

# **ECONOMIC GROWTH AND REGENERATION COMMITTEE AGENDA**



**Tuesday 12 December 2023**

**at 10.00 am**

**in Committee Room B,  
Civic Centre, Hartlepool.**

MEMBERS: ECONOMIC GROWTH AND REGENERATION SERVICES COMMITTEE

Councillors Brown, Clayton, Creevy, Hargreaves, Lindridge, Martin-Wells and Young.

**1. APOLOGIES FOR ABSENCE**

**2. TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**

**3. MINUTES**

- 3.1 Minutes of the meeting held on 5<sup>th</sup> September 2023 (*previously circulated and published*).

**4. BUDGET AND POLICY FRAMEWORK**

- 4.1 Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 (*Director of Finance, IT & Digital and Executive Director of Development, Neighbourhoods and Regulatory Services*)

**5. KEY DECISIONS**

None

**6. OTHER ITEMS REQUIRING DECISION**

None

**7. ITEMS FOR INFORMATION**

- 7.1 Hartlepool Business Start Ups (*Assistant Director – Development and Growth*)

**CIVIC CENTRE EVACUATION AND ASSEMBLY PROCEDURE**

In the event of a fire alarm or a bomb alarm, please leave by the nearest emergency exit as directed by Council Officers. A Fire Alarm is a continuous ringing. A Bomb Alarm is a continuous tone.

The Assembly Point for everyone is Victory Square by the Cenotaph. If the meeting has to be evacuated, please proceed to the Assembly Point so that you can be safely accounted for.

Date of next meeting – 30 January 2024 at 10.00 am



# ECONOMIC GROWTH AND REGENERATION COMMITTEE

12th December 2023



**Report of:** Director of Finance, IT & Digital and  
Executive Director of Development, Neighbourhoods  
and Regulatory Services

**Subject:** MEDIUM TERM FINANCIAL STRATEGY (MTFS)  
2024/25 TO 2026/27

**Decision Type:** Budget and Policy Framework

## 1. COUNCIL PLAN PRIORITY

<b>Hartlepool will be a place:</b>
- where people are enabled to live healthy, independent and prosperous lives
- where those who are vulnerable will be safe and protected from harm
- of resilient and resourceful communities with opportunities for all
- that is sustainable, clean, safe and green
- that has an inclusive and growing economy
- with a Council that is ambitious, fit for purpose and reflects the diversity of its community

## 2. PURPOSE OF REPORT

- 2.1 The purpose of this report is to provide an update on the MTFS and to enable the Committee to scrutinise / comment on the savings proposals referred from the Finance and Policy Committee.

## 3. BACKGROUND

- 3.1 Comprehensive MTFS reports have been considered by Finance and Policy Committee on 3<sup>rd</sup> July 2023 and the latest report on 27<sup>th</sup> November 2023, this

is attached at **Annex A**. A number of key issues were highlighted within these reports, which are briefly summarised in the following paragraphs.

- 3.2 All councils are facing significant financial challenges owing to the impact of inflation, demand on services and inadequate increases in government funding to meet these challenges. This includes Hartlepool and these issues are the key driver of the budget deficit facing the Council.
- 3.3 As outlined in the November Finance and Policy Committee report, after an assumed Council tax rise in line with Governments expectations, the Council has a forecast budget deficit of £3.149m for 2024/25 and £8.080m over the MTFS period. As in previous years the addressing of the deficit needs to be managed through budget saving actions, which seek to minimise the impact on services where possible, and also use of reserves. As members will be aware the use of reserves to support the budget position is not sustainable, so must be done in a managed way, allowing time for further savings to be developed and service transformation to be delivered.
- 3.4 To support the meeting of the this budget gap, savings proposals totalling £1.792m have been proposed for 2024/25 and a total of £2.792m over the MTFS period. The acceptance of the proposals for 2024/25 would leave a remaining budget gap of £1.357m to be met from reserves in that year.

#### 4. ISSUES TO BE CONSIDERED BY POLICY COMMITTEES

- 4.1 Finance and Policy Committee is seeking comments on the savings proposals, which are summarised by workstream in the table below.
- 4.2 Details of the individual savings provided in **Appendix C** and for ease of reference the items relevant to this committee are shaded.

	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Nuts and Bolts	0.465	0.285	0.250	1.000
Digital	0.010	0.030	0.030	0.070
Service Reviews	0.636	0.000	0.000	0.636
Commercial	0.681	0.405	0.000	1.086
<b>TOTAL</b>	<b>1.792</b>	<b>0.720</b>	<b>0.280</b>	<b>2.792</b>

- 4.3 Officers are also reviewing operational decisions across their service areas in order to maximise income and efficiency whilst consider the merit of non-essential duties in order to ensure their budgets balance.

## 5. RECOMMENDATIONS

- 5.1 As requested by Finance and Policy Committee, the Committee is requested to consider the recommended savings proposals detailed in **Appendix C** relating to the services within this Committees portfolio and provide any comments to be reported back to Finance and Policy Committee on 22<sup>nd</sup> January 2024, including suggesting alternative proposals if Members do not wish to implement these proposals.

## 6. REASON FOR RECOMMENDATIONS

- 6.1 To fulfil the requirement of the Council's Constitution to seek Policy Committee input on proposed savings.

## 7. BACKGROUND PAPERS

The following background papers were used in the preparation of this report:-

- Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 – 3<sup>rd</sup> July 2023.
- Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 – 27<sup>th</sup> November 2023.

## 8. CONTACT OFFICER

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Sign Off:-

Managing Director	22/11/2023
Director of Finance, IT and Digital	22/11/2023
Director of Legal, Governance and HR	22/11/2023

# FINANCE AND POLICY COMMITTEE

27 NOVEMBER 2023



**Report of:** Director of Finance, IT and Digital

**Subject:** MEDIUM TERM FINANCIAL STRATEGY (MTFS)  
2024/25 TO 2026/27

**Decision Type:** Budget and Policy Framework

## 1. COUNCIL PLAN PRIORITY

<b>Hartlepool will be a place:</b>
- where people are enabled to live healthy, independent and prosperous lives
- where those who are vulnerable will be safe and protected from harm
- of resilient and resourceful communities with opportunities for all
- that is sustainable, clean, safe and green
- that has an inclusive and growing economy
- with a Council that is ambitious, fit for purpose and reflects the diversity of its community

## 2. PURPOSE OF REPORT

- 2.1 The purpose of this report is to provide an update on the Council's financial position and to approve the budget savings proposals to be referred to individual Policy Committees.

## 3. BACKGROUND

- 3.1 A comprehensive MTFS update report was presented to the Finance and Policy Committee at its meeting in July 2023. The MTFS does not stand still and continuously evolves based on latest information, intelligence and changing circumstances, including the current years forecast budget outturn position.

- 3.2 The updated MTFS position presented in this report continues to cover the three year position, 2024/25 to 2026/27, although it is important to recognise that the Council needs to be sustainable beyond this 3 year period and in to the longer term.
- 3.3 Speeches and presentations from government ministers and officials over recent months provide no indication that additional funding is forthcoming to Council's to support growing budget gaps. Key messaging is around the need for Councils to be transforming how they deliver services to balance their budgets and therefore not planning for government funding to fill the financial void.
- 3.4 Whilst a general election will take place during the next 14 months, there is similarly no promise of additional funds from the current opposition, should they be elected.
- 3.5 Whilst we do continue to make the case to government ministers and officials for additional funding, it is looking increasingly unlikely that funding allocations will increase in the short to medium term. The long awaited 'Fair Funding' review, which is likely to benefit Hartlepool, continues to be stalled. Fundamentally, the financial position is exceptionally challenging and is likely to remain so.
- 3.6 As included in the last MTFS update report in July, information on the historical context to the financial challenges facing the Council is included at **Appendix A**. This includes the change in the Council's funding since 2013/14 when the current funding system was implemented, the Council Tax Base position and our Council Tax relative to others in the region. This information continues to be appended to ensure members and readers are aware of the overall financial environment and constraints the Council operates under.

#### **4. BUDGET PRESSURES**

- 4.1 As noted, the forecast position in the medium term is constantly evolving. Following the comprehensive update provided to members in July, the below table has been updated where necessary and commentary on the areas of change provided in the subsequent paragraphs.

	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
<b>Spending Pressures</b>				
Pay and Price Inflation	5.776	3.937	3.081	12.794
Energy	0.000	0.000	0.000	0.000
Childrens Social Care	3.000	0.500	0.500	4.000
Waste Disposal	0.000	1.500	0.500	2.000
SEND Passenger Transport	0.200	0.000	0.000	0.200
Capital Financing	0.250	0.250	0.250	0.750
<b>Total Spending Pressures</b>	<b>9.226</b>	<b>6.187</b>	<b>4.331</b>	<b>19.744</b>

**Pay and Prices - Pay Award**

- 4.2 The national pay offer for 2023/24 was agreed with the trades unions during November 2023. The agreed offer equates to £1,925 per employee regardless of grade up to spinal point 43. An offer of 3.5% for Chief Officers had previously been accepted. This overall pay award equates to a blended rate of approximately 6%. The Council had allowed for 5% resulting in an in-year shortfall for 2023/24 which has been factored in to the 2023/24 in-year budget position and also permanently addressed in 2024/25 budget plans.
- 4.3 In addition to addressing the 2023/24 gap as set out above, the MTFS allows for the pay awards reflecting an assumption of a return to longer term normal inflation levels and accompanying pay demands. Since the July update, an increased allowance of 3.5% (previously 3%) has been included for 2024/25, given inflation and in particular wage inflation remains higher than previously forecast. The assumption of 2% pay awards remain for subsequent years in line with the government's inflation target. These assumptions will be kept under review.

**Pay and Prices - Audit Fees**

- 4.4 Due to significant difficulties and failings in recent years within the Public Audit sector, a significant uplift in fees nationally has been trailed by the body responsible for managing the appointments process, Public Sector Audit Appointments (PSAA). The body have now confirmed that audit fee rates to be applied from 2023/24 will be 151% higher than 2022/23.
- 4.5 The PSAA recognises “the significant financial pressures on all types of local government bodies and understand that any further cost pressure is unwelcome. However, the level at which we are proposing to set the 2023/24 fee scale is determined by the audit work needed to deliver audits compliant with the requirements of the Code of Audit Practice, and market rates”.
- 4.6 This increase creates an in-year shortfall for 2023/24 which is factored in to the 2023/24 in-year budget position and also permanently addressed in 2024/25 budget plans.

**Pay and Price – Income**

- 4.7 For budget planning it is assumed that all discretionary fees and charges will increase in line with the inflation each year. For 2024/25 an uplift in line with September 2023 CPI (6.7%) is proposed. Areas with existing income budget shortfalls will still action an increase in charges in April 2024 where appropriate, but prudently the overall income budget target will not be increased, allowing the price increase to address the existing gap.



**Energy Inflation**

- 4.8 The unprecedented increase in energy prices experienced over recent years has had a significant impact on residents, businesses and public bodies alike. Responding to this challenge, the Council progressed a twofold strategy of increasing the revenue budget for anticipated long term prices coupled with use of an energy reserve for the expected shorter term spike. This approach served the Council well during 2022/23 with £0.300m being drawn down from the reserve. The reserve is also supporting the 2023/24 budget position.
- 4.9 The Council purchases its energy via the regional North East Purchasing Organisation (NEPO), with a forward purchasing strategy in place where it is deemed prudent. At present, one third of the energy requirement for 2024/25 has been purchased.
- 4.10 Although energy prices are still forecast to reduce in 2024/25, a number of factors are placing more uncertainty in to the global energy markets. The on-going Russia/Ukraine conflict and more recent Middle East conflict are driving a significant amount of the uncertainty. In addition, the proximity of the Middle Eastern conflict to the Suez Canal and also the Australian strike action in the sector are further causes for concern, creating more price volatility.
- 4.11 At this stage it is too early to firm up the position in relation to the MTFS period. Whilst there is the potential for a reduction in prices in 2024/25, this may only result in the removal of reliance on the temporary energy reserve rather than leading to savings in the base budget. The position will continue to be closely monitored and updates provided in future reports.

