

Special Economy and Enterprise Overview and Scrutiny Committee

20 December 2016



Business Durham Activity

Report of Ian Thompson, Corporate Director, Regeneration and Local Services

Purpose of the Report

- 1 To provide members of the Economy and Enterprise Overview and Scrutiny Committee with an update on the work and impact of Business Durham since its previous report in December 2015.

Background to Business Durham

- 2 Business Durham, the economic development company for County Durham aims to deliver the environment for business and economic growth. Its overarching objective is to increase the size of the private sector to rebalance the County's economy by:

- Increasing rates of business survival;
- Increasing rates of business start-up;
- Increasing numbers of businesses attracted, and
- Increasing numbers of jobs safeguarded/created.

All of this is undergirded by the ambition of raising the economic aspirations of our client groups and supporting businesses to create wealth.

- 3 Business Durham operates the Council's industrial business property portfolio in a commercial way, 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, inward investment and enterprise.
- 4 Business Durham focuses on sectors where activities will have the most economic impact in terms of jobs, more specifically, higher value jobs. These sectors (effectively, non-retail and non-leisure) account for approximately 9,500 businesses (VAT/PAYE registered) in County Durham.
- 5 Business Durham benefits from an Advisory Board, supported by Members and private sector board members, to help advise, inform and support the operations of the team. Operationally, Business Durham has three teams:
 - **Business Space Team:** has responsibility for the marketing, letting, management and development of the Business Durham business property portfolio across the County, consisting of 486 individual lettable units, 19 compounds and 4 buildings let to local enterprise agencies which together totals 748,000 sq. ft. The range of properties includes the recently acquired Salvus House offices at Aykley Heads; managed business centres at Consett, Tanfield, Crook and Shildon; factories across thirteen industrial estates; NETPark; and the Durham Dales Centre at Stanhope. The Team is based across five locations: NETPark, Consett, Tanfield, Stanhope and Durham City.

- Business Development Team: aims to promote enterprise, foster the environment for new businesses to start up, and enable businesses in the County to develop and grow. The team takes the lead on engaging with businesses through an area-based and sectoral approach and works closely with partners such as the enterprise agencies, County Durham Engineering and Manufacturing Network, the LEP, regional business support organisations and local, national, and international business networks.
- Innovation and Growth Team: oversees inward investment, the innovation agenda, sector development, site-specific propositions and the NETPark product (not real estate).

Performance

6 Business Durham's performance at the end of 2015/16 can be seen in Table 1.

Target	2013/14 performance	2014/15 performance	2015/16 target	2015/16 performance	2016/17 target	2016/17 performance to Sept '16
Occupancy	75%	79.12%	79%	87.50%	81%	87%
Percentage debtors (by number of tenants)	12%	17%	8%	14%	£350,000*	£126,026*
Revenue targets as per budget	£2.84M	£3.254M	£3.09M	£3.313M	£3.250M	£1,646M
Budget deficit	£608,999	£317,429	£121,981	£198,000	£57,766	£26,053
Number of businesses engaged	581	1,134	800	1,238	900	442
- Of which projects identified with	-	77	75	130	85	66
Business enquiries handled	1,151	1,202	1,200	1,129	1,200	516
Number of jobs (gross) new and safeguarded	3,688	1,567	2,400	1,129	1,380	1,898
Number of people engaged in enterprise activities	2,365	1,091	1,200	1,281	1,200	305
Business start up	-	33	0	0	0	0
Inward investment successes	-	6	11	12	12	6

Table 1: Business Durham Performance

*Target changed to % debtors of amount outstanding

7 Assuming an average GVA per employee (£29,354) in County Durham, these jobs supported by Business Durham in the year 2015/16 equates to £33M GVA in County Durham.

Enterprise, Engagement and Outreach Activities

- 8 Business Durham has been active in promoting enterprise and an entrepreneurial culture, through initiatives with schools, colleges and Durham University. Business Durham works closely with key partners, in particular the four enterprise agencies which provide advice to individuals who wish to start a business and deliver the Welfare Reform Self-Employment Programme.
- 9 Business Durham's flagship enterprise promotion tool for young people is the Future Business Magnates (FBM) enterprise competition, which engages over 200 young people per year in enterprise, and connects County Durham businesses with schools. The competition runs throughout the academic year and involves students developing their own business and creating a comprehensive business plan. 2015/16 was the 11th year that the competition has run and 20 schools from across County Durham participated.

This year's theme was 'The Home of Manufacturing', challenging the teams to develop a business idea based on a product for the home that can be manufactured in County Durham. Durham Johnston School won the competition for a second time with their wheelie bin docking station 'Lock & Dock', supported by their business partner the Zumtobel Group. Runners-up King James I Academy created a plastic shredding device called Easi Shred with business partner support from Intumescent Fireprotection Services, while third place school, Ferryhill Business and Enterprise College, worked with business partner Hydram Engineering on their pet training/health monitoring device Trackapet. Business Durham produced the 'House that Future Business Magnates Built' infographic to showcase the business ideas that the school teams developed (see Appendix 2). This was well-received by participants and stakeholders, as well as achieving good media coverage.

- 10 The 2016/17 FBM competition was launched in November 2016, with 23 schools participating, including one school from Darlington, Longfield Academy, which is participating on a 'pilot' basis with a view to additional schools from Darlington taking part in future years.
- 11 Business Durham has an established network of delivery partners with whom enterprise promotion and outreach initiatives can be developed and commissioned. Examples of initiatives undertaken over the last year include:
 - 30 students participating in FBMplus which offers 16 to 18 year olds in sixth forms and FE Colleges in the County the opportunity to set up and run their own business. Based on feedback from participants and an internal review, a new format is to be developed for 2017 which will replace FBMplus and extend the eligible age range.
 - Supporting Durham University's Blueprint Competition, with 12 students making it through to the final held on 4 May 2016, and the Durham University Business School (DUBS) Dragons Den final which involved 14 students.
 - Delivering a number of enterprise talks/workshops to students at Ferryhill Business and Enterprise College, Woodham Academy, and Whitworth Park Sixth Form.
 - Arranging for two inspirational talks by award winning technology author and journalist, Andrew Smith. 82 students attended the talk at Framwellgate School and 64 people attended the talk at the Gala Theatre.
 - Supporting the Durham University Schools Science Festival held on 12 April 2016 which was attended by 852 students from 27 schools.
- 12 A 'Physics Futures' event was held at NETPark in March 2016, in partnership with the White Rose Physics Academy from York University, the Institute of Physics and Durham University. 15 students and 11 companies attended this inaugural event bringing physics undergraduates and postgraduates together to explore the employment prospects in the North East. Despite lower student numbers than anticipated very good feedback was received from the companies participating.
- 13 A new NETPark Junior Ambassador training programme got underway with 15 students from Parkside Academy being trained as specialist NETPark ambassadors in April - June 2016, and a Ferryhill Science Ambassador programme taking place in September 2016. Business Durham also completed work on the NETPark outreach innovation module for New College Durham. A taster innovation session for students received very positive feedback and the full module was launched in September 2016.

