragmented, and over the last 2 years, partners have been meeting together to address this as an informal 'County Durham Start-up Provider Network' led by Business Durham.
- 19 As part of the development of the IES Delivery Plan the current start-up 'ecosystem' is being reviewed to meet this priority, learning from the programmes that have been successful in supporting business start-ups to date, and looking at new ways to encourage and support more businesses to start-up in the County.

Current Start-up Support – Enterprise Agencies

- 20 Traditionally, enterprise agencies have been the main providers of business start-up services. County Durham benefits from three enterprise agencies that cover specific geographical areas across the County and have a long track record in providing business start-up advice and support in their local communities:
 - CDC Enterprise Agency (CDC) - covers Durham City, Chester-Le-Street, Consett, Stanley and Lanchester area.
 - East Durham Business Service (EDBS) - covers Easington, Peterlee, and Seaham area.
 - South Durham Enterprise Agency (SDEA) - covers Bishop Auckland, Shildon, Newton Aycliffe, Sedgfield, Weardale and Teesdale.
- 21 The three enterprise agencies are members of North East Enterprise Agencies Ltd (NEEAL) and are delivery partners within the ERDF-funded *'Enterprise Support in the North East 2'* project, which operated from July 2018 to June 2023 across Northumberland, Tyne and Wear and County Durham. The aim of the project was to assist potential entrepreneurs to become 'enterprise ready' through providing a combination of one-to-one advice sessions and one-to-many workshops, with at least 12 hours of

support being provided to each beneficiary in order to meet the ERDF targets for the programme.

- 22 Although the project aimed to provide a universal offer, open to any resident with an ambition to start up in business, there was a particular focus on disadvantaged individuals and communities that need the support most, e.g. the unemployed and residents of rural areas. In total the project aimed to support 483 potential entrepreneurs from County Durham to become enterprise ready, and as at the end of December 2022, 97% of this target (451) had been achieved.
- 23 A requirement of all ERDF-funded projects is that an independent evaluation, known as a summative assessment, is carried out to assess the overall performance, effectiveness and impact of the project. The Final Summative Assessment for the '*Enterprise Support in the North East 2*' project was completed in March 2023, with key findings including that:
- The quality of support had been highly rated by beneficiaries, with 70% of beneficiaries surveyed reporting that they had gone on to start a business following support from the project.
 - The project has had a positive impact on beneficiary awareness of enterprise, entrepreneurial skills and confidence and desire to start-up in business, as well as on general self confidence and quality of life, including better work-life balance and increased income.
 - The project had generated a positive return on investment of £2.41 (net additional) GVA for every £1 of public funding invested.

Current Start-up Support – Business Durham

- 24 Business Durham supports the start-up ecosystem by providing small industrial units and local office space through its property portfolio, as well as delivering programmes to encourage the development of potential high growth start-up businesses in the County, complementing the universal start-up offer provided by the enterprise agencies.
- 25 The two main programmes led by Business Durham are the Durham City Incubator (DCI) and Durham Ambitious Business Start-ups (DABS), both of which were part-funded by ERDF, with DCI running from 2019-2023 and DABS from 2020-2023.
- i) Durham Ambitious Business Start-ups (DABS).**
- 26 Durham Ambitious Business Start-ups (DABS) is an ERDF-funded programme that Business Durham designed to pilot new approaches to encouraging more ambitious high-quality start-ups in County Durham, including pre-start support and support during the critical first 12 months in business, which had been identified as a gap in the existing support available in the County.