**Children's Social Care**

- 4.12 The number of children in our care within external placements has increased over the past few years and continues to grow. More fundamentally from a financial perspective, the increasing complexity of children's needs and finite capacity in the residential market is leading to ever increasing prices being charged for accommodation. The average weekly cost of a placement has increased by over 45% over the last three years. Our highest external placement cost is currently £11,000 per week.
- 4.13 The Council continues to mitigate this pressure where possible through the promotion of in-house fostering, working with partner organisations in the sector and the opening of new Local Authority run homes within Hartlepool. However, these actions can have a long lead in time. Despite this approach, the budget is currently forecasting a significant and worsening overspend position as reported in more detail within the 'Strategic Financial Management Report - as at 30th September 2023' update elsewhere on the agenda.

- 4.14 The previous MTFS update in July provided for an additional provision of £3m in to the Children's Social Care budget, phased over a three year period. Given the severity of the cost pressures being encountered within Children's Social Care, this has been accelerated, with the full £3m additional provision now being provided in the 2023/24 financial year, with a further £1m added to the position over subsequent years. Notwithstanding this acceleration, it is not clear whether this increase will be sufficient given the challenging market conditions, although cost mitigation strategies as noted in 4.13 are being progressed as quickly as possible. The position will be kept under review and any required amendments to the budget provision will be reported in the next budget planning report to committee in January 2024.

### **Waste Disposal**

- 4.15 As reported in the last MTFS update report in July, Hartlepool has entered into a partnership with six other Local Authorities in the region to procure a new Energy from Waste facility. The procurement process is on-going, with an anticipated go-live date during 2026. The Council has benefitted from very competitive gate fees with the current incumbent, however, these fees are forecast to step up significantly for the 2025/26 year as part of the contract extension arrangement.
- 4.16 The financial due diligence work continues in relation to the above. The forecast budget impact from £2m remains within the MTFS period, but the latest understanding of the phasing of this impact has been updated accordingly.

### **Capital Financing**

- 4.17 A capital financing pressure of £0.150m per annum was previous introduced in the MTFS in recognition of a future reduction in Minimum Revenue Provision (MRP) savings and also the need for temporary borrowing for the Elwick Road scheme. This pressure has been increased to £0.250m to reflect the increase in borrowing required to fund Highlight leisure facility as approved by Finance and Policy, and subsequently Council, in September.

## **5. GOVERNMENT FUNDING**

- 5.1 The Local Government Finance Settlement for 2024/25 is expected to be another one-year settlement for councils, continuing the trend of recent years. Current indications are that the provisional settlement will be published during the week commencing 18<sup>th</sup> December. The continuation of one year settlements continues to hamper financial planning and sustainability.

- 5.2 As previously reported, the government have confirmed that the long awaited fair funding review and a reset of the business rates retention system will not now take place for at least two years. This review was first promised in 2016 and is envisaged to create a fairer formula for the allocation of government funding. Whilst there is no certainty, the Council has a reasonable expectation of additional funding through this review, not least due to our relative position on Business Rates.
- 5.3 A key safeguard in the Business Rate system is that any accumulated growth in the system should have been redistributed into a new baseline funding position for each Council. Councils that are significantly above the current baseline will lose funding to be redistributed to those councils closer to the baseline or below the baseline. Hartlepool is one of a small number of Councils below our baseline position, in part due to the reduced valuation of the Nuclear Power Station since the business rates system was introduced.
- 5.4 Until a baseline reset is undertaken accumulated business rates growth and therefore funding resides with those authorities generating the growth rather than it being redistributed to Councils based on need, such as ours.

### **Revenue Support Grant (RSG)**

- 5.5 The government has indicated that this grant will increase by September 2023 CPI. Following the publishing of the September CPI rate of 6.7%, the MTFS forecast for this grant has been adjusted accordingly.

### **Social Care Funding**

- 5.6 The final local government settlement 2023/24 provided for additional social care funding. These grants will continue in 2024/25 and although no individual authority allocations have been announced the national funding totals have increased for 2024/25. Estimated grant levels for 2024/25 have been calculated pro-rata using the 2023/24 distribution methodology.
- 5.7 The improved Better Care Fund has no increase applied in the budget model as per the current year and government indications.

### **New Homes Bonus (NHB)**

- 5.8 As with the previous year, the 2023/24 New Homes Bonus grant included no legacy year payments, reflecting an anticipation that government will phase this grant out. The government had indicated their intention to consult on NHB during the year, but this has not been progressed. A number of Local Authorities have taken the prudent view to remove NHB from budget planning. At this stage it remains in our MTFS at £0.447m. Recent publications from government have now referred to New Homes Bonus for 2024/25, providing positive indications that the grant will continue. Confirmation of the position will not be fully confirmed until the settlement release at the end of December.

**Business Rates Top Up Grant**

- 5.9 The Business Rates multiplier and Top Up grants have historically increased in line with September CPI inflation. Following the publishing of the September CPI rate of 6.7%, the MTFS forecasts have been adjusted accordingly.

**‘Simpler Recycling’ reforms and Extended Producer Responsibility for Packaging (EPRP) Funding**

- 5.10 Following recent consultation, the Government published, in October, its response on planned ‘Simpler Recycling’ reforms. This has confirmed that the required changes to waste collection arrangements have been delayed to April 2026 and also provide councils with greater flexibility over the number of bins they collect and also allowing charges for garden waste collections to continue.
- 5.11 In respect of EPRP, the government will fund councils according to a formula using information gathered from councils and other factors such as variations in cost of collection. The total cost will be collected as a levy by DEFRA on suppliers. For the delivery of other changes around food waste collections and recycling separation, the government will provide new burdens funding to support councils.
- 5.12 Pending further details, no new income is included within the MTFS in relation to the EPRP initiative. Also, the costs of the new collection requirements from April 2026 are assumed to be neutral, given the confirmation of new burdens grant funding. The position will continue to be monitored.

**6. LOCAL FUNDING****Business Rates**

- 6.1 Under the current Business Rates funding regime, the Council retains locally 49% of Business Rate income. Inherent in the system is an annual uplift usually based on September CPI and this has been factored into the position. All other assumptions impacting Business Rates have remained unchanged i.e. provision for Appeals, uncollectable debt and discretionary reliefs will remain broadly consistent.
- 6.2 The government has recently consulted on technical changes to business rates retention system in response to the Non-Domestic Ratings Act. The main impact will be the potential for de-coupling of the standard and small business rates multiplier, which will give government more flexibility in the future on how this is set. At this stage it is anticipated that this change will have a cost to the Council of up to £0.100m, however until the outcome of the consultation and the exact details are confirmed this has not been built into the budget position.

- 6.3 Generally, the impact of inflationary cost pressures and reduced consumer demand may impact on the collectability of business rates. The position will be kept under review and adjusted should the need arise.

### **Council Tax**

- 6.4 The Council has a track record of Council Tax base growth in recent years. Whilst new build homes numbers continue to be positive, the base position is coming under increasing pressure from exemptions and discounts, including the Single Person Discount (SPD). Hartlepool is not unique in facing these pressures. Regarding SPD, the Council is currently undertaking an enhanced review to support efforts to reduce any fraud or error in the system.
- 6.5 Elsewhere on today's agenda is the Council Tax Base report. These calculations suggest an increase of 438 properties to the Band D base position. An increase of 200 had already been allowed for in the budget model for 2024/25, therefore this further increase of 238, has now been factored into the budget position. An increase of 300 per year remains for 2025/26 and 2026/27
- 6.6 Current understanding is that the same Council Tax and Adult Social Care (ASC) referendum limits (5% total increase) for 2023/24 will apply for 2024/25, although this requires an annual decision by government. Local Council Tax decisions will be made later in the budget process.

## **7. RESERVES**

- 7.1 The Council holds reserves for a variety of purposes, including those allocated for known commitments and risks, including capital schemes, the MTFS budget position, our insurance fund and business rates appeals risks. The reserve position has been volatile in recent years given the covid-19 pandemic and the significant inflationary and demand pressures currently being experienced. The only unallocated reserve is our general fund reserve, which serves as a reserve of last resort.
- 7.2 As detailed in the 'Strategic Financial Management Report - as at 30th September 2023' update elsewhere on the agenda, a review of reserves has been carried out to redirect resources to priority areas including bolstering the General Fund and Budget Support Fund given the on-going pressures.
- 7.3 It is important to note that the use of one-off reserves to balance the on-going revenue budget position is not a financially sustainable basis to set our budget. The Budget Support Fund was created to smooth the budget deficits over a number of years, whilst the Council transforms to be able to deliver within its available budget. The fund will also meet one-off costs associated with generating the on-going efficiencies to achieve this.

- 7.4 For the 2023/24 budget setting, £2.471m of balances were used to support the overall budget position. The one-off nature of balances means that the budget position is detrimentally hit in subsequent years as their use unwinds. The £2.471m unwinds as per the table below.

	2024/25 £m	2025/26 £m	2026/27 £m	Total £
Temporary Use of Reserves (BSF)	1.471	0.000	0.000	1.471
Temporary Use of Investment Income*	0.000	0.500	0.500	1.000
<b>Budget Impact of Use of Reserves</b>	<b>1.471</b>	<b>0.500</b>	<b>0.500</b>	<b>2.471</b>

\*the current budget is predicated on use of £1m investment income in 2023/24 and 2024/25, £0.500m in 2025/26 and £nil in 2026/27.

## 8. STRATEGY FOR BALANCING THE BUDGET POSITION

- 8.1 Based on the position outlined in sections 3 to 7 above, the updated budget position over the 3 year MTFS period is shown in the table below.
- 8.2 As Council Tax decisions will be made at a later date, the table shows the 'Gap to be addressed before Council tax increase'. This highlights a gap of £5.583m should no increase be applied for 2024/25 rising to £13.708m over the MTFS period. For every 1% Council Tax not applied, the Council loses circa £0.500m of income.
- 8.3 The gap for 2024/25 has increased significantly, which is predominantly due to the acceleration of additional Children's Social Care resource outlined in 4.14 above. The overall 3 year forecast gap has also increased as a result of the forecast changes outlined in sections 4 to 6. .

	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
<b>Spending Pressures</b>				
Pay and Price Inflation	5.776	3.937	3.081	12.794
Energy	0.000	0.000	0.000	0.000
Childrens Social Care	3.000	0.500	0.500	4.000
Waste Disposal	0.000	1.500	0.500	2.000
SEND Passenger Transport	0.200	0.000	0.000	0.200
Capital Financing	0.250	0.250	0.250	0.750
<b>Total Spending Pressures</b>	<b>9.226</b>	<b>6.187</b>	<b>4.331</b>	<b>19.744</b>
Government Grant Changes	(2.855)	(0.648)	(0.660)	(4.163)
<b>Gap Before Local Funding</b>	<b>6.371</b>	<b>5.538</b>	<b>3.671</b>	<b>15.581</b>
Business Rates	(1.443)	(0.460)	(0.469)	(2.371)
Council Tax - Base Increase	(0.844)	(0.578)	(0.578)	(2.000)
Collection Fund (Surplus)/Deficit	0.028	0.000	0.000	0.028
<b>Gap Before Current Use of Reserves</b>	<b>4.112</b>	<b>4.501</b>	<b>2.624</b>	<b>11.237</b>
Temporary Use of Budget Support Fund (reversal)	1.471	0.000	0.000	1.471
Temporary Use of Investment Income (reversal)	0.000	0.500	0.500	1.000
<b>Bottom Line Gap to be Addressed (before Council Tax increases)</b>	<b>5.583</b>	<b>5.001</b>	<b>3.124</b>	<b>13.708</b>
<b>Cumulative Gap (before Council Tax increases)</b>	<b>5.583</b>	<b>10.584</b>	<b>13.708</b>	

- 8.4 Given the Government's position, the current assumption for the purposes of this update is that the maximum allowable Council Tax increase will be applied i.e. for 2024/25 a 2.99% core council tax rise and 2% ASC precept rise, leading to a total rise of 4.99%. The table below shows the budget gap after assumed council tax increase over the MTFS period.