- 14 Following on from the success of the Durham Creatives Programme, Business Durham commissioned Blue Sky Think to deliver a programme of rural enterprise support based from the Durham Dales Centre. Animation events took place in May and June 2016, followed by a programme of workshops and mentoring sessions held during the summer. The programme has proved to be popular with 357 people attending, and a number of enterprise opportunities have arisen including themed “pop up” kitchen events at the Centre.
- 15 Business Durham is working in partnership with Durham University on a new venture ‘Durham International Festival of Enterprise’ which will be held over 3 days at the Gala Theatre and Town Hall in Durham City from 27th February to 1st March 2017. The aim of the festival is to put County Durham on the map as an enterprise destination and as a place that is open to new business ideas, a welcoming base for new ventures, well connected with world class support mechanisms and a tradition of innovation second to none. This builds upon the work Business Durham has been doing to establish Durham as a place where business is done, and if successful, the festival may be held bi-annually.

Business Engagement

- 16 A key part of Business Durham’s role is to engage with businesses in the County, to connect them with the right funding, advice, and networks they need to grow and thrive, and to develop long-term relationships in order to help ensure the future sustainability of the businesses and the County’s economy. Business Durham continues to support its strategic initiatives, such as the Business Park Communities, to enable it to engage effectively with businesses, as well as directly engaging with individual businesses and supporting major employers in the County through its Strategic Account Management activities. In 2015/16, over 1,200 businesses were supported during the year, including advice and signposting on a range of issues such as identifying new premises for business expansion, purchasing land, planning issues, training and recruitment issues, access to funding, support with marketing and general business development. Case study examples of companies that Business Durham has engaged with during the year can be found in Appendix 3.
- 17 A particular area of focus is helping businesses to access funding. One specific fund is the Let’s Grow grant scheme, a Regional Growth Fund operating across the North East. Phase Two has been operating from July 2014 until December 2016. 20 County Durham businesses have been awarded £3.88m of grant assistance from Phase Two, with private sector matched investment of £25.49m, creating 1,095 jobs. Businesses based in County Durham have been particularly successful in attracting grant in Phase Two with 19.9% of the regional allocation being awarded to County Durham - the next highest were 17.6% for Sunderland and 15.4% for North Tyneside. Almost a third (29.6%) of all the jobs created through Phase Two of the fund have been in County Durham.
- 18 The Business Durham-initiated Business Park Communities, based around the key industrial estate locations, are working very well. Private sector-led, these Communities have been instrumental in achieving positive changes for businesses, including improved engagement, a better understanding of the issues, help businesses get to know their neighbours and to identify potential opportunities:
 - Aycliffe Business Park Community has become formally constituted as a limited company and recruited a new Board of Directors. A range of events have been held during the year, including the ‘Make Your Mark’ Awards in February 2016 to celebrate the achievements of businesses based on the park, regular ‘News and Networking’ sessions, and hosted a meeting with the Bank of England’s agent in June 2016.

- Peterlee Business Park has continued to hold a range of successful events, including on Employment Law, Workplace Health, and the very popular 'Network with your Neighbour' sessions. The group continues to secure more sponsorship for its website and activities from various businesses. In addition, due to interest from businesses located in Seaham, a 'Seaham Business Park Group' was launched in October 2016.
- Drum Business Park Group holds regular meetings and now has a regular newsletter and a webpage to raise the profile of businesses on the Park. The Business Park Group worked together with the Derwentside Business Network to hold a joint business showcase event in October 2016.
- Connections between the business parks are also improving, with steering groups from Peterlee Business Park and Aycliffe Business Park meeting to discuss best practice.

- 19 Business Durham has engaged with businesses throughout the year via a range of events with local business networks, such as the Derwentside Business Network, Durham Business Club, and the FSB, as well as working in partnership with other organisations to support events that open up opportunities for County Durham businesses and increase the reputation of Durham as a place where business is done. The 'Durham Tuesday' networking event celebrated its first anniversary in September 2016, with a range of businesses from a wide variety of sectors regularly attending on the second Tuesday of each month.
- 20 Two 'Durham Business Information Exchange' events were held on 16th and 20th September 2016. Over 120 businesses attended and were able to meet over 70 business support service providers including start up, finance, colleges and universities, and sectoral support assisting the defence, automotive, creative, satellite, engineering, and process sectors. Businesses also had the opportunity to meet with Council services including Business Durham, Employability, Planning, Environmental Health & Consumer Protection, Procurement, Sustainability and the Early Years' Service. The events were sponsored by Lloyds Banking Group's Manufacturing Growth Fund and Europe Direct North East England.
- 21 Business Durham has been successful in securing ERDF funding for the Durham Business Opportunities Programme (DBOP), which is a three year programme of business support to encourage and enable SMEs in County Durham to grow, through engaging the businesses and connecting them to opportunities. The project will target SMEs in County Durham that have not traditionally engaged with or benefited from business support initiatives, and will seek to engage these businesses by utilising local relationships and networks, and using a market opportunity-focused approach. The delivery team have just been recruited and the project will commence in January 2017.
- 22 Manufacturing is a vital part of the County Durham economy and employs 15% of Durham's residents, providing 20% of its GVA. To support the sector Business Durham set up a Manufacturing and Engineering Taskforce last year, co-chaired by Cllr Neil Foster and David Land Chair of the newly established County Durham Engineering & Manufacturing Network (CDEMN). During the year, a comprehensive data-gathering exercise has been carried out for the Taskforce, resulting in a better understanding of the sector, and a range of issues have been identified through this work. Business Durham continued to actively support CDEMN in its first year of operation, and is working with the Network to take forward the issues and opportunities identified by the Taskforce.
- 23 Business Durham continues to maintain a close relationship with strategic companies in the County. Hitachi Rail Europe's Rail Vehicle Manufacturing Facility at Aycliffe Business Park continues to be a major project, and Business Durham has been working with the company to support the development of four local suppliers to reach European accreditations that will enable them to supply other OEM (original equipment manufacturer) contracts across Europe. Hitachi Rail Europe has recruited close to 900 staff in Newton Aycliffe.