- 27 A key part of the DABS programme also included a profile-raising campaign, including marketing and events such as the Durham Festival of Enterprise, an annual event to showcase enterprising activities in the County and to help increase the pipeline for all delivery partners in the start-up ecosystem. The DABS programme also provided funding for the development of the Durham Start Ups Portal, to join up and showcase the full enterprise and start-up offer delivered by the various partner organisations that operate in County Durham. The portal provides an online resource for start-ups at all stages, including online access to local support and funding as well as curated resources on topics such as marketing, investment, and legal structures – see <https://www.durhamstartups.co.uk>
- 28 The DABS project was designed to increase the aspirations for high-growth enterprise, instilling confidence in those with entrepreneurial ambitions and innovative ideas to start a new business. Through the DABS programme, 150 potential entrepreneurs with a business idea have been supported to become 'enterprise ready' and 130 new start-ups have been supported during their first 12 months of trading through a range of workshops and support. In addition, 9 Job Grants and 25 DABS Start-up Grants were also offered to the programme's participants, with 16.68 FTE jobs having been created by the start-ups supported and a further 10 jobs estimated to be created by the end of the programme delivery.
- 29 As required by ERDF funding, an independent evaluation of the DABS programme has been undertaken. Key findings from the DABS Summative Assessment report, completed in April 2023, were as follows:
- The project filled a gap in the local and regional business support service, while creating an environment for success, through the focus on servicing and identifying ambitious businesses, and effective project design and delivery comprising a positive blend of online learning coupled with opportunities to network and collaborate.
 - The peer-to-peer engagement and collaboration was cited as one of the key benefits of the programme.
 - Feedback from the beneficiaries highlighted that 48% of the start-ups supported have become more ambitious, 56% can see the financial and growth impact on their business, and 80% agreed participation in the DABS programme will have a positive effect on increasing their future revenue and profitability.
 - The project has generated a positive return on investment of £2.10 (net additional) GVA for every £1 of public funding invested.
- ii) Durham City Incubator (DCI)**
- 30 Business Durham established the Durham City Incubator (DCI) programme in order to increase the number of Durham University graduate start-ups and to help retain them in County Durham, working in collaboration with Durham University and New College Durham. The DCI programme offers a six month

intensive accelerator programme to support high growth potential start-ups that have been trading for less than 12 months and want to establish their business in Durham. The six-month programme of support is offered to small cohorts of 8-10 business founders, and includes workshops run by local experts, one-to-one support, shared workspace at Salvus House, Aykley Heads, a start-up grant of £2,500 and additional consultancy support to the value of £800. DCI businesses also have access to investment and funding opportunities, linking them with the North East business funding eco-system, including access to a convertible loan from the Finance Durham fund of £7,500.

- 31 Durham City Incubator (DCI) is part of an ERDF project led by Durham University, called *Durham Internship and Collaborative Enterprise (DICE)*. The project (DICE) includes four strands of support - Internships for Durham University students into Durham-based SMEs; Enterprise support for students through Durham University Careers and Enterprise Team; workspace and networking opportunities at Orbit (NETPark); and Durham City Incubator.
- 32 The first cohort of entrepreneurs started on DCI in January 2019 and DCI Cohort 9 is completing in June 2023. In total DCI has supported **72** high growth businesses over 9 Cohorts who have collectively raised over £8 million of investment. 30 of these businesses supported are Durham University start-ups with approximately 30% of these continuing to trade and grow in County Durham.
- 33 DCI has supported a broad range of businesses in various sectors including social enterprise, digital technology, professional services, food and drink, and the green economy. Businesses that have made significant impact and growth include:
 - Low Carbon Materials, a climate tech company and Earthshot Prize finalist focusing on low-carbon, next-generation construction material alternatives in the race to Net-Zero;
 - Elvet Recruitment, specialist recruiter within the construction industry, now employing 5 staff;
 - Local Energy Systems, which has secured their first contract to support installation of community energy projects with Spennymoor Parish Council;
 - Adopter, a digital marketing company for green technology adoption, clients include Nature Alpha and Nature Invest, both global organizations recognised by United Nations. Adopter is one of the first businesses to be B Corp certified in Durham.
- 34 An independent evaluation of DCI, as part of the overall DICE Programme, has been undertaken, as required for all ERDF projects. Key findings from the 'DICE project: Summative Assessment: March 2023' are as follows:

- The strong rationale, effective partnership and exemplary project design have all proved to be important features of the project's success, and the project has strengthened and enhanced the partnership between Durham University and Durham County Council.
- 100% of the DCI survey respondents would recommend DCI to others and highlighted the high quality support provided by the DCI Incubation Manager.
- DCI has provided a unique accelerator programme in County Durham for start-ups to test out and develop their ideas, with 44% of DCI beneficiaries stating that the incubation programme had been a deciding factor in locating their business in Durham.
- The project has generated a positive return on investment of £5.10 (net additional) GVA for every £1 of public funding invested.