	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
<b>Gap to be Addressed (before Council Tax increases)</b>	<b>5.583</b>	<b>5.001</b>	<b>3.124</b>	<b>13.708</b>
Council Tax - Increase (3% / 3% / 3%)	(1.441)	(1.557)	(1.637)	(4.635)
Adult Social Care Precept - Increase (2% / 0% / 0%)	(0.993)	0.000	0.000	(0.993)
<b>Bottom Line Gap to be Addressed (after Council Tax increases)</b>	<b>3.149</b>	<b>3.444</b>	<b>1.487</b>	<b>8.080</b>
<b>Cumulative Gap</b>	<b>3.149</b>	<b>6.593</b>	<b>8.080</b>	

- 8.5 The position presented continues to have an element of uncertainty and risk given both the current global and national economic uncertainty, but also the medium term duration. **Appendix B** provides greater detail of the main risks and associated sensitivities impacting on the position.
- 8.6 As noted in the previous MTFS update report, the recent peer review highlighted the need for a more medium term strategic and transformational approach to financial planning and not an annual "salami-slicing" exercise. Inevitably there are challenges to adopting such an approach, not least the need to identify and confirm savings for the 2024/25 budget i.e. before transformation will be delivered, but also the capacity to deliver such a programme across the organisation.

### Savings Proposals

- 8.7 Balancing the need for a more strategic approach, with the need for immediate savings, savings aligned to the below four workstream themes have been developed by Chief Officers.
- **Nuts and Bolts** – getting the basics right. Including proposals focussing on procurement, IT, Energy and Use of Property and Assets.
  - **Digital** - ever increasing acceptance and embracing of digital and on-line solutions. Building on our strong track record of promoting digital services and channel shift it is proposed to develop a Council Wide digital strategy, promoting a digital first mind-set, and a push to streamline data input by customers through to back office systems. Promoting high use of O365 functionality and intelligent use of data should also support this work stream.
  - **Service Reviews** - programme of activity to review front line and back office service provision, ensuring that it aligns to the priorities set out in the Council Plan and is provided in the most appropriate way.

- Commercial** - working towards ensuring a consistent, corporate approach across the Council to maximise income opportunities and push forward greater commercialism where there is a clear rationale and business case to do so.  
 The Council has seen positive Council Tax Base growth and this looks set to continue. The Council, working with partners as required, will also continue to promote inward investment to support regeneration and economic development in order to also drive Business Rate growth.

- 8.8 A summary of the proposed savings by workstream is shown in the table below. Proactively, savings have been developed beyond 2024/25 to assist MTFS planning. Savings proposals of £1.792m for 2024/25 and £2.792m in total of the MTFS period have been developed. **Appendix C** provides the detailed proposals along with information on staffing and equality impacts.

	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Nuts and Bolts	0.465	0.285	0.250	1.000
Digital	0.010	0.030	0.030	0.070
Service Reviews	0.636	0.000	0.000	0.636
Commercial	0.681	0.405	0.000	1.086
<b>TOTAL</b>	<b>1.792</b>	<b>0.720</b>	<b>0.280</b>	<b>2.792</b>

\* Note, a proposal to introduce charges for Assistive Technology has already been approved by the Adults and Community Based Services Committee on the 9<sup>th</sup> of November and as such is not included in the **Appendix C**.

- 8.9 In addition to the quantified savings proposals noted above, 'Pipeline Savings Proposals' are being developed by Directors or as part of cross cutting themes, and will be discussed with relevant policy leads during their development. These proposals will be developed and considered over the coming year, with the potential of these being implemented during 2024/25 where possible. The aim of this approach is to limit the use of reserves during 2024/25 and over the period
- 8.10 The table below shows the overall MTFS position taking in to account the proposed savings proposals.

	2024/25 £m	2025/26 £m	2026/27 £m	Total £m
Bottom Line Gap to be Addressed (after assumed Council tax increases)	3.149	3.444	1.487	8.080
Savings Proposals	(1.792)	(0.720)	(0.280)	(2.792)
<b>Bottom Line Gap to be Addressed (after assumed Council tax increases and proposed Savings)</b>	<b>1.357</b>	<b>2.724</b>	<b>1.207</b>	<b>5.288</b>
<b>Cumulative Gap</b>	<b>1.357</b>	<b>4.081</b>	<b>5.288</b>	



## Use of Reserves

- 8.11 As previously noted, the use of one-off reserves to balance the on-going revenue budget position is not a sustainable approach to setting the budget. Whilst it shunts the budget gap back a year, it presents a danger that the Council simply utilises one-off money on delaying decisions. In addition this approach reduces the scope for the Council to invest and innovate in order to generate recurring savings. However, the budget position, coupled with high inflationary pressures and future uncertainty on government funding will necessitate some use of reserves over the period.
- 8.12 The aim of setting the Council's budget is that it should be sustainable over the medium term period, with recurring spend funded by recurring income. Decisions on use of reserves should be made consistent with that aim. As such it continues to be proposed that any use of reserves should be done on a diminishing basis over the period so that by year 4 of the current cycle the budget is sustainable.
- 8.13 The Council's Budget Support Fund helps to smooth the budget position over the MTFS period as well as meeting any one off costs associated with budget reductions e.g. redundancies. The current position of the Budget Support Fund is set out in the table below. The position reflects the need to use £1.471m to balance the 2023/24 budget position, addressing the 2023/24 forecast overspend and use of Interest on Balances over the period as agreed as part of the annual budget setting process. The current forecast overspend for 2023/24 reported elsewhere on today's agenda will also need to be funded from this reserve and is included accordingly.

	Core £m	Interest £m
Balance as at 31 March 2023	9.418	1.131
Add		
Interest on balances earned over period (forecast)	0.000	1.369
Funding allocated to BSF as part of Reserve Review	1.153	0.000
Less		
Use of reserve to support 2023/24 budget	(1.471)	(1.000)
Use of reserve to support 2023/24 forecast overspend	(4.228)	0.000
Use of reserve to support 2024/25 budget	0.000	(1.000)
Use of reserve to support 2025/26 budget	0.000	(0.500)
Use of reserve to fund capacity to deliver savings	(1.000)	0.000
Use of reserve to fund costs associated with savings	(2.000)	0.000
<b>Forecast uncommitted balance over the period</b>	<b>1.872</b>	<b>0.000</b>

- 8.14 As approved as part of the July 23 MTFS update report, reserves of £3m funded from the Budget Support Fund have been earmarked for the following purposes:

- Capacity to Deliver Savings - £1.000m  
The transformational approach outlined within the report will undoubtedly require capacity to deliver, including one off improvement

spend. Earmarking this sum over the period will allow flexibility to support this agenda. Use will require a clear rationale connected to transformation or a sound business case for any invest to save spend. The savings proposals at Appendix C set out where allocations against this reserve have been made.

- **Costs Associated with Savings - £2.000m**  
Over the period there may be redundancy or other one off costs associated with proposed savings, where staffing levels are reduced. Whilst the aim will always be to manage this through workforce planning this is not always possible. A pay-back period of 3 years will continue to be in place. Holding a prudent sum back will ensure these can be funded should the need arise.

- 8.15 Following the earmarking of funding outlined above, there is £1.872m remaining in the Budget Support Fund to support the MTFS position over the medium term and beyond. At present the forecast reserve level is sufficient to meet the indicated 2024/25 gap of £1.357m

### **Conclusion**

- 8.16 The updated position set out in this report represents the latest understanding of cost pressures and funding assumptions impacting the Council. The changing position will continue to be monitored over the coming months and will be impacted by a number of areas, notably; in-year budget forecasts, inflation movements, the Chancellors Autumn Statement and significantly the Provisional Local Government Finance Settlement at the end of December. A further update and detailed budget recommendations will be presented to the Committee in January 2024.

## **10. LEGAL CONSIDERATIONS**

- 10.1 The following issues are relevant in relation to this report:

- the Local Government Finance Act 1992 requires local authorities to set a balanced budget – this report starts the budget process and further reports will enable budget proposals to be approved and then referred to Council to meet this requirement;
- the Local Government Act 2003 requires local authorities to consider the advice of their Section 151 Chief Finance Officer (the Director of Finance, IT and Digital) when making budget decisions. This advice must include details of the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. These requirements will be addressed in future reports.

**11. EQUALITY AND DIVERSITY**

- 11.1 The savings proposals put forward will impact on the delivery of frontline services or service users to varying degrees. There are some proposals which simply by the nature of the service area that they cover will impact on those with protected characteristics. However, owing to the financial challenges facing the Council there is no choice but to change, redesign and potentially close services to reduce costs. Where this occurs the council will aim to minimise the impact on those with protected characteristics and will focus on securing services for those who are the most vulnerable within those protected characteristics.
- 11.2 Members are aware from previous MTFS reports that in making financial decisions the Council is required to demonstrate that those decisions are made in a fair, transparent and accountable way, considering the needs and the rights of different members of the community. This is achieved through assessing the impact that changes to policies, procedures and practices could have on different equality groups.
- 11.3 An initial analysis has undertaken to determine the potential impact of the proposals put forward and these are detailed in the table in **Appendix D**.
- 11.4 Further analysis will be undertaken to incorporate feedback from the planned consultation process and this will be presented to Members in the next MTFS report. An overall central assessment will also be undertaken to determine the cumulative impact of the savings proposals on each individual protected characteristics.

**12. CHILD AND FAMILY POVERTY**

- 12.1 The initial analysis that has undertaken to determine the potential impact of the proposals put forward as detailed in the table in **Appendix D** also considers the impact on those living in poverty and disadvantage.
- 12.2 Further analysis will be undertaken to incorporate feedback from the planned consultation process and this will be presented to Members in the next MTFS report. An overall central assessment will also be undertaken to determine the cumulative impact of the savings proposals on child and family poverty.

**13. OTHER CONSIDERATIONS**

Risk Implications	Risk Implications are outlined in <b>Appendix B</b> and will be further considered, as required, as part of future budget setting reports.
Financial Considerations	As set out in the main body of the report

Child / Family Poverty Considerations	As set out in the main body of the report
Equality and Diversity Considerations	As set out in the main body of the report
Staff Considerations	Potential staffing implications of the proposed savings are included within the Savings detailed in <b>Appendix C</b> .
Asset Management Considerations	Asset Management implications of the proposed savings are included, where appropriate, within the Savings detailed in <b>Appendix C</b> .
Environment, Sustainability and Climate Change Considerations	Environmental, Sustainability and Climate Change considerations of the proposed savings are included, where appropriate, within the Savings detailed in <b>Appendix C</b> .
Consultation	<p>Savings proposals as outlined in this report will be referred to individual Policy Committees.</p> <p>Public consultation on the 2024/25 budget and MTFS has been developed and a draft of the proposed consultation documentation is included at <b>Appendices E(a) and E(b)</b>.</p> <p>Consultation with local business representatives and Trades Unions will be carried out during December.</p>

## 14. RECOMMENDATIONS

### 14.1 It is recommended that Members:

- i) Note the report;
- ii) Note the assessment of the forecast budget gap and proposed approach to address this gap in Section 8;
- iii) Refers the savings proposals to individual policy committees and instructs them to identify replacement savings if these proposals are not supported; and
- iv) Note the risks and scenarios outlined in the report which may impact upon the financial position presented as part of future MTFS updates.