Business Durham has been in a position to signpost employees at risk of redundancy at Berco and Wavin to these posts. GSK has announced a £92m investment in Barnard Castle that will see the introduction of new products and sustain over 1,000 jobs. It will be one of the largest buildings to be constructed in the North East in 2017, and Business Durham is working with GSK to alert businesses within the construction sector to this opportunity over the next 18 months. Business Durham also continues its long-standing engagement with Thorn Lighting in Spennymoor, most recently regarding the introduction of new products designed and developed by a business based at NETPark.

Inward Investment

- 24 66 inward investment enquiries were received up to November 2016, broken down as in Table 4 below.

Total Enquiries - 66	%
Type	
Expansion	70
Relocation	20
Start up	10
Source	
Business Durham and its partners *	57
DIT (was UKTI)	26
Property Agents and Developers	17
*Invest NE and DIT, mainly but also CPI and Durham Uni.	
Sector (where known)	
Business, Professional, Financial & Logistics	25
Construction, Building, Maintenance and Real Estate	2
Cultural, Creative and Tourism	6
Healthcare including Pharmaceuticals and Healthcare Manufacturing	2
ICT	14
Manufacturing and Engineering	43
Utilities, Minerals, Agriculture and Recycling	8
Geography (where known)	
UK – North East	27
UK - National	31
USA	14
Germany	2
Europe - other	6
Japan	3
India and East Asia	6
Middle East	2
Other	3
Foreign - unknown	6

Table 4: Enquiry Analysis 2015-16

- 25 The number of enquiries is marginally down on 2014-15 (81) but more important than absolute numbers is the quality of enquiry. Though only 17% of enquiries were from the property world it was the source of the two most significant that came to fruition during the period under review: Dunlop BTL and ResQ. Cultivating relationships with the property world in general terms and more specifically responding positively to enquiries is therefore a key part of the role. Though DIT (previously UKTI) enquiries are sizeable in volume most are looking at multiple locations in the UK, and often Europe; they are perhaps better seen as site searches and no DIT sponsored enquiry has completed in recent times. The majority of enquiries and completed projects came direct to Business Durham for help and were mostly companies within the region that found more suitable property and/or support in County Durham. DIT is currently reorganising under the new government and is exploring how it can better support inward investment in the north under the Northern Powerhouse brand. It is hoped that a more direct interest and attention will increase the number of credible enquiries from DIT.
- 26 BD has pursued a programme of lead generation during the period under review. This comprised assessing prospect companies in the sectors of Automotive Supply Chain, Advanced Manufacturing and Business, Professional and Financial Services (BPFS) in appropriate geographies (mainly the West Midlands, SE and Outer London for the former and the SE and London for the latter) and also foreign companies in Automotive Supply Chain and Advanced Manufacturing exhibiting in the UK. 565 companies were canvassed by a specialist experienced in inward investment campaigns but there were no meaningful enquiries and the work was discontinued. The work was inexpensive (£1,850) in itself and brought benefits in helping to think through the rationale for investment and generating marketing collateral.
- 27 BD is looking to work increasingly closely with Invest North East as it gears up to be proactive in lead generation. Its first priority is the BPFS sector in London and the SE and this is a good fit; discussions will take place about joint work in the automotive supply sector in the light of Nissan's news on new model Qashqai and X-Trail.

Successful Projects 2015-16

Name	Size sq. ft. 000	Jobs forecast	Jobs now	Expansion; Relocation; or Start up	Location To	Base Location
International Cookware	76	34	34	Relocation	Seaham	Sunderland
Icarus	30	14	17	Relocation	Peterlee	Billingham
Natural Technology Developments	0.25	2	2	Relocation	Consett	Northumberland
ITPS	20	30	30	Expansion	Drum	Newcastle
Dunlop BTL	49	60	26	Expansion and part relocation	Consett	Kent
Janus	46	16	16	Expansion and relocation	Peterlee	London
Mooshki	7	10	10	Relocation	Seaham	Sunderland
Rufus	3	6	6	Relocation	Seaham	Sunderland
Ascarii	0.25	5	5	Relocation	NETPark	Warwickshire
ReViral	0.25	6	7	Relocation and expansion	NETPark	London
TWR Trade Frames	22	10	10	Expansion	Peterlee	Sunderland
Prismatic Thinking	0.25	4	4	Expansion and relocation	Aycliffe BP	Stockton
Total - 12	254	197				

Table 5: Successful Projects 2015-16

Successes 2016, first 7 months.

Name	Size sq. ft. 000	Jobs forecast	Jobs now	Expansion; Relocation; or Start up	location To	Base Location
ResQ	20	1200	200	Expansion	Spectrum, Seaham	Hull
T5 Product Distribution Ltd	9	11	11	Expansion and relocation	Spectrum, Seaham	Houghton le Spring
Mobile Rokit	2	8	5	Expansion and relocation	Aycliffe BP	Stockton on Tees
RMH Electrical	8	9	9	Relocation	Spectrum, Seaham	Houghton le Spring
Footcare UK	2.5	9	9	Expansion and relocation	Seaham Grange	Houghton le Spring
Orcuma	0.3	2	2	Relocation	Tanfield Lea	Houghton le Spring
Total	41.8	1239				

Table 6: Successes 2016, first 7 months

28 The period under review was particularly successful with a number of projects completing, the Dunlop BTL and ResQ investments standing out. These were projects that had a large input from the beginning and neither ran smoothly throughout. There were a number of projects that were worked on intensively but which either chose locations outside the County or did not proceed at all for a variety of reasons. Once an enquiry is judged to be credible it is important to give it every chance until the enquiry is dead beyond doubt as the enquirer may remember and come back in another guise (as was the case with ResQ) and the relationship with the property market (the source of most quality enquiries) is strengthened. BD does not proactively target companies in the region to relocate and only responds to enquiries; it responds most positively when there is a significant expansion project as part of the project that involves quality jobs and an added value feature such as adding to a supply chain capability.