Current Start-up Support – Durham University

- 35 Durham University Careers and Enterprise Team runs a broad range of enterprise activity at Durham University as part of the DICE ERDF-funded programme. The Summative Assessment highlighted that there has been 165% increase in student enterprise activity with some start-ups created by Durham University students gaining national and international accolades, including Low Carbon Material referred to in paragraph 33 above.
- 36 Durham University Careers and Enterprise Team have developed the 'Gamechanger' programme which is an innovation challenge based around the UN Sustainable Development Goals and has received awards and recognition as best practice from the United Nations. Some students who attended Gamechanger have subsequently applied to join Durham City Incubator to establish a business.
- 37 The University's Blueprint Start-up Challenge is now in its 20th year, and it continues to provide a launchpad for exceptional student start-up businesses, creating a pipeline for Durham City Incubator (DCI). Durham University has also launched Durham Venture School bringing together talented individuals to launch high-potential start-ups.
- 38 The Northern Accelerator (NA) programme is an example of good practice in regional collaboration across the North East Universities. It has made a step change in providing critical mass to support research commercialisation and has resulted in the creation of 45 University spin-outs in the past six years. Northern Accelerator is a collaboration between six diverse North East universities (Durham, Newcastle, Northumbria, Sunderland, Teesside, and York). It offers a menu of support options and has been particularly effective because it integrates with each university's individual approach to spin-out creation. It also enabled the opportunity for sharing of professional knowledge and good practice (between academics and Technology Transfer staff alike). This is particularly important for universities where spin-out propositions are an uncommon occurrence. Specific examples of where

Northern Accelerator resources have been utilised are; training for academics first thinking about starting a business; prototype creation; analysis of business propositions; experienced business people working alongside academics as potential CEOs (Execs into Business). Over £102 million pounds of investment has been raised collectively from 45 spins outs, creating 650 employment opportunities.

Social Enterprise Boost

- 39 Business Durham is working alongside the North East Business & Innovation Centre (NE BIC) to deliver the new Social Enterprise Boost Fund (SEBF) programme across County Durham. The fund aims to kickstart and accelerate social enterprise activity and will be delivered through providing a combination of capacity building support and onward grant funding to local social entrepreneurs within their communities. Delivery of the programme of support aims to commence in June 2023 and will end by March 2025.

Future Business Start-up Support – Enterprising Durham Framework

- 40 Using UK Shared Prosperity Fund resources, Durham County Council, supported by the County Durham Economic Partnership, recently commissioned a piece of work to develop an Enterprising Durham Framework with the aim: *‘To create an integrated partnership delivery approach to supporting enterprise and business start-up in County Durham.’*
- 41 The impetus for establishing a framework for enterprise and start-up provision arose from three factors:
- County Durham’s Inclusive Economic Strategy which sets out the ambition to create more and better jobs in an inclusive green economy;
 - the imminent ending of an era of European Funding Programmes and the gearing up for the UK Shared Prosperity Fund;
 - the knowledge that current start-up provision was a mixed bag of quality with the market sometimes appearing confusing to the client.
- 42 The time felt right to review, reflect, and reshape start-up provision in collaboration with the organisations involved in the informal County Durham Start-up Provider Network, in order to build upon the good practice, lessons learned and recommendations set out in the ERDF Summative Assessment reports.
- 43 Enterprise delivery partners have come together, through facilitated engagement and consultation, to develop The Enterprising Durham Framework. Key principles were that the framework would need to have flexibility, be collaborative with open and transparent communications, build on existing strengths but not be constrained by what has happened in the past, be impact driven with a client focus, and have buy-in from partners.

44 There has been a collective agreement between the partners on the key activities that should be delivered as part of the future enterprise framework for the County, which have been grouped into three inter-connected areas, as follows:

- **Enterprising People:** the vision is for *‘confident people with a can-do attitude spotting opportunities to transform their lives’* –activities may include awareness raising and engagement to reach all part of the county; targeted enterprise campaigns and integrated enterprise in education; problem solving challenges; confidence building and test trading opportunities.
- **Enterprising Start Ups:** the vision is for *‘a rising number of sustainable start-ups, driving economic and social change’* –activities may include tailored specialist support; development of peer to peer networks; building capability; and online delivery of information and advice.
- **Enterprising Places:** the vision is for *‘thriving places with a buzz of enterprising activity within communities’* – activities may include utilising spaces in local places and creating hub and spoke models of enterprise, engaging and empowering communities to make changes, showcasing local entrepreneurs and delivering enterprise animation programmes across the County.

45 Importantly, partners have agreed five operating principles for delivery through the Enterprising Durham Framework, the first three of which are customer facing - putting the client needs at the heart of delivery; building capability; and ensuring the services are easy to access. The final two are focused on the partnership – developing a learning partnership; and being an enterprising partnership.