## 15. REASON FOR RECOMMENDATIONS

### 15.1 To enable the Finance and Policy Committee to approve the proposals to progress the development of the MTFS.

**16. BACKGROUND PAPERS**

The following background papers were used in the preparation of this report:-

- Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2023/24 to 2025/26 – 23<sup>rd</sup> January 2023;
- Council - Medium Term Financial Strategy (MTFS) 2023/24 Statutory Budget and Council Tax determination – 23<sup>rd</sup> February 2023.
- Finance and Policy Committee - Medium Term Financial Strategy (MTFS) 2024/25 to 2026/27 – 3<sup>rd</sup> July 2023;

**17. CONTACT OFFICER**

James Magog  
Director of Finance, IT and Digital  
Email: [james.magog@hartlepool.gov.uk](mailto:james.magog@hartlepool.gov.uk)  
Telephone: 01429 523093

Sign Off:-

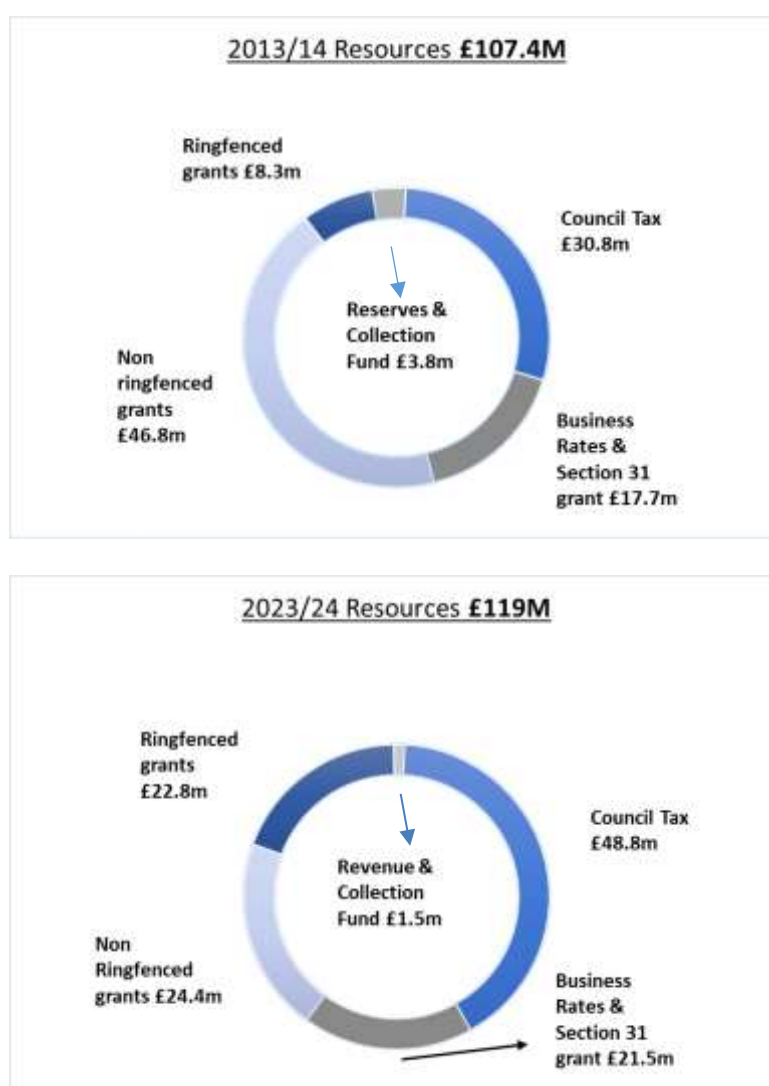
Managing Director	Date: 16 November 2023
Director of Finance, IT and Digital	Date: 16 November 2023
Director of Legal, Governance and HR	Date: 16 November 2023

### Funding Changes since 2013/14

1.1 Since 2013/14 the national funding regime has seen three key changes:

- A significant reduction in Government non ring-fenced Grants (i.e. Revenue Support Grant and Top Up grant);
- An increase in Government ring-fenced Grants, including the transfer of Public Health responsibilities and funding and various Adult Social Care grants; and
- Increased reliance on Council Tax to fund local services, which includes the introduction of the Adult Social Care (ASC) precept in 2016/17 and annual increases in this funding source up to and including 2022/23.

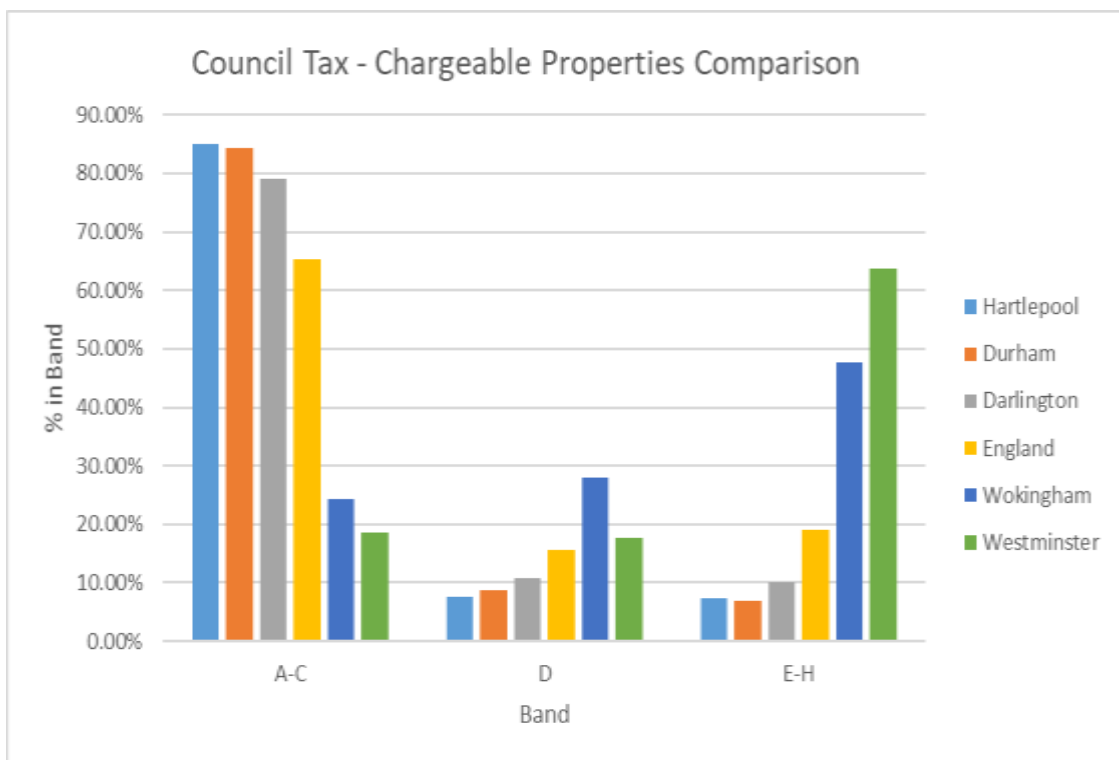
1.2 The impact on Hartlepool funding is summarised below:



1.3 Increasing reliance on Council Tax is a doubled edged sword as it means:

- Areas with a low council tax base (i.e. higher than average proportion of properties in Council Tax bands A and B – which includes Hartlepool and the other North East councils) raise less additional income for each 1% Council Tax increase than areas with a higher tax base – with lower demands on services. This means Council Tax increases offset less of Government funding reductions in areas with a low Council Tax base than is the case in more affluent areas;
- As a result councils with a low Council Tax base have to make greater service reductions and it becomes increasingly difficult for the public to understand the services Council Tax pays for.

1.4 In order to demonstrate the “low tax base” conundrum, comparison with two high base Local Authorities, two neighbouring Local Authorities and the English average is shown in the graph below. The graph clearly demonstrates the extent of shift required to equalise the tax base position with the national average, but also the sheer differential with more prosperous Local Authorities.



1.5 Whilst current and planned developments within Hartlepool are expected to continue the recent strong growth in Band E to H properties, it is clear that Hartlepool will continue to be a low tax base authority for the foreseeable future. Given since 2010 central government funding has moved away from needs based funding, there is less compensation funding for Hartlepool despite its low tax base.

- 1.6 The funding changes and low tax base have contributed to Hartlepool having a Council Tax level that sits slightly above the regional average, when parish councils are included as shown below.

Council Area	Band A* £	Impact of individual Parishes
Northumberland	1,386	*Within a number of Council areas, including County Durham, parish councils provide a number of services that are provided by Hartlepool Borough Council. Whilst the Band A rate shown here is an average for the area, there are often large variations dependent on the parish precept levied. As an example, the following Band A is paid in these County Durham areas: £1,473 Horden £1,453 Peterlee
Gateshead	1,381	
Durham	1,297	
Hartlepool	1,286	
Newcastle	1,280	
<b>Average</b>	<b>1,257</b>	
Middlesbrough	1,255	
Stockton-on-Tees	1,245	
North Tyneside	1,234	
South Tyneside	1,220	
Redcar and Cleveland	1,216	
Darlington	1,189	
Sunderland	1,092	



**Appendix B****MTFS 2024/25 to 2026/27 Initial Risk Assessment**

Key risks or issues that may impact on assumptions made and impact 2024/25.

<b>Issue and Risk</b>	<b>Reasonable Upside Scenario 2024/25</b>	<b>Reasonable Downside Scenario 2024/25</b>	<b>Rationale</b>
Inflation proves stubborn and reduces at a slower rate than anticipated.	£nil	£1.000m	Reasonable assumptions based on latest forecasts have been made for inflation during the period. There is no upside scenario likely, whereby inflation fell more rapidly. Downside scenario based on additional inflation risk on general and ASC inflation.
Pay Awards are higher than assumed	£nil	£1.000m	Provision included in the MTFS based on pay offer and historic norms. No contingency is built in for higher award. The reasonable downside scenario assumes an extra 2% for 2024/25.
Energy prices do not reduce as anticipated	£0.250m	£1.000m	The approach to the energy price crisis was to provide a longer term increase to the base budget supported by a specific energy reserve for the shorter term exceptional price level period. New and emerging global events are placing further pressure on energy markets.
Interest Rates	£0.500m	£nil	Should interest rates remain high and borrowing decisions can be delayed on the approved capital programme, there may be an opportunity to generate additional temporary Treasury Management returns.
Government Grant Changes - NHB	£nil	£0.447	Latest indications are that NHB will continue. Whilst this is good news, the allocation is yet to be confirmed nor any intelligence received as to its likely value.
Collection Fund	£nil	£0.500m	The wider economic conditions may have a detrimental impact on collection of both Council Tax and Business Rate.
Income Budget	£nil	£0.500m	The wider economic conditions and the recovery from the Covid-19 pandemic has created uncertainty over the achievability of key income budgets, including car parking.
Capital Programme Borrowing Costs	£nil	£nil (2024/25, but may impact later years)	Increased cost and/or interest rates may impact on borrowing costs. The impact is mitigated by pro-active Treasury management strategy and planned delay in borrowing decisions.
Social Care Charging Reform	£nil	£nil	Risk as to how this reform is now funded when government introduce the reform.

Category	Cttee	Budget Reduction Heading	Lead Officer	Budget Reduction 2024/25 £000	Indicative Budget Reduction 2025/26 £000	Indicative Budget Reduction 2026/27 £000	Total Budget Reduction £000	Verified by Finance (Yes/No)	Potential Staff impact over three years (indicative)	Equality & poverty impact	Description of proposed savings
Nuts and Bolts - Procurement	F&P	Procurement review	Beverley Bearne (AD - Development and Growth)	400	250	250	900	Yes	2	N/A	<p>Review of council wide procurement arrangements to ensure procurements are on-contract, are consistent council wide and represent full value for money. The review will also cover the differing procurement avenues, including purchasing cards and wider collaboration, including ensuring best use of NEPO contracts.</p> <p>The overall target for the project is £1m spread over 3 years, but with a front loaded profile. A £100,000 topslice in year one is proposed in order to provide the existing small team (1.6fte) with increased capacity to further develop the procurement function and consolidate procurement savings going forward.</p> <p>A sum of £150,000 has been earmarked from the MTFS Investment Reserve to support capacity work.</p>
Nuts and Bolts - Property and Assets	F&P	Asset Review	James Magog (Director - Finance, IT and Digital)	65	35	0	100	Yes	0	N/A	<p>Savings based on consolidating Bevan House and Windsor Offices staff into civic centre - savings realigned to latest estimate.</p> <p>A sum of £200,000 has been earmarked from the MTFS Investment Reserve to support his project. This project also allows other savings to materialise.</p>
Total				465	285	250	1,000				

Key - Equality & Poverty Impact

- A
- B
- C
- D
- E
- F
- G
- H
- I
- J
- K
- L
- Age
- Disability
- Gender Reassignment
- Marriage and Civil Partnership
- Pregnancy and Maternity
- Race
- Religion and Belief
- Sex
- Sexual Orientation
- Poverty
- Care Leavers
- Armed Forces Community

Category	Cttee	Budget Reduction Heading	Lead Officer	Budget Reduction 2024/25 £000	Indicative Budget Reduction 2025/26 £000	Indicative Budget Reduction 2026/27 £000	Total Budget Reduction £000	Verified by Finance (Yes/No)	Potential Staff impact over three years (indicative)	Equality & poverty impact	Description of proposed savings
Revs and Bens	F&P	Revenues and Benefits on-line gateway	James Magog (Director - Finance, IT and Digital)	10	30	30	70	Yes	0	N/A	<p>Improved on-line portal for Council Tax billing, with the aim of 60% sign up over 3 years. Automated integration to back office system from customer updates (i.e. eliminate double keying of information). Savings are net of software costs and will accrue with reduced printing and postage, with staff processing savings anticipated in future years.</p> <p>No staffing reductions are anticipated. Indicative savings in 2025/26 and 2026/27 may arise from staff savings, but this is likely to be cost avoidance (i.e. not increasing staff numbers to cope with increased council tax base) or overtime reduction.</p> <p>A sum of £50,000 has been earmarked from the MTFS Investment Reserve to support his project.</p>
Total				10	30	30	70				