2014-15 Successes – Jobs forecast and actual

Name	Jobs Forecast	Jobs now
Atom	400	294
Kans and Kandy	50	30
Complement Genomics	15	13
Two Touch	13	13
Encore Envelopes	41	35
Great Annual Savings	200	160

Table 7: Successes 2014-2015

Current Significant Enquiries with a reasonable chance of success

Sector	Size sq. ft. 000	New Jobs	Expansion; Relocation; or Start up	Location To	Base location	Notes
Automotive supply chain	40 acres	500	Expansion	Hawthorn	Germany	Company is to make decision fairly soon on which UK site it is to benchmark against Poland. A UKTI/NECA project. Brexit may well have put paid to this project.
Electronics	3.5	8	Expansion & Relocation	Aycliffe	Sunderland	A successful application to Let's Grow has been made for this hi-tec chip designer and it needs to complete negotiations on a property at Aycliffe Business Park.
Paint & Coatings	140	90	Expansion	Drum	Gateshead and Holland	Company looking to increase its warehousing capacity and transfer its European HQ.
Pharmaceuticals	1.5	6	Expansion	NETPark	West Midlands	To set up a R&D laboratory and offices
Metal Fabrications	11	5	Relocation	Spectrum	Sunderland	To take larger premises to cope with increasing demand
Construction	8	n/k	Expansion	Spectrum	Sunderland	To move its heavy plant and plant hire operation
Manufacturing for Construction	20	40	Start up	Peterlee	N/A	To manufacture an innovative product; it needs to conclude financing and distribution detail.
Automotive	23	75	Expansion	Seaham Grange	S Tyneside	To expand its operations and set up a second automated plant.
IT	2	10	Expansion	Salvus House	Slovakia	Three companies using IT but operating in separate sectors coming as a group for mutual support and renting adjacent offices. Part of a visit organised in September. A further visit on a grander scale is organised for November.
Manufacturing for Construction	40	50	Start up	Peterlee or Bowburn	Slovakia	A sub project from the principal mover is for a modular housing project and feedback from potential partners means that getting to break-even unit sales to enable UK manufacturing might be achievable quicker than initially envisaged.

Table 8: Current significant enquiries with a reasonable chance of success

29 At the time of writing it is hard to predict which of these projects will be won though the enquiry at the top of the list looks unlikely. Projects seen as almost certain can fall on an unseen hurdle and projects seemingly dogged with problems can succeed. The pipeline of credible enquiries is as positive as it has been in recent years.

Reinvestment of Foreign owned business based in County Durham – 2015-16

Name	Jobs	Jobs Safeguarded
Thorn	100	-
Ineos	35	-
PPG	3	-
Reprocell	3	-
Stanley B&D		94
Lidl	70	-
Total -6	211	94

Table 9: Reinvestment of Foreign owned business

Reinvestment of Foreign owned business based in County Durham – 2016 first 7 months

Name	Jobs
Hitachi Rail Europe	150

Table 10: Reinvestment of Foreign owned business based in County Durham – 2016 first 7 months

- 30 Re-investment from foreign owned businesses is, and remains, a significant part of the County's economy. One area for concern (applying also to new investments) is the current lack of grant funding for investments that add productive capacity and create jobs following the demise of RGF and Let's Grow at a regional level. Grant is a factor that sways investment decisions for global businesses; plants have to bid for projects and not having a grant puts a Durham plant at a disadvantage compared with its group competitors. From the point of view of new investors, having a grant at all can sometimes put a location on a short list for detailed analysis; or ensure it does not get on the short list. Significant successful UK projects in the period under review would not have happened without grant.

Overall Comments and looking forward

- 31 Brexit has had, and will continue to have, an impact though the experience of foreign owned companies is mixed. One highly significant foreign based enquiry has almost certainly dropped its interest in a UK base following the referendum and there are examples of foreign owned businesses putting investments on hold until the shape of Brexit becomes clearer. Other foreign owned companies have said that they have a business as usual approach as basing investment decisions on what might happen is certain to have a constraining effect..
- 32 Being more specific, the opportunity for FDI in the automotive sector following the decision of Nissan to build the next generation of Qashqai and X-Trail provides an opportunity for supply chain at strategic locations in the County – Hawthorn, Integra 61 and Forrest Park. Nissan is keen, subject to 'price at the gate', to see the UK material content rise from the current 43% and the trend to personalised production adds to the logic for local content. A window of opportunity exists during the period that IAMP receives planning approval and has enabling infrastructure put in and ensuring that the Durham sites can be presented as shovel ready to enquirers is therefore critical.
- 33 Finally, whilst the rationale for seeking investment from within the UK remains compelling, the work to engage with potential investors has not been a success. Invest North East (the inward investment agency set up by NECA and strongly supported by Business Durham) with its larger resources and wider canvas is to engage in a campaign to engage with, primarily, London based businesses whose growth is being restricted by property and labour costs and inefficiencies to bring part of their operations to the North East. Business Durham is looking to engage with Invest NE to add value to its campaign as part of its work in this arena.

Innovation

- 34 The NETPark Ambassadors approved the five point plan to deliver the NETPark 2025 vision. See infographic supplied with these papers at Appendix 4. To meet this plan Business Durham (NETPark) held several events, including the Innovation Supply Chain Conference, which was fully booked and very well received by the Chief Executive of Innovate UK, a number of Investment Panels, plus 'The Challenges of Financing a Tech Business' briefing, a 'Demystifying Equity Investment' workshop, and an interactive workshop on Cybersecurity. During the year five new Affinity members were secured and NET HR was launched in September 2016 with The HR Dept and The Adept Way signing up as new affinity partners for NET HR. BBC Radio Tees ran a whole week of interviews with NETPark companies and we worked with them to continue the theme of science programming.

- 35 Work continued with the International Association of Science Parks and Areas of Innovation, with NETPark speaking at the EU Committee of the Regions Innovation Ecosystem Conference in Brussels. Business Durham was the keynote speaker at an innovation ecosystems event which was part of the United Nations Industrial Development Organisation's 16th General Conference in December 2015 in Vienna.
- 36 Durham County Council's Corporate Management Team signed off an innovative approach to building a healthcare cluster in May 2016. The approach uses the County's health inequalities as assets: market opportunities which can stimulate innovation in the private sector. The North East LEP is using this project as the pilot for its Healthquest Grand Challenge and is contributing funding. The market testing generated over 100 enquiries in the first 48 hours. This led to 140 Expressions of Interest from companies in the call for market testing, which is considered impressive by Innovate UK. Building on this open innovation approach, Business Durham is assisting with the Council's "open by default" approach to data, seeing how the Council can generate economic activity from its datasets.
- 37 Business Durham continues to build the reputation of Durham as a hub for the space industry: a visit to Harwell, the Satellite Applications Catapult HQ along with the other Centres led to useful connections being made. Business Durham led a successful bid to the UK Space Agency to deliver the North East Space Incubator programme at NETPark, securing £50,000. This programme was launched and five companies have been selected to join the programme. The Catapult contract is technically finishing in March 2017 however, The North East Space and Satellite Applications Hub (NESSA) is working to secure future funding from the Catapult and the UK Space Agency to cover activity 2017-2020, and has also submitted an outline application stage for ERDF. A further boost was received with news of our success in an Interreg bid to build capacity in space and photonics, securing approximately 200,000 euros, subject to final contract. Business Durham, under the North East Satellite Applications Centre of Excellence has been contributing to the NELEP's "Data for Growth" strategy and also to a cross-Catapult North East collaboration project outline for government.