46 The Enterprising Durham Framework report identifies that there is strong ambition amongst partner organisations to deliver a dynamic and responsive start-up support service, through a fully integrated partnership with client needs at its heart, as well as a stronger appetite for continued and close collaboration, together with considerable knowledge and expertise amongst delivery partners. This puts County Durham in a good position to take this work forward as a key part of the delivery plan for the Inclusive Economic Strategy, and the Enterprising Durham Framework report highlights 10 recommended next steps which are being progressed as follows:

Recommendation	Progress to date
Recommendation 1 - Business Durham and NEEAL should now lead the discussion to formalise the model for an integrated partnership.	Underway - Business Durham and NEEAL are working together to take this forward, two meetings held to date with partners.
Recommendation 2 - The delivery model for the Partnership needs to be designed so it	Enterprising Durham Framework partnership agreement has been drafted and shared with enterprise

does not stand in the way of an 'our client' approach.	delivery partners. This sets out the values and behaviours and a date has been set for 30th June for partners to sign agreements.
Recommendation 3 - Further work is required to develop a set of metrics that will measure success outcomes for the Partnership in a way that meets their needs.	A subgroup of the partners is developing the logic models and metrics.
Recommendation 4 - Delivery partners should work together to identify the skills, capabilities, talents, and expertise that lie within their organisations.	Information is being collated from partners to better understand the range of capabilities, which is to be reviewed and identify any missing gaps.
Recommendation 5 - Delivery partners should identify and understand what the specialisms and interests are within the delivery partnership and which delivery partners are best placed to deliver what.	Underway as above.
Recommendation 6 - Delivery partners should identify both intellectual and physical assets within their organisations, that could be utilised across the Partnership.	Underway as above.
Recommendation 7 - All the proposed activities described in this report should be reviewed and prioritised.	Further meetings are planned with partners to work on this, to conclude in July 2023.
Recommendation 8 - A significant programme of enterprise and animation events is developed and delivered across County Durham.	Further meetings are planned as above, initially to develop activities that can be delivered through UKSPF resources.
Recommendation 9 - Review existing online resources within the delivery partnership, identify gaps where resources could be curated to ensure a 'Durham angle.'	Further meetings are planned with partners to work on this, to conclude in July 2023.
Recommendation 10 - Identify local places across the County that could be utilised as enterprising places, to deliver a host of pre-start and start up services.	Business Durham enterprise team are researching potential venues including Business Durham facilities, partner facilities, community facilities or potential vacant retail space to assess potential enterprising places across the County.

Conclusion

- 47 The Enterprising Durham Framework process has been very positive, and partner organisations involved in start-up services see a real opportunity to join up start-up support in the County to provide a better offer to business start-ups at all stages, building upon the best practice and lessons learned from current start-up support programmes. While discussions are still ongoing, there is a sense that the Enterprising Durham Framework enables inclusive design and inclusive implementation of support for start-ups in the County.
- 48 UKSPF resources of £2 million have been allocated to take this forward and activities will be developed in line with the principles in the framework over the next two months, with delivery starting from September 2023, subject to approval of the detailed delivery plan.
- 49 The Enterprising Durham Framework sets out the foundation to build a start-up ecosystem in County Durham that will deliver on the County Durham Inclusive Economic Strategy priority to ensure the provision of excellent support at all stages for businesses to start-up, sustain, thrive and grow in County Durham.

Contact:	Sarah Slaven	Tel: 03000 261258 / 07500 785618
	Leon Howe (DCI)	Tel: 03000 269223 / 07388 858544
	Jenny Halford (DABS)	Tel: 03000 265 505 / 07584 217016
	Gary Chaplin	Tel: 03000 261232 / 07730 541616

Appendix 1: Implications

Legal Implications

None.

Finance

UKSPF resources of £2 million have been allocated, subject to a formal delivery plan being approved, to take forward the implementation of the Enterprising Durham Framework, led by Business Durham and NEEAL, and fund the delivery of start-up support activity for the period September 2023 to March 2025.

Consultation

None.

Equality and Diversity / Public Sector Equality Duty

None.

Human Rights

None.

Climate Change

None.

Crime and Disorder

None.

Staffing

None.

Accommodation

None.

Risk

None.

Procurement

None.