Key - Equality & Poverty Impact

- A
- Age
- B
- Disability
- C
- Gender Reassignment
- D
- Marriage and Civil Partnership
- E
- Pregnancy and Maternity
- F
- Race
- G
- Religion and Belief
- H
- Sex
- I
- Sexual Orientation
- J
- Poverty
- K
- Care Leavers
- L
- Armed Forces Community

Category	Cttee	Budget Reduction Heading	Lead Officer	Budget Reduction 2024/25 £000	Indicative Budget Reduction 2025/26 £000	Indicative Budget Reduction 2026/27 £000	Total Budget Reduction £000	Verified by Finance (Yes/No)	Potential Staff impact over three years (indicative)	Equality & poverty impact	Description of proposed savings
Service Reviews	ACBS	Remodelling of beach lifeguard service	Gemma Ptak (AD - Preventative and Community Based Services)	25	0	0	25	Yes	TBC - casual staff	A	It is proposed to remodel the lifeguard service to prioritise areas of highest footfall. A reduced service has been operating over the last two summers due to challenges recruiting seasonal lifeguards despite training and development opportunities being provided. Impact assessments (including reviews of incidents reported) highlight that areas such as the paddling pool, water play area and fish sands typically see staff dealing with slips, trips and falls rather than water related incidents. As a result Seaton Beach (where footfall is highest and incidents are more likely to occur) has been prioritised to make best use of the available staffing resource. Increased water safety work, has been undertaken linked to periods of good weather and multi agency engagement to educate the community. This has a positive impact outside of lifeguards being present at all coastal locations. The RNLI and Coastguard will always respond in an emergency at all beaches, including those not supported by lifeguards because of the risk of rip tides or inadequate bathing conditions. A reduced service would include lifeguards at Seaton only during the summer months with a key focus on prevention. An annual water safety campaign would be implemented from May onwards and lifeguards would support exceptional events/activities with increased risk.
Service Reviews	CS	Activities for Children in Care	Jane Young (AD - Children and Families)	27	0	0	27	Yes	0	A / J	This budget supports improving outcomes for children in care which is called upon to fund extra curricular activities, trips, equipment etc. for children in care so they can enjoy and achieve. It is proposed to remove the full budget.
Service Reviews	CS	Local Welfare Support	Danielle Swainston (AD - Joint Commissioning)	129	0	0	129	Yes	0	B / F / K / J	Cease to deliver Local Welfare Support funding as financial safety net. In 2022 it was proposed to reduce funding by £86,000, this was accepted but decision taken to defer savings for 12 months. A report was taken to Finance and Policy Committee on 20 June 2022 outlining a new model for delivery of LWS and this was approved. Landscape of local welfare support has changed over recent years since this funding was delegated to local authorities. There is no longer a statutory duty to provide these services but they are a significant safety net for those in crisis. In recent years additional financial assistance and support has been provided through schemes such as Local Council Tax Support Scheme, Holiday Activities and Food Programme and Household Support Fund (HSF). HSF will be remodelled to increase application process as per the grant requirements and requests for essential financial support.
Service Reviews	CS	Childrens Homes - Block booking provision	Jane Young (AD - Children and Families)	312	0	0	312	Yes	0	N/A	Work in partnership with other children's homes providers who are coming into the market in Hartlepool and block purchasing provision at agreed cost. One house (3 children) currently securing Ofsted registration, another organisation at earlier stages, may be up to 12 months before this comes on line so opportunity to test model. Block purchase price has been negotiated and when comparing this price to spot purchase price for child with similar level of need, weekly cost is substantially less. Block purchasing will mean increased placement capacity within Hartlepool where children's needs can be met and allowing for continuity of school, health, family and social relationships etc. This will reduce reliance in spot purchasing from independent sector where demands outstrips supply and as such, providers demand very high cost for placements which are not linked to quality or expertise of provision.
Service Reviews	CS	Pupil Premium	Amanda Whithead (AD - Education)	68	0	0	68	Yes	0	A / J	Pupil premium is paid to the local authority for children in our care. This funds the virtual school and a proportion is provided to schools to support child in school setting. Current split is 40% retained and 60% paid to schools. No funding is retained in local authority to pay for back office costs associated with support to Virtual School for example finance, HR, ICT etc. Proposal is to amend the pupil premium split with 50% paid to school and 50% retained within LA. Schools Forum will be consulted on this proposal.

Category	Cttee	Budget Reduction Heading	Lead Officer	Budget Reduction 2024/25 £000	Indicative Budget Reduction 2025/26 £000	Indicative Budget Reduction 2026/27 £000	Total Budget Reduction £000	Verified by Finance (Yes/No)	Potential Staff impact over three years (indicative)	Equality & poverty impact	Description of proposed savings
Service Reviews	NS	Waste Services Restructure	Kieran Bostock (AD - Neighbourhoods)	30	0	0	30	Yes	-1	N/A	Restructure within waste services and subsequent realignment of duties to remaining staff.  This reduction will be managed within vacant posts.
Service Reviews	NS	CCTV	Sylvia Pinkney (AD - Regulatory Services)	30	0	0	30	Yes	0	J	<p>The council is currently responsible for providing public space CCTV monitoring. The service is delivered on a 24/7/365 basis. The system has cameras located around the borough.</p> <p>The centre also operates as a 24/7 single point of contract for all alarm companies to inform the council that a building alarm has been activated, as well as appropriate follow up action including site visits.</p> <p>It also acts as the councils emergency out of hours contact centre.</p> <p>It is proposed to reduce the time the centre is manned from the existing 24/7 to weekends, bank holidays and nights on weekdays. For the remaining time the cameras would be recording at their at rest positions.</p> <p>Weekday night shifts would be 5pm to 9am (16hrs) producing a 33% reduction in weekly hours, providing a staffing saving of £30,000.</p> <p>This proposal would not affect the majority of other out of hours service that the centre provides. There may be some areas where alternative arrangements would need to be made, but these would be during the working day.</p> <p>The reduction of this service may impact on crime and disorder.</p> <p>Whilst the service employs 5 people currently, 4 are agency and as such there are no established posts impact.</p>
Service Reviews	F&P	PA review	Hayley Martin (Director of Legal, Governance and Human Resources)	15	0	0	15	Yes	-0.5	N/A	A review of PA support arrangements has enabled a consolidation of two teams supporting the Managing Director, Development, Neighbourhoods and Regulatory Services, Legal Governance and Human Resources, and Finance, IT and Digital. This will enable a vacant 0.5FTE post to be removed from the structure.
Total				636	0	0	636				

Key - Equality & Poverty Impact

- A Age
- B Disability
- C Gender Reassignment
- D Marriage and Civil Partnership
- E Pregnancy and Maternity
- F Race
- G Religion and Belief
- H Sex
- I Sexual Orientation
- J Poverty
- K Care Leavers
- L Armed Forces Community

Category	Cttee	Budget Reduction Heading	Lead Officer	Budget Reduction 2024/25 £000	Indicative Budget Reduction 2025/26 £000	Indicative Budget Reduction 2026/27 £000	Total Budget Reduction £000	Verified by Finance (Yes/No)	Potential Staff impact over three years (indicative)	Equality & poverty impact	Description of proposed savings
Commercial	NS	Bus Shelter Advertising Contract	Kieran Bostock (AD - Neighbourhoods)	21	5	0	26	Yes	0	N/A	<p>The new Tees Valley wide bus shelter contract will return advertising income with some of the income being used to fund the Connect Tees Valley service, currently funded from existing budgets.</p> <p>There is a risk that advertising revenue does not reach the levels anticipated, but this will be actively monitored.</p>
Commercial	F&P	Social Value Discounts	Beverley Bearne (AD - Development and Growth)	10	0	0	10	Yes	0	A / J	<p>The Council has traditionally granted Social Value Discounts (SVD) on rents charged on certain properties in its estate that qualify in line with the published policy. The percentage discount varies between 25% and 75% of the headline rental and is technically assessed each year by reference to the tenants' accounts, memorandum and articles of association/constitution and evidence of good governance, etc. As to be expected such SVD does contribute to the continued operation of laudable uses. However, there are regular questions between qualifying organisations as to fellow recipient's discount amounts and more generally as whether such operations do indeed need the discount to survive. Moreover, in granting such discounts, the Council forgoes much needed rental income.</p> <p>It is proposed that all tenants currently in receipt of this discount continue to only receive 25% discount - effectively two entities receiving 75% discount would become consistent with others that receive 25%.</p> <p>There is an alternative option to remove the discount altogether - this would produce a further £16k of saving. However, this is not proposed at this stage.</p> <p>Few councils provide SVDs by way of a strict policy in the way the council does. Removal of the policy does not prevent concessionary rental deals being done where the Council wishes to make a specific differentiation.</p>
Commercial	F&P / All	Fees and Charges Increase in line with September CPI	James Magog (Director - Finance, IT and Digital)	250	0	0	250	Yes	0	J	<p>September CPI is used by government as a basis for Business Rate increases and also grant settlements. It is proposed to use this date a basis for fees and charges going forward. All fees and charges not subject to statutory levels would be expected to increase by this amount, unless agreed by ELT otherwise.</p> <p>A number of budget areas currently experiencing income shortfalls will not have their income budget increased.</p>
Total				281	5	0	286				

Key - Equality & Poverty Impact

- A Age
- B Disability
- C Gender Reassignment
- D Marriage and Civil Partnership
- E Pregnancy and Maternity
- F Race
- G Religion and Belief
- H Sex
- I Sexual Orientation
- J Poverty
- K Care Leavers
- L Armed Forces Community

## Equality and Child and Family Poverty Impact Assessment of the 2024/25 Budget Saving Proposals

Category	Budget Reduction Heading	Lead Officer	Equality & poverty Impact	Impact Assessment
Nuts and Bolts	Procurement review	Assistant Director – Development and Growth	N/A	There is no anticipated impact.
Nuts and Bolts	Asset review	Director – Finance, IT and Digital	N/A	There is no anticipated impact.
Digital	Revenues and Benefits on-line gateway	Director – Finance, IT and Digital	N/A	The move to digitalise Council Tax billing could potentially impact negatively on certain age demographics and those in poverty who have limited digital access. However, the impact has been mitigated as the existing service will continue to be delivered in parallel with the online approach. Therefore no overall impact has been identified.
Service Reviews	Remodelling of beach lifeguard service	Assistant Director – Preventative and Community Based Services	A	The beach lifeguard service responds to anyone who finds themselves in difficulty in the water however it is recognised that this may more likely be children. Following a review of incidents reported to the service the proposal is to prioritise providing the lifeguard service at Seaton beach, alongside delivering an annual water safety campaign and providing support to exceptional events / activities with increased risk, which aims to mitigate the impact on potential service users.

<b>Category</b>	<b>Budget Reduction Heading</b>	<b>Lead Officer</b>	<b>Equality &amp; poverty Impact</b>	<b>Impact Assessment</b>
Service Reviews	Activities for children in care	Assistant Director – Children and Families	A / J	This proposal relates to children in care. However, it is not anticipated that there will be a significant negative impact for individual service users from this proposal.
Service Reviews	Local Welfare Support	Assistant Director – Joint Commissioning	B / F / K / J	Local Welfare Support (LWS) is a limited discretionary fund to help vulnerable residents with essential household goods and appliances to be able stay in or return to their community. There is no statutory duty to provide the LWS but it provides a safety net for those in crisis. It is intended that financial assistance and support provided through the Local Council Tax Support Scheme, Holiday Activities and Food Programme and Household Support Fund (HSF) will mitigate some of the impact of removing the LWS nevertheless the removal of LWS will have a negative impact on child and family poverty.
Service Reviews	Children's Homes – block booking provision	Assistant Director – Children and Families	N/A	This proposal relates to children's social care and aims to reduce the costs associated with the provision of accommodation for children in the care of the Council. There is no negative impact identified for individual service users from this proposal.
Service Reviews	Pupil premium	Assistant Director – Education	A / J	This proposal would see a change in the distribution of pupil premium funding relating to children in the care of the Council to increase the percentage retained by the Council. It is not anticipated that there will be a significant negative impact identified for individual service users from this proposal.