Finance Durham

- 38 In June 2016, Cabinet approved the creation of a £20m evergreen venture capital loan fund. The fund is to be financed by the Council and operated on a commercial basis, with the intention to generate a financial return over the longer term. The procurement process is currently underway and it is anticipated that the funds will be available from April 2017.
- 39 This fund will complement the existing regional finance infrastructure, for example JEREMIE2 and non-publicly backed funds. Interest from the regional and national finance community has been very high.
- 40 The modelling has suggested that the fund will help to create and safeguard about 2,000 jobs and support between 70 – 80 businesses, to secure investments and grow over a ten-year modelling period.

Business Property

- 41 NETPark is in its 11th year and is now home to 31 science and technology businesses (two are PLCs) employing 412 people and adding approximately £65M to the County's economy. Building on this success, the Council has agreed plans to build NETPark Explorer, a further 30,000 sq. ft. of grow-on space for eight science and technology businesses that will be due for completion by January 2018. Looking further ahead, the Council has been awarded £6.8m from NELEP (North East Local Enterprise Partnership) to provide road and utility infrastructure that will create a further 13ha of serviced land for future phases of development at NETPark ultimately creating a further 750,000 sq. ft. of space and a further 2,400 new jobs over the next fifteen years.

- 42 The Council acquired Salvus House at Aykley Heads in August 2016 for £3.14m adding some 28,000 sq. ft. of high quality office space to be managed by Business Durham supporting the wider development plans for Aykley Heads. The building will support over 200 new jobs from up to four large businesses, as well as being the preferred location for the Durham City Incubator, a partnership between the Council, Durham University and New College Durham to support new businesses with a dedicated incubation support service.
- 43 The Council has also committed £1.8m to support improvements at Chilton, Tudhoe and Dean and Chapter Industrial Estates, with Direct Services overseeing works to provide new roofs, cladding, doors and windows. Due for completion in June 2017, the works will extend the life of the buildings by a further fifteen years.
- 44 Overall occupancy for the whole portfolio at the end of March 2016 was 87.50% creating 243 jobs. The market for property remains competitive, especially for office space and incentives are still required to secure and sometimes retain tenants. Table 11 shows performance at the end of March 2016 which shows forecast increases in occupancy and income.

Indicator	2013/14 target	2013/14 actual	2014/15 target	2014/15 actual	2015-16 target	2015/16 actual
Enquiries	260	235	275	340	205	272
Viewings	140	193	200	300	200	245
Lettings	70	76	90	79	85	86
Vacates	35	54	35	39	35	62
New jobs created	150	255	150	233	150	243
Occupancy	75%	74.22%	77.00%	79.12%	79%	87.5%
Total Income	£2,857,625	£3,133,139	£3,030,000	£3,254,000	£3.180m	£3.314m

Table 11: Property Performance

- 45 In addition to focusing on the promotion and letting of property, as part of the increasingly commercial focus of the team, more effective management of debts has been implemented. Table 12 shows significant improvement in debt collection over the last four years, with last year achieving a 96% collection rate.

	Total invoiced amount	%	Total paid	%	Total outstanding	%
2011/12	£1,589,940	100	£1,390,902	88	£198,492	12
2012/13	£1,521,439	100	£1,326,276	88	£195,163	12
2013/14	£2,558,099	100	£2,388,599	93	£169,500	7
2014/15	£3,238,838	100	£3,137,626	97	£101,212	3
2015/16	£3,158,801	100	£3,031,548	96	£127,253	4

Table 12: Debtor Management

- 46 The table in Appendix 7 provides a more detailed breakdown of occupancy levels as at September 2016.
- 47 Priorities for targeted property marketing during 2016/17 will include the new Explorer Buildings at NETPark, together with continued efforts at Tanfield le Business Centre and the Durham Dales Centre.

Communications

- 48 Business Durham has been refining its approach to communications, building on last year's approach to loosely categorising activity into five different "stories": innovation, inward investment, business engagement, enterprise, and property. This has been reinforced with a targeted content plan, shining a spotlight on different aspects of doing business in Durham, e.g., manufacturing, rural enterprise, export, etc. This has resulted in an increase in engagement, for example, social media impressions have risen from 4M in April 2016 to 15M in September 2016.

Recommendation

- 49 That the Economy and Enterprise Overview and Scrutiny Committee note the contents of the above report.
- 50 That the Economy and Enterprise Overview and Scrutiny Committee include in the refresh of its work programme for 2017/18 a further update on the work of Business Durham.

Appendix 1: Implications

Finance – None

Staffing – None

Risk – None

Equality and Diversity – None

Accommodation - None

Crime and Disorder – None

Human Rights – None

Consultation – None

Procurement – None

Disability Discrimination Act –None

Legal Implications – None

The house that Future Business Magnates built...



Business B
Durham D

www.businessdurham.co.uk

County Durham's Future Business Magnates 2016...

- | | |
|---|---|
| 1 St John's Catholic School and Sixth Form Centre Pro Pen | 11 St Leonard's Catholic School Secur-a-Door |
| 2 Greenfield Community College Shildon Campus Desk 2016 | 12 Dene Community School FaceSafe |
| 3 Bishop Barrington School Carberry Innovations | 13 Belmont Community School Wi-fire |
| 4 Wellfield Community School SMART LEG | 14 Seaham School of Technology Lifeasy |
| 5 Framwellgate School Durham DemiCare Watch | 15 Greenfield Community College Aycliffe Campus H.O.P.S |
| 6 Barnard Castle School AquaBlok | 16 Woodham Academy Home Grown |
| 7 St Bede's Catholic Academy E-Q-Shower | 17 Durham High School for Girls Rot8 |
| 8 Consett Academy Seecurity | 18 The Oaks Secondary School Shuper Duper |
| 9 Ferryhill Business and Enterprise College TRACKAPET | 19 Durham Johnston School LOCK & DOCK |
| 10 North Durham Academy Safety Gate Pro | 20 King James I Academy Recycle Right - Easy Shred |

FBM is an enterprise competition for schools in County Durham, designed to introduce young people to the world of business and enterprise.

Want to get involved?
For more information or to sign up:

Email us > fbm@durham.gov.uk
Call us > 03000 261 261

Visit > www.businessdurham.co.uk/fbmhouse
Tweet us > @BusinessDurham #fbm



Business Durham is supported by:



Future Business Magnates 2016 Participants

Business B
Durham D

Product Number	School	Business Partner	Product Description
1	St John's Catholic School and Sixth Form Centre	South Durham Enterprise Agency	Projecting pen for writing development
2	Greenfield Community College Shildon Campus	Create City (Franks Factory Flooring)	Innovative flip up desk
3	Bishop Barrington School	STEP Coaching & Development Ltd	Bedside lamp that adjusts to your heart rate
4	Wellfield Community School	Mayvin Associates	Bedroom integrated charging station
5	Framwellgate School Durham	Norprost	Reminder device for dementia sufferers
6	Barnard Castle School	Roman Ltd	Sophisticated, accessible designer shower solution
7	St Bede's Catholic Academy	Interline North East Ltd	Controllable shower head
8	Consett Academy	Dyer Engineering Ltd	Home security solution powered by compact wind turbines
9	Ferryhill Business and Enterprise College	Hydrum Engineering Ltd	Pet training / health monitor
10	North Durham Academy	Steelcraft Ltd	App controlled safety gate
11	St Leonard's Catholic School	Robertson Construction England North East	Biometric bluetooth entry system
12	Dene Community School	D & S Services Ltd	Smart security system
13	Belmont Community School	Waterstons Ltd	Thermal detection unit
14	Seaham School of Technology	East Durham Business Service	Universal Bluetooth home control system
15	Greenfield Community College Aycliffe Campus	Ebac Ltd	Voice controlled home automation system
16	Woodham Academy	Gregg Little Testing Centre Ltd	Energy efficient kettle
17	Durham High School for Girls	Blue Sky Think	Rotating shoe storage solution
18	The Oaks Secondary School	The University for the Third Age	Welly removal tool
19	Durham Johnston School	Zumtobel Group	Wheellie bin docking station
20	King James I Academy	Intumescent Fireprotection Service Ltd	Plastic recycling shredding device



Business Durham is supported by:



Appendix 3: Business Engagement Case Studies

Altec Engineering

An innovative engineering company is supplying components for some of the world's most prestigious telescopes.

The Altec Engineering Group, based on the outskirts of Durham City, supplies the components via its work with the Durham Centre for Advanced Instrumentation (CfAI) at the North East Technology Park (NETPark) Sedgefield.

Altec was originally connected to the CfAI by Business Durham, the economic development company for County Durham, which manages NETPark.

Now the firm is looking to triple its turnover in the next three years with the company having recently won contracts valued at £2m for the production of complex aerospace, oil & gas, automotive and defence components.

The group's special purpose division continues to win orders for production automation systems from a number of industry sectors. It is closely involved with several space science projects, including work related to the European Space Agency.

The growth of Altec, which was formed in 1978 by Ron Waite MBE as a small North East-based engineering company, was accelerated by a £6m funding boost from the Business Growth Fund (BGF), which allowed it to acquire precision engineering firm, Ronco Engineering in Tanfield Lea, near Stanley; West Yorkshire-based Sigma Technologies and Quick Hydraulics in North Shields. It has plans for further acquisitions.

In 2016, its turnover is expected to reach £11m – and almost triple to £32m by 2019. It has an ongoing programme of recruitment and around 10 per cent of its workers are apprentices. Paul Lackenby, business development director, at the firm said: "Our ongoing strategy remains one of continued growth and investment in complimentary technologies. Each company within the group has established a reputation for excellence in the fields within which they operate."

Encore Envelopes

Encore Envelopes is a producer of printed envelopes for both transactional (invoices, statements, payments etc.) and advertising (Direct Mail) purposes, manufacturing over 50 million envelopes per week for a mix of end users and print buyers.

Two years ago the business expanded with the launch of a new packaging division, Encore Packaging Solutions, which works with businesses large and small across the North East and nationally to find solutions to their packaging requirements.

To support the continued growth of the business, Encore purchased a 70,000 sq ft factory at Davy Drive, NWIE, Peterlee to:

Become the hub of Encore Packaging Solutions, manufacturing boxes for direct mail, food, medical and internet sales markets

Support high speed printing and design via new Heidelberg Lithographic printing equipment

Warehouse high volume, call off envelope stock

The company invested over £4m in the purchase of the premises and productive machinery and will employ 40 staff in Peterlee. The company is a proud employer and a can-do attitude and technical know-how from its staff are what keep it ahead of its competitors.

Business Durham worked with the company to help plan its move, liaising with the Planning Department to expedite a Local Search to allow purchase before the year end and co-ordinating rates support through S44. Since moving in, the company has joined the Peterlee Business Park Group set up by Business Durham to encourage businesses across the three Industrial Estates and two Business Parks to share ideas, best practice, inter-trading and future opportunities.

Mike Williamson, Financial Director, commented: "With demand increasing for our products, the relocation to our new site in Peterlee from our existing Washington premises will offer us the additional space we now need, while also providing room for further expansion as we secure new contracts.

"As our packaging division continues to go from strength to strength it was imperative that we found a site that would not only provide us with the right amount of space to allow for future growth, but one with good transport links and within easy reach of our existing site in Washington, home of Encore Envelopes, and Peterlee met all of these requirements.

"The support we received from Business Durham was invaluable in ensuring a smooth transition into our new premises and in supporting us to build links with other local businesses."

Liberty Drums

Drum kits hand made in County Durham are proving to be a hit with some of the world's best musicians.

Kwake, the drummer for Coldplay's support act, the Grammy nominated Lianne La Havas, is just one musician who owns bespoke Liberty Drums.

Many Liberty Drums devotees use the instruments, hand crafted in a factory in Shildon, as their drums of choice at gigs worldwide. Bespoke Liberty Drums kits, made by Andrew Street and his team, are also the centrepiece of stage sets for drummers backing best selling artists such as Nicki Minaj and supporting James Bay.

Andrew is signing up a string of artists as the reputation of the sonic quality and meticulous build of his award-winning drums gathers pace across social media. In 2016 they were named in the top 10 best new drum kits by musicradar cementing their presence on a global stage.