<b>Category</b>	<b>Budget Reduction Heading</b>	<b>Lead Officer</b>	<b>Equality &amp; poverty Impact</b>	<b>Impact Assessment</b>
Service Reviews	Waste Services Restructure	Assistant Director – Neighbourhoods	N/A	There is no anticipated impact.
Service Reviews	CCTV	Assistant Director – Regulatory Services	J	The proposal is to reduce the staffed CCTV monitoring service to nights on weekdays, weekends and bank holidays only. Monday to Friday during the day cameras will record at their rest positions. It has been identified that this change may impact on crime and disorder which can link to poverty and disadvantage. However, the intention to retain the out of hours service will mitigate against some of this risk.
Service Reviews	PA Review	Director – Legal, Governance and Human Resources	N/A	There is no anticipated impact.
Commercial	Bus Shelter Advertising Contract	Assistant Director – Neighbourhoods	N/A	There is no anticipated impact.
Commercial	Social Value Discounts	Assistant Director – Development and Growth	A / J	This proposal would see a change to the Social Value Discount on rents charged on certain properties in the Council's estate limiting the discount to 25%. This would have an impact on two current tenants who provide services related to children and young people, adults of working age, older people and parents / carers.

Category	Budget Reduction Heading	Lead Officer	Equality & poverty Impact	Impact Assessment
Commercial	Fees and charges increase in line with September CPI	Director – Finance, IT and Digital	J	The proposal to increase fees and charges may have an impact on those living in poverty and disadvantage making it less affordable for them to access paid for services. A number of fee charging areas have reduced fee charging arrangements for those in receipt of certain benefits and these will remain reducing the potential impact of this proposal.

### Key - Equality & Poverty Impact

- A Age
- B Disability
- C Gender Reassignment
- D Marriage and Civil Partnership
- E Pregnancy and Maternity
- F Race
- G Religion and Belief
- H Sex
- I Sexual Orientation
- J Poverty and Disadvantage
- K Care Leavers
- L Armed Forces Community



# Balancing Hartlepool's Budget 2024-2025

Every February, Hartlepool Borough Council sets a budget for the year ahead which outlines how much money we will be able to spend on each of the services we provide. The Council is responsible for lots of different services. Some of these we do ourselves, some we work with others to do and some we pay other people to do for us. These services include giving children the best start in life and safeguarding those vulnerable to harm, providing adult social care, maintaining roads and pavements and providing leisure and cultural services.

We also support business investment and drive forward developments such as Highlight, screen production village, train station improvements and the exciting Town Deal projects, to ensure a prosperous future for the borough. There are some services that we have to provide by law. These are known as statutory services and include looking after children in care, supporting adults with care needs and collecting household waste. There are others that we choose to provide because they are nice things to have available to our residents. Although we have to provide statutory services we do not always have to provide them in a particular way and we could choose to do them differently in the future.

This year we have continued to see large increases in our costs as things become more expensive to buy. We also have higher costs because more people need our services, particularly in Adults and Children's social care. As an example, costs for placing a child into care outside of the Council have increased by 45% over the last three years. The average cost of providing this service is now approximately £5,000 per week, and some placements can cost more than £11,000 per week for one child.

As a result of these challenges we have an expected budget gap of £5.6m for 2024/25. That is the difference between what we expect to receive in income and the cost of continuing to provide all of our services at the current level. Over the period 2024/25 to 2026/27 this budget gap increases to £13.7m. We continue to lobby national government for a fairer share of funding but in the meantime we have a legal responsibility, as a council, to set a balanced budget.

We are not alone in facing such a challenging position, many other Councils are having difficulty balancing their budgets and you may have seen on the news that some Councils have even required the government to step in and effectively take control of their Council.

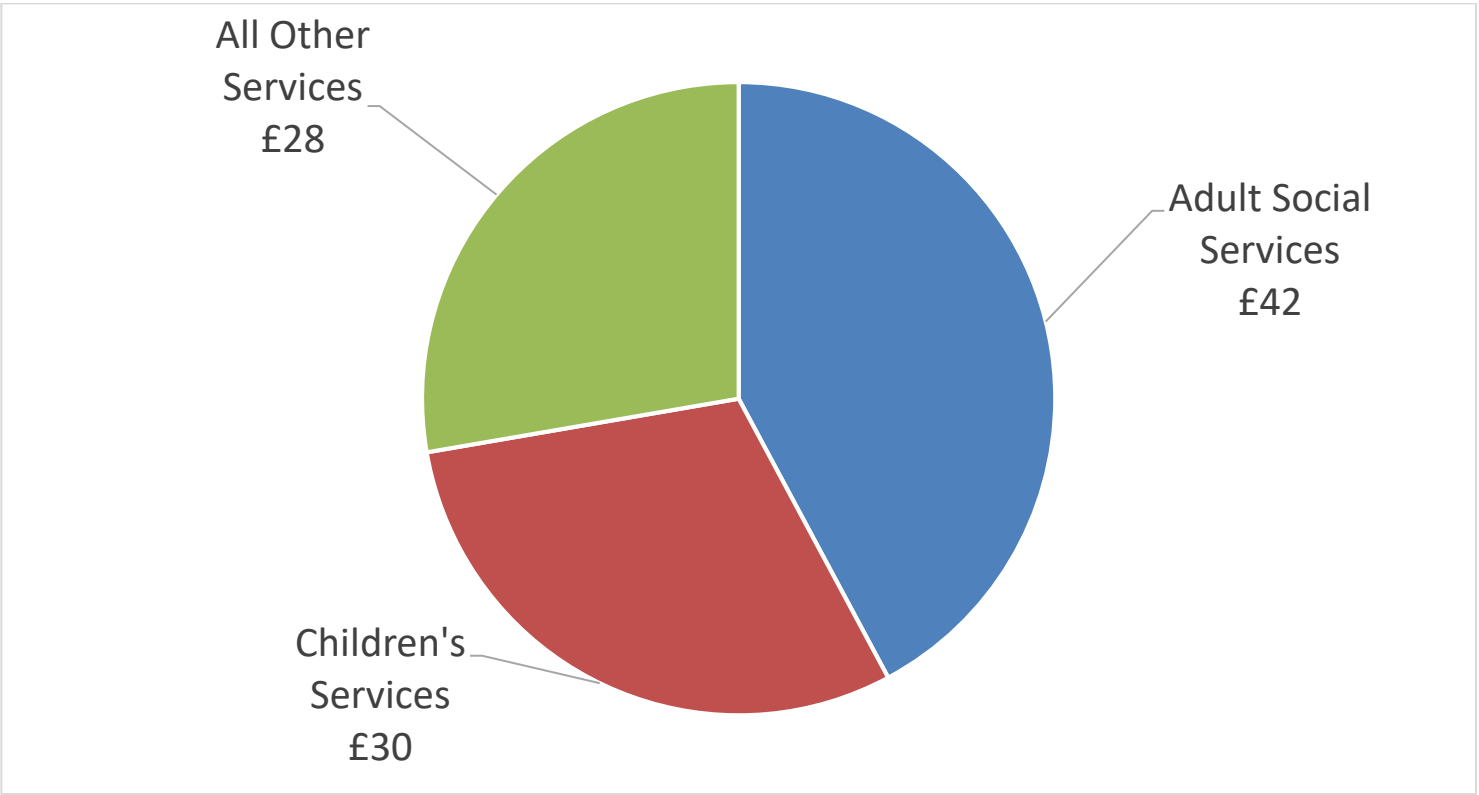
**How has the 2024/25 budget gap arisen?**

Pay and Price Inflation	£6.2m
Children’s Social Care Pressures	£3.0m
Previous use of one-off reserves	£1.5m
Government Grant Increases	(£2.9m)
Business Rate Increases	(£1.4m)
Council Tax Base increases (housing growth)	(£0.8m)
<b>Total Pressure</b>	<b>£5.6m</b>

**Where do we get our money from?**

Council tax does not fund all of your council services. We also raise money locally through business rates and fees and charges for services but we also receive a large amount of money from national government through grants.

**For every £100 we receive to fund services, we spend:**



## How we plan to bridge the gap

The Council has adopted a four themed strategy to reduce pressures and address the budget gap over the next 3 years;

- **Nuts and Bolts.** This focuses on getting the basic things right. This will include a particular focus on;
  - Procurement – getting best value on the things we buy;
  - Information Technology (IT) – using IT and online systems to improve how we deliver services;
  - Energy – move towards achieving our net zero ambitions by minimizing our energy use and making sure we are getting value for money; and
  - Best Use of Property and Assets – looking at our buildings now that more staff work at home or hybrid work as well as looking at the land and properties that council owns to see if they can be sold or used for other things.
- **Digital.** Developing and promoting more council services to be online to make it easier for residents to contact the Council when and where it suits them. However the Council does recognise that some customers do prefer and need to have in person contact in some instances.
- **Service Reviews.** Reviewing public facing and back office services that the Council provides to make sure it is still appropriate to provide the service and that we are doing it in the most appropriate and cost effective way.
- **Commercial.** We need to make sure that we are getting the best deal for the Council when we are trading with other companies and organisations. We will also encourage business to come to Hartlepool, help local Hartlepool business to grow and support the regeneration of the town.

## Will we need to increase Council Tax?

Subject to confirmation from the government in December, they are likely to expect councils to raise Council Tax by 5%. In other towns where the government has effectively taken control of the Council they have allowed them to raise Council Tax by a larger amount to help balance the budget. For example Croydon were permitted to increase by 15%, Slough 10% and Thurrock Council 10% in 2023/24.

No decisions have been made on Council Tax. However, for every 1% Council Tax rise, this generates an additional half a million pounds for Hartlepool Borough Council. The Council has a legal duty to balance its budget.

If we do not increase council tax, services will need to be cut further.

## **But Council Tax is thought by many to be unfair**

Council Tax was introduced in 1992. We know it is an unpopular tax and is widely considered to be unfair. However, unless central government change the funding system for Councils, we have no choice but to charge our residents.

The council does operate a Local Council Tax Support scheme to help support those most unable to pay. More details can be found on the [Councils website](#).

## **Isn't Council Tax high in Hartlepool?**

Council Tax is certainly higher than we would like. Unfortunately, the local government funding system means for councils like ourselves Council Tax will always likely be high. That is why we continue to lobby for a fairer funding system. The earliest a new funding system can be introduced is now 2025/26.

To help you understand we know that our Band A Council Tax is £29 a year higher than the regional average. However taking into account services provided by parish councils it is lower than the average in Northumberland, Gateshead and Durham Local Authorities. If you lived in Horden, for example, your Band A Council Tax would be £187 a year higher than on average in Hartlepool for 2023/24.

## **Your views**

As we look to set our budget for 2024/25, we want to hear your views on our budget proposals by completing the survey that accompanies this booklet.

The survey will remain open until **1<sup>st</sup> January 2024** and should take around 5 minutes to complete.

Paper surveys will be available in the Community Hubs and the Civic Centre with pre-paid envelopes for returning the survey.

If you would like to complete the survey online then you can do so by using the following link or scanning the QR code:

<https://yoursay.hartlepool.gov.uk/balancing-the-budget-2024-25>



If you have any questions or would like further information then please e-mail:

[yoursay@hartlepool.gov.uk](mailto:yoursay@hartlepool.gov.uk)

**Thank you for participating in this consultation – your views are really important to us!**



## Have your say on our budget proposals

In our 'Balancing the Budget' booklet ([LINK](#)) we have set out the financial challenge we face and have shared with you how we propose to balance our budget. We have explained why increasing Council Tax is an option we must consider, including that the Government expects us to do so.

Further detail can be found in the report taken to November's Finance and Policy Committee [here](#).

Now it is your opportunity to tell us what you think about our budget proposals. We want you to share any suggestions that you may have for other ways that you think the Council can make savings or generate more money.

### **About the survey...**

We are keen to understand who has responded to this consultation and to be able to break the answers down to see if different groups respond in different ways. In order to do this we will ask you to identify some information about yourself including your home postcode. This will not allow any individuals to be identified but will help us understand your views and to ensure we have received responses from a wide range of people. We have provided "prefer not to say" options for each question if you do not feel comfortable answering these questions.

### **What happens with the information you provide...**

The data from this survey will be considered when decisions about the budget are made.

The survey will remain open until **1<sup>st</sup> January 2024** and should take around 5 minutes to complete.