Liberty's order book has swollen by 60% in three years fuelled by industry buzz and Andrew is aiming to double his workforce in the next year.

Business Durham, the economic development company for County Durham, worked hard with Liberty to find new commercial premises after the company outgrew its previous base.

Since moving to the Business Durham-managed Dabble Duck Industrial Estate near his Shildon home, business is booming with an award as the world's best wooden snare drum maker from Rhythm magazine capping a rapid rise to global prominence in the music industry.

Four employees – including Andrew's son Zack – make 50 drum kits and 300 snare drums per year from their workshop. A kit can take up to 40 hours to make and retail for up to £3,000 with a snare drum costing £300.

Andrew, an accomplished drummer, said: “We make drums like a tailor makes suits. We manufacture our drums in Shildon. We have veneers off the log, raw, bundled up and sent to the factory where we press them and make our own veneer combinations for whatever sound or genre it is the artist requires.”

ResQ

Fast-growing customer contact firm ResQ will create 1,200 jobs in one of County Durham’s largest ever inward investments: Business Durham worked closely with the Hull-based firm throughout their search for a new location.

ResQ already employs 670 people at its Hull site, which is at full capacity. The family-owned business offers companies inbound and outbound customer services, helping firms connect with their customers through services including direct sales, customer retention and support lines.

The company scoured the country for suitable premises to expand into and service its new and existing customer base, and settled on Spectrum Business Park in Seaham.

ResQ CEO, Nic Marshall, said: “Our growth is being driven by our customers who are growing with us and also the re-shoring of contracts which are currently being undertaken overseas with new customers in the digital, energy, retail and insurance sectors. Spectrum Business Park and County Durham as a whole offered us the quality of premises we needed for this key expansion of our business, with access to a large, high quality workforce which was critical in our decision-making process. Business Durham was invaluable in opening up the local networks and expertise which really accelerated our ability to locate here. We look forward to working with them for a long time to come.”

ResQ’s contact centre at Spectrum will employ a total of 1,200 people over the next three years, including client relations posts, IT specialists, HR professionals, training specialists, and support staff.

ResQ’s expansion into Spectrum Business Park is fantastic news for the regional economy – Business Durham is proud to have supported the company and will continue to help them as they expand.

Reviral

PIONEERING biotechnology firm, ReViral is enjoying its new North East research facility at NETPark where it is developing a highly potent drug to target a common virus.

The London-based company has almost reached the clinical trials stage of its drug, which will combat Respiratory Syncytial Virus (RSV) – a virus which infects the lungs and can cause bronchiolitis and pneumonia and is particularly dangerous in those with compromised immune systems, particularly when found in young children and the elderly.

Durham University lecturer Dr Stuart Cockerill and his former colleagues at Arrow Therapeutics combined their expertise in the areas of virology and antiviral therapies when they set up ReViral in 2011.

The company was boosted when it won a prestigious £3.4m Seeding Drug Discovery Award from the Wellcome Trust to fund its first RSV antiviral programme to the stage of filing for their first clinical trial.

Now ReViral has opened a research facility at the North East Technology Park, (NETPark) in Sedgefield, County Durham where it will be creating five jobs. It joins scores of other high tech medical companies which are making huge advancements in the healthcare industry.

Said Dr Cockerill, who is also a senior lecturer in medicinal chemistry at Durham University: "It's been hard work to get to this point but it's very exciting to be here now. Treatment for RSV represents a very important multi-billion dollar market since up until very recently there's been no effective treatment for it."

Great Annual Savings

A year can be a very long time in business, but even so Great Annual Savings Group (GAS) has packed a lot into the past 12 months.

The Seaham-based cost management specialist has been in its Spectrum Business Park offices for 15 months now, after outgrowing its previous premises in South Shields and has experienced phenomenal growth over that period.

Headcount has more than quadrupled and their customer base is now touching 1,600.

A string of accreditations, including ISO27001 and joining the Institute of Customer Service, have been followed by a major awards shortlisting. In August 2016 the group has been named as a North East finalist for the National Apprenticeship Awards, alongside some of the region's biggest businesses – showcasing the strength of its flourishing Apprenticeship Scheme.

GAS specialises in helping other businesses reduce their running costs and has recently doubled the number of services it offers, adding security; IT; office equipment; heating, ventilation and aircon (HVAC); waste management; and private medical insurance to accompany energy procurement; energy management; water; telecoms; business insurance; and fire safety.

Launched in 2012, GAS is recognised as one of the fastest growing businesses in the North of England and is continuing on its growth journey, hoping to double in size again and reach 300 members of staff in the next year. A number of notable contract wins and the delivery of mouth-watering cost savings for large businesses such as Ramside Estates and Press Up Entertainment have helped fuel the Group's progression.

Bradley Groves, Great Annual Savings Group Chief Executive and Chairman, said: "Since the move to Spectrum in 2015, where we received great support from Business Durham, we've grown exponentially, the support we received from Business Durham was invaluable and it's been fantastic to be playing a part in the economic renaissance of County Durham. But there's a lot more still to come as we move onto the next chapter in our exciting growth story. We have more jobs to create, more milestones to pass and more savings to generate for our customers."