If you would like to complete the survey online then you can do so by using the following link or scanning the QR code:

<https://yoursay.hartlepool.gov.uk/balancing-the-budget-2024-25>



If you have any questions or would like further information then please e-mail:

[yoursay@hartlepool.gov.uk](mailto:yoursay@hartlepool.gov.uk)

**Thank you for participating in this consultation – your views are really important to us!**

**1. Do you understand the financial pressure Hartlepool Borough Council is experiencing in the face of significantly higher costs and rising demands for services?**

Yes	<input type="checkbox"/> 1
No	<input type="checkbox"/> 2
Don't know / Not sure	<input type="checkbox"/> 3

**2. Do you understand that the Council has a requirement to look after the most vulnerable in society, and that the significant increases in costs, is resulting in funding for other services being squeezed?**

Yes	<input type="checkbox"/> 1
No	<input type="checkbox"/> 2
Don't know / Not sure	<input type="checkbox"/> 3

**3. The government recognised that the current local government finance system was not fit for purpose in 2016 when it began a review, known as "Fair Funding". The council has the expectation of significant additional funding following such a review. Unfortunately the Fair Funding work has been paused. Do you agree that the council should continue to lobby for fair funding for Hartlepool?**

Yes	<input type="checkbox"/> 1
No	<input type="checkbox"/> 2
Don't know / Not sure	<input type="checkbox"/> 3

**4. A number of councils have got into financial difficulty and have issued what is known as Section 114 notices. Effectively declaring themselves bankrupt and stopping all non-statutory spending. This has led to government intervention, significant service cuts and in some cases exceptional increases to Council Tax. Do you agree the council should make every effort to avoid such an outcome?**

Yes	<input type="checkbox"/> 1
No	<input type="checkbox"/> 2
Don't know / Not sure	<input type="checkbox"/> 3

**5. Do you think our four themed approach to balancing the budget gap is appropriate and strikes the right balance between inward looking savings, income generation and potential service impact?**

Yes	<input type="checkbox"/> 1
No	<input type="checkbox"/> 2
Don't know / Not sure	<input type="checkbox"/> 3



6. To help us prioritise where to make budget reductions, please select three service areas to target for savings. Please select three options only.

<b>Services for older people</b> (including home and day care services, etc.)	<input type="checkbox"/> 1
<b>Services for people with a physical disability, learning disability or mental health need</b>	<input type="checkbox"/> 2
<b>Support for carers</b>	<input type="checkbox"/> 3
<b>Public health services</b> (including smoking cessation, weight management and drug and alcohol misuse services)	<input type="checkbox"/> 4
<b>Children's social care</b> (including welfare, fostering and adoption, and child protection)	<input type="checkbox"/> 5
<b>Education and child care</b> (including in nurseries and local authority schools)	<input type="checkbox"/> 6
<b>Home to school transport</b> provided by the Council	<input type="checkbox"/> 7
<b>Services for children with special educational needs and disabilities (SEND)</b>	<input type="checkbox"/> 8
<b>Support for young people not in education, employment or training (NEET)</b>	<input type="checkbox"/> 9
<b>Community hubs and libraries</b>	<input type="checkbox"/> 10
<b>Parks and other outdoor spaces</b> (including Summerhill Country Park and public Rights of Way)	<input type="checkbox"/> 11
<b>School meals</b>	<input type="checkbox"/> 12
<b>Registration services</b> (births, marriages and deaths)	<input type="checkbox"/> 13
<b>Regulatory Services</b> (including community safety, anti-social behaviour, environmental health and trading standards)	<input type="checkbox"/> 14
<b>Economic development</b> (supporting the local economy)	<input type="checkbox"/> 15
<b>Highways</b> (including street lighting, highways maintenance, footpaths and cycle ways)	<input type="checkbox"/> 16
<b>Concessionary bus travel</b>	<input type="checkbox"/> 17
<b>Waste services</b> (including household refuse and recycling collections, trade waste collections and the household waste recycling centre)	<input type="checkbox"/> 18
<b>Leisure services</b> (including leisure centres, sports and recreation facilities and activities)	<input type="checkbox"/> 19
<b>Planning and Building Control</b>	<input type="checkbox"/> 20
<b>Other services not listed here</b> (please specify)	<input type="checkbox"/> 21

**7. Do you understand that a Council Tax increase is one of the few options councils have to raise income to support the increasing cost of giving children the best start in life and safeguarding those vulnerable to harm, and providing adult social to our vulnerable residents?**

Yes	<input type="checkbox"/> 1
No	<input type="checkbox"/> 2
Don't know / Not sure	<input type="checkbox"/> 3

**8. Do you agree we should increase Council Tax by the amount allowed in order to protect vital services?**

Yes	<input type="checkbox"/> 1
No	<input type="checkbox"/> 2
Don't know / Not sure	<input type="checkbox"/> 3

**9. If you have comments on any of the specific schemes that we have included within our savings and income generation proposals or have any suggestions or comments as to how we can balance the budget, then please use the space below to tell us about them:**

## And finally...

We are now going to ask some details about you – your answers will help us to understand some of your earlier responses. We will use this information to see if the responses given to earlier questions vary based on some of these details. It will also help us to ensure that we get responses from a wide range of people.

This information will not be used to identify individuals and won't be shared. You do not need to complete this section if you do not want to or you can choose to answer some but not all of the questions. In some questions there is space provided if you wish to self-identify. Please note that these questions are from the 2021 Census so we are able to compare our responses against the population of Hartlepool.

### 10. Which of the following best describes you?

A resident of Hartlepool	<input type="checkbox"/> 1
Not a resident but working in Hartlepool	<input type="checkbox"/> 2
Not a resident but studying in Hartlepool	<input type="checkbox"/> 3
Other (please specify)	<input type="checkbox"/> 4

### 11. If you live in Hartlepool please tell us the first part of your postcode.

TS22	<input type="checkbox"/> 1
TS23	<input type="checkbox"/> 2
TS24	<input type="checkbox"/> 3
TS25	<input type="checkbox"/> 4
TS26	<input type="checkbox"/> 5
TS27	<input type="checkbox"/> 6
Other (please specify)	<input type="checkbox"/> 7

**12. Please tell us which of the following services, provided by Hartlepool Borough Council, you or the people in your household have used in the past 12 months.**  
(Please select all that apply).

<b>Services for older people</b> (including home and day care services, etc.)	<input type="checkbox"/> 1
<b>Services for people with a physical disability, learning disability or mental health need</b>	<input type="checkbox"/> 2
<b>Support for carers</b>	<input type="checkbox"/> 3
<b>Public health services</b> (including smoking cessation, weight management and drug and alcohol misuse services)	<input type="checkbox"/> 4
<b>Children's social care</b> (including welfare, fostering and adoption, and child protection)	<input type="checkbox"/> 5
<b>Education and child care</b> (including in nurseries and local authority schools)	<input type="checkbox"/> 6
<b>Home to school transport</b> provided by the Council	<input type="checkbox"/> 7
<b>Services for children with special educational needs and disabilities (SEND)</b>	<input type="checkbox"/> 8
<b>Support for young people not in education, employment or training (NEET)</b>	<input type="checkbox"/> 9
<b>Community hubs and libraries</b>	<input type="checkbox"/> 10
<b>Parks and other outdoor spaces</b> (including Summerhill Country Park and public Rights of Way)	<input type="checkbox"/> 11
<b>School meals</b>	<input type="checkbox"/> 12
<b>Registration services</b> (births, marriages and deaths)	<input type="checkbox"/> 13
<b>Regulatory Services</b> (including community safety, anti-social behaviour, environmental health and trading standards)	<input type="checkbox"/> 14
<b>Economic development</b> (supporting the local economy)	<input type="checkbox"/> 15
<b>Highways</b> (including street lighting, highways maintenance, footpaths and cycle ways)	<input type="checkbox"/> 16
<b>Concessionary bus travel</b>	<input type="checkbox"/> 17
<b>Waste services</b> (including household refuse and recycling collections, trade waste collections and the household waste recycling centre)	<input type="checkbox"/> 18
<b>Leisure services</b> (including leisure centres, sports and recreation facilities and activities)	<input type="checkbox"/> 19
<b>Planning and Building Control</b>	<input type="checkbox"/> 20
<b>Neither me nor anyone in my household have used any services in the past 12 months</b>	<input type="checkbox"/> 21
<b>Other services not listed here</b> (please specify)	<input type="checkbox"/> 22

**13. Which Council Tax Band is your home in?**

Band A	<input type="checkbox"/> 1
Band B	<input type="checkbox"/> 2
Band C	<input type="checkbox"/> 3
Band D	<input type="checkbox"/> 4
Band E	<input type="checkbox"/> 5
Band F	<input type="checkbox"/> 6
Band G	<input type="checkbox"/> 7
Band H	<input type="checkbox"/> 8
Don't know	<input type="checkbox"/> 9
Prefer not to say	<input type="checkbox"/> 10

**14. Are you....?**

Female	<input type="checkbox"/> 1
Male	<input type="checkbox"/> 2
Prefer not to say	<input type="checkbox"/> 3
Self-identify:	<input type="checkbox"/> 4

**15. What is your age?**

Under 16	<input type="checkbox"/> 1
16-25	<input type="checkbox"/> 2
26-35	<input type="checkbox"/> 3
36-45	<input type="checkbox"/> 4
46-55	<input type="checkbox"/> 5
56-65	<input type="checkbox"/> 6
66+	<input type="checkbox"/> 7
Prefer not to say	<input type="checkbox"/> 8

**16. What is your ethnic origin?**

Asian or Asian British	<input type="checkbox"/> 1
Black African, Caribbean or Black British	<input type="checkbox"/> 2
Mixed / Multiple ethnic groups	<input type="checkbox"/> 3
White	<input type="checkbox"/> 4
Other ethnic group (please specify)	<input type="checkbox"/> 5
Prefer not to say	<input type="checkbox"/> 6

**17. Are you...?**

Bisexual	<input type="checkbox"/> 1
Gay or lesbian	<input type="checkbox"/> 2
Straight / heterosexual	<input type="checkbox"/> 3
Prefer not to say	<input type="checkbox"/> 4
Self-identify:	<input type="checkbox"/> 5

**18. Do you have any physical or mental health conditions expected to last 12 months or more?**

Yes	<input type="checkbox"/> 1
No	<input type="checkbox"/> 2
Prefer not to say	<input type="checkbox"/> 3

**19. Do any of your conditions reduce your ability to carry out day-to-day activities?**

Yes, a little	<input type="checkbox"/> 1
Yes, a lot	<input type="checkbox"/> 2
No	<input type="checkbox"/> 3
Prefer not to say	<input type="checkbox"/> 4

**20. Are you, or have you been, in the care of the Local Authority as a child or young person?**

Yes, I am a care leaver	<input type="checkbox"/>	1
Yes, I am currently in care	<input type="checkbox"/>	2
No	<input type="checkbox"/>	3
Prefer not to say	<input type="checkbox"/>	4

**21. Please tell us if you, or your spouse / partner are currently serving or have previously served in the UK armed forces. Please tick all that apply**

I have previously served in the Regular or Reserve Armed Forces	<input type="checkbox"/>	1
I am currently serving in the Regular, Reserve or Territorial Armed Forces	<input type="checkbox"/>	2
My Spouse / partner is currently serving in the Regular, Reserve or Territorial Armed Forces	<input type="checkbox"/>	3
My Spouse / partner has previously served in the Regular or Reserve Armed Forces	<input type="checkbox"/>	4
Not applicable	<input type="checkbox"/>	5
Prefer not to say	<input type="checkbox"/>	6

**Thank you for completing the survey your views are important to us!**

By completing this questionnaire you give Hartlepool Borough Council the authority to collect and retain information about you. The information collected about you will be held securely and will be processed to produce statistical reports. No personal data will be disclosed. Hartlepool Borough Council is the Data Controller for the purposes of the Data Protection Act.

Please place completed surveys in the box provided or return to:

Your Say,  
Hartlepool Borough Council,  
Civic Centre,  
Victoria Road,  
Hartlepool,  
TS24 8AY

The closing date is **Monday 1<sup>st</sup> January 2024.**

<https://yoursay.hartlepool.gov.uk/balancing-the-budget-2024-25>



# ECONOMIC GROWTH AND REGENERATION COMMITTEE

12 DECEMBER 2023



**Subject:** HARTLEPOOL BUSINESS START UPS  
**Report of:** Assistant Director – Development and Growth  
**Decision Type:** For Information

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## 1. COUNCIL PLAN PRIORITY

<b>Hartlepool will be a place:</b>
- that has an inclusive and growing economy.

## 2. PURPOSE OF REPORT

- 2.1 To report the findings on Hartlepool's business start-up rates that includes a yearly historic comparison, along with a comparison to other Tees Valley Local Authorities and also benchmarking against other areas to identify best practice.

## 3. BACKGROUND

- 3.1 It was noted by members in the Hartlepool Inclusive Growth Strategy, that was approved by this committee in January 2023, of the comparatively higher failure rates of new businesses start-ups in the Borough, especially within the first three years of trading and a question was asked of why this was the case.
- 3.2 Together with colleagues from the North East Enterprise Agency Ltd (NEEAL), the Tees Valley Combined Authority (TVCA) and other Tees Valley Council's, a study was procured and commissioned to develop intelligence related to the business start-up rates and demography in the Tees Valley area and to benchmark against similar identified areas, thereby enabling points of difference and examples of best practice to be identified.



3.3 This aim was supported by a number of key objectives as follows:

- a) To describe the overall Tees Valley business base and its demographics;
- b) To describe current business start-up rates over a 5 year time-series and their demographics;
- c) To present an analysis of survival rates by type, sector and size as a minimum;
- d) To benchmark Tees Valley business population and start-ups against other relevant comparator areas; and
- e) To investigate, at the Tees Valley level and in particular within Hartlepool, factors which contribute to, or inhibit business start-up and survival, including identification of best practice.

3.4 The research was undertaken by Newcastle based Ortus Economic Research and completed in April 2023. The methodology included both desk research analysing secondary data and primary research through consultation with partners and stakeholders who engage in providing advice and support to new business start-ups.

## 4. FINDINGS OF STUDY

4.1 The research data and findings is presented in the final report by Ortus Economic Research (**Appendix 1**).

4.2 The main data and findings for Hartlepool are taken from this final report and are detailed below.

### **Data Analysis**

4.3 The report describes the business base of Hartlepool as being around 4,811 businesses which is broken down into 2,596 that are registered (for VAT and/or PAYE) and about 2,215 that are not registered (mainly sole traders).

4.4 Hartlepool's business density is 649 businesses per 10,000 population. This is in common with many coastal communities in England that experience low business density.

4.5 The total business population of Hartlepool declined by 14% between 2018 and 2022.

4.6 According to the 2021 Census there are 4,577 people who are self-employed in Hartlepool, which is around 6% of the population.

- 4.7 Women are less likely to be self-employed in Hartlepool than men. There are 3% of women and 7% of men in Hartlepool that are self-employed compared with 6% women and 10% men nationally.
- 4.8 Across Hartlepool the trend in new registered businesses is generally upwards but not yet back to pre-pandemic levels.
- 4.9 New registered businesses in Hartlepool represent around 12% of the total business stock.
- 4.10 The density of registered business births in Hartlepool was 37 per 10,000 population compared to UK figure of 68.
- 4.11 There is a downwards trend in the number of registered businesses closing between 2017 (375) to 2021 (315) with its lowest point during the pandemic in 2020.
- 4.12 Registered businesses that closed in Hartlepool in 2021 represent 13.8% of business stock.
- 4.13 The density of registered business deaths in Hartlepool in 2021 was 43 per 10,000 population which is lower than the GB figure of 62.
- 4.14 The one year survival rates of registered businesses in Hartlepool in 2021 is 96%, and this is similar across the other Tees Valley Local Authorities. However the difference between the three year rate (60%) and the four year rate (43%) is where the biggest change is for Hartlepool in comparison the other Tees Valley Local Authority areas.
- 4.15 From the **BankSearch** data, the number of new business bank accounts opened in Hartlepool was 30 in November 2022, the lowest in the Tees Valley, and significantly lower than the 72 in neighbouring Stockton.
- 4.16 However standardising these figures against the working age population shows that in November 2022, the Hartlepool start up rate was 4.9 per 10,000 population, marginally lower than the rate for Tees Valley and the North East.
- 4.17 Covid-19 had a short term positive effect on the rate of business start-ups from April 2020 to the end of that year, primarily down to redundancies and furloughed employees.
- 4.18 The highest start up rate by sector in Hartlepool was real estate, professional services and support (22%), followed by construction (19%) and then wholesale and retail (17%).

### **Best / Good Practice**

- 4.19 Evidence suggests that start-up training usually leads to a higher probability of launching new ventures. However this does not necessarily translate as a long run effect on business survival.

- 4.20 Start-up training courses are more cost effective when targeted at particular target groups, such as women and benefit recipients, rather than more generically.
- 4.21 There is a place for grants to be provided to business support start-ups.
- 4.22 There is a challenge of focusing resources and providing support to those businesses that need it most.
- 4.23 Mentoring is an important part of the business support mix and should be on offer to start-ups and early stage businesses.
- 4.24 Support should be person centred and on the needs of the individual and the business rather than 'a one size fits all' approach.
- 4.25 The sharing of success stories from people who have 'been there and done that' is crucial to building confidence, breaking down barriers and reducing the fear of failure.
- 4.26 The building of networks and improving flow of information are key aspects of a more effective business support ecosystem for start-ups and early start businesses.

### **Study Recommendations**

- 4.27 Focus some element of business support to encouraging and facilitating 'ambitious' unregistered start-ups to take the steps to registration and growth or taking on staff.
- 4.28 The continuous monitoring of business start-up and survival rates to measure progress and ensure resources are well targeted.
- 4.29 Segment the business support to better meet the needs of pre-start, early stage and high ambition businesses respectively.
- 4.30 Embed start-up support in a wider strategy to enhance entrepreneurial culture and social capital that will positively influence the levels of enterprise activity.
- 4.31 Consider creating an 'enterprise board' representing the major stakeholders from across the start-up and business growth sector, as a mechanism to ensure that business support meets the current needs, responds to changes in the environment and achieves effective two-way communication.
- 4.32 Improve selection and targeting techniques to ensure that limited resources are focused on the more sustainable business propositions and entrepreneurs.
- 4.33 Evolve the support offered to businesses to better capture the value of mentoring for early-stage start-ups, preferably by continuing relationships which began at pre-start.

- 4.34 Improve access to information (the ‘transactional’ materials needed by the majority of new starts), support and resources through a centralised Tees Valley hub.

## 5. OTHER CONSIDERATIONS/IMPLICATIONS

<b>RISK IMPLICATIONS</b>	No relevant issues
<b>FINANCIAL CONSIDERATIONS</b>	No relevant issues
<b>LEGAL CONSIDERATIONS</b>	No relevant issues
<b>CHILD AND FAMILY POVERTY</b>	See <b>Appendix 2</b> .
<b>EQUALITY AND DIVERSITY CONSIDERATIONS</b>	No relevant issues.
<b>STAFF CONSIDERATIONS</b>	No relevant issues
<b>ASSET MANAGEMENT CONSIDERATIONS</b>	No relevant issues
<b>ENVIRONMENT, SUSTAINABILITY AND CLIMATE CHANGE CONSIDERATIONS</b>	No relevant issues
<b>CONSULTATION</b>	As part of the study, consultation has been undertaken with individuals, partners and organisations that provide business start-up advice and support services in Hartlepool.

**6. RECOMMENDATIONS**

- 6.1 The Economic Growth and Regeneration Committee is asked to note the findings and recommendations of the business start-up research study.
- 6.2 For the Economic Growth Team to consider the delivery of each of the identified recommendations of the study with business support partners and organisations including the Tees Valley Combined Authority. This will include the new Tees Valley Business Solutions service as well as the new UK Shared Prosperity Fund support for the Tees Valley.

**7. REASONS FOR RECOMMENDATIONS**

- 7.1 To grow the rate of business start-ups, to decrease the rates of business failures and therefore increase the overall business base in the Borough.
- 7.2 To monitor the business start-up rates in Hartlepool, to assist individuals with start-up advice and ongoing support to increase chances of survival beyond the initial three years of trading.

**8. BACKGROUND PAPERS**

- 8.1 None

**9. CONTACT OFFICERS**

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Sign Off:-

Managing Director	Date: 29/11/2023
Director of Finance, IT and Digital	Date: 29/11/2023
Director of Legal, Governance and HR	Date: 29/11/2023



# Final Research Report

Client: NEEAL and Partners

Project Title: Business Starts in the Tees Valley

Date: April 2023

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*Economic research, data and analysis*

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## I. Executive Summary

In Autumn 2022, the North East Enterprise Agency Ltd (NEEAL), in partnership with Tees Valley Combined Authority, Darlington Council, Hartlepool Council and Redcar and Cleveland Council, commissioned a study to provide granular intelligence into business start up rates and demography across the Tees Valley, and to benchmark that against appropriate area(s) to enable points of difference and examples of best practice to be highlighted. The study is designed to provide important insight and intelligence regarding the profile and importance of the business start up sector, and to inform the design and delivery of support services going forward.

The main aims of the study are to develop intelligence related to business start up rates and demography in the Tees Valley area and to benchmark against appropriate areas, thereby enabling points of difference and examples of best practice to be identified. In order to achieve this aim, the study addresses five supporting objectives:

1. To describe the overall Tees Valley business base and its demographics
2. To describe current business start up rates over a 5 year time-series and their demographics
3. To present an analysis of survival rates by type, sector and size as a minimum
4. To benchmark Tees Valley business population and start ups against other relevant comparator areas
5. To investigate, at the Tees Valley level and in particular within Hartlepool, factors which contribute to or inhibit business start up and survival including identification of best practice.

The study uses a mixed-methods approach to address the key research aims and objectives set out above. The methodology is centred around two related strands of activity:

1. Accessing and analysing secondary data related to the business population, business starts and other economic characteristics which are necessary to investigate in order to complete the study objectives. Section 2.3 below discusses the approach to accessing and analysing secondary data in detail.
2. Desk research and consultation with partners and stakeholders to investigate success factors in increasing business starts and survival of new firms, inhibitors and promoters of high business start rates and best practice in related business support. The consultation involved fourteen one-to-one depth interviews with organisations listed in the Acknowledgements, on the title page.

### I.1 Key findings

#### I.1.1 Data analysis

The report first describes the business base of Tees Valley, including the smallest businesses – who may be unincorporated, trading below VAT thresholds and not operating a PAYE scheme – through to large non-SMEs.

- A key challenge in assessing the scale and nature of the business population across the UK is that there is no single definitive source that captures all businesses, legal entities and operational models.
- We estimate that there are 38,766 businesses in Tees Valley, including 17,930 businesses that are registered for VAT and/or PAYE, and 20,836 unregistered businesses. The number of unregistered businesses exceeds the number of registered businesses in all locations.
- Stockton-on-Tees has the largest business population (31% of Tees Valley) and Hartlepool the smallest (12%).

- There are 720 businesses per 10,000 population in Tees Valley, which is lower than the business density in England (1,082 per 10,000 population). Darlington has the highest business density in Tees Valley (848) whilst Redcar and Cleveland has the lowest (616).
- The total business population of Tees Valley declined by 6% between 2018 and 2022, compared with a decline of 4% in England. This contraction in the business base has been experienced in many of the local and combined authority areas covered by the analysis. However, the business base in Darlington has remained at a similar scale in 2022 to 2018, and the economy of Middlesbrough has only shrunk very marginally.
- The sectoral profile of the business population varies between the five local authorities in Tees Valley. The analysis identifies no significant difference in profile by employment size band.

Self-employed people can operate unregistered businesses (not registered for VAT or PAYE) or registered businesses (which are registered either for VAT or PAYE).

- According to the 2021 Census, there are over 35,000 people who are self-employed in Tees Valley, with 30% of these in Stockton-on-Tees. Census respondents self-identify as self-employed.
- 19% of self-employed people in Tees Valley have employees, compared with 16% in England and Wales.
- 61% of self-employed people in Tees Valley operate in a full-time capacity, compared with 59% in England and Wales.
- The government estimated that up to 23,100 self-employed people in Tees Valley were eligible for support from the Self-Employment Income Support Scheme (SEISS) during the Covid-19 pandemic. 20,000 self-employed people in Tees Valley claimed support. These statistics exclude self-employed people deemed to be ineligible; nationally, 33% of self-employed people were ineligible.
- Women tend to be less likely to be self-employed than men. 5% of women and 8% of men in Tees Valley are self-employed, compared with 6% of women