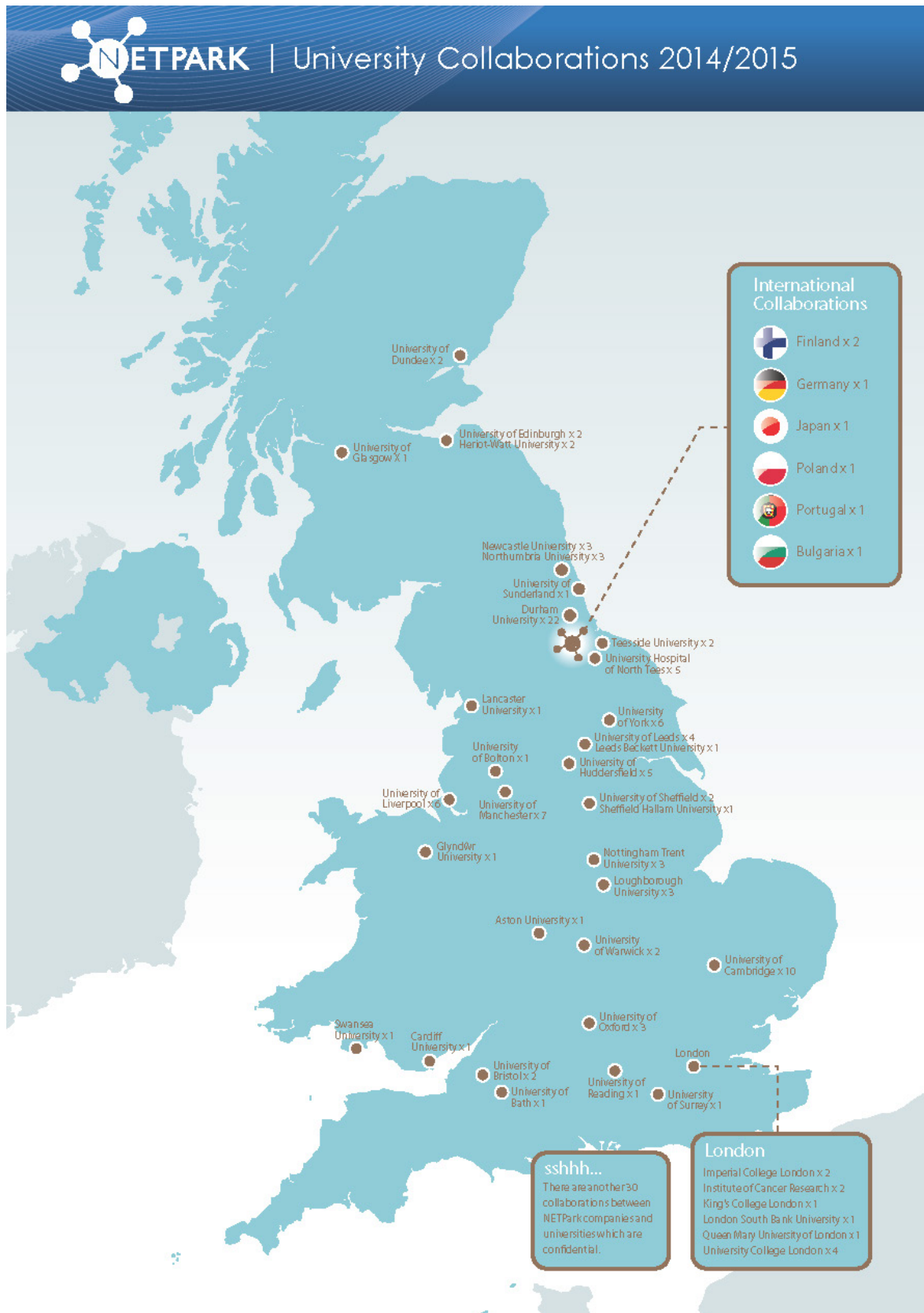
Appendix 4: NETPark 2025 – Developing the Vision



Appendix 5: Lost inward investment projects

Sector	Description	Reason for loss
Chemicals	A chemicals company with a plant in the NE and H.O. in the SE. The enquiry was initially for a small plant to support sales to regional customers. A viewing of Wavin took place that was very positive. The company declined to follow up on its power requirements; the reasons for this are unclear.	This is unknown. It is possible that the company was fishing in the first instance. An analysis of the finances of the company raised questions and it may be that it has decided to concentrate on making its existing operations efficient and profitable before investing and expanding.
Manufacturing for the Construction sector	Structural Steel fabricator with an option to close a plant in another part of the Country and expand in the NE closer to its HQ.	The company had a short window in which to divert project investment from the site under threat. The premises identified in Peterlee had some complicated issues to resolve and these, combined with the fact that it was fundamentally too large meant that the company decided to stay put.
Food manufacture	Foreign grain based food producer. Had NE options in Northumberland and Merchant Park. The Regional Partnership engaged in the absence of a Gateway Manager. The company made a successful application to RGF on the back of NE support.	The company managed to acquire a speculatively built food grade manufacturing facility in the North Midlands.
Manufacturing	Peterlee based manufacturer co located and needing independence and additional space following acquisition. The project location, though determined is not yet in the public domain.	The project has gone to the South of Sunderland – the nearest premises found compatible with retaining the skilled staff. There were no suitable units in the 50,000 sq. ft mark to allow us to keep the company who were keen to remain in Peterlee.

Appendix 6: NETPark university collaborations



Appendix 7: Detailed breakdown of Business Durham's property portfolio occupancy

Property Name	No of Units	Gross Floor Space (m2)	Occupancy as at April 2016	Occupancy as at June 2016	Occupancy as at September 2016
Sacriston Industrial Estate	19	2,058	100%	100%	100%
Stella Gill Industrial Estate	35	4,395	92%	96%	96%
Tanfield Lea South Industrial Estate	4	1,018	100%	100%	100%
All Saints Industrial Estate	5	1,347	100%	100%	100%
Chilton Industrial Estate	18	5,615	91%	87%	87%
Dabble Duck Industrial Estate	9	2,177	91%	91%	80%
Coulson Street Industrial Estate	5	565	100%	100%	100%
Dean & Chapter Industrial Estate	11	1,533	100%	100%	100%
Fishburn Industrial Estate	6	2,262	68%	68%	68%
Tudhoe Industrial Estate	12	944	100%	100%	100%
Furnace Industrial Estate	20	2,671	97%	93%	90%
South Church Industrial Estate	5	697	100%	100%	100%
Stainton Grove Industrial Estate	25	2,927	91%	91%	100%
Randolph Industrial Estate	6	929	100%	100%	80%
Harvey Court, Low Willington Ind. Estate	5	848	100%	100%	100%
Brockwell Court, Low Willington Industrial Estate	1	290	0%	0%	100%
Industrial Total	186	30,275	92%	92%	91.5%

Derwentside Business Centre (inc. ViewPoint)	61	6,839	79.17%	71%	74%
Tanfield Lea Business Centre	41	2,591	48%	54%	54%
Sildon Business Centre	8	132	100%	100%	68%
St Stephens Court, Low Willington	14	1,252	51%	51%	51%
Crook Business Centre	14	560	73%	79%	93%
Durham Dales Centre (excl. Tea Room and Gift Shop)	19	558	52%	56%	49%
Office Total	198	11,962	68%	65%	67%

NETPark Incubator	79	1,984	86%	93%	93%
Kromek	1	1,759	100%	100%	100%
NETPark Discovery 1	8	1,440	100%	100%	100%
NETPark Discovery 2	8	1,442	100%	100%	100%
NETPark Research Institute Building (Durham University)	1	1,759	100%	100%	100%
Science Park Total	97	8701	97%	98%	98.5%
Grand Total	481	50,938	87.5%	86.6%	87.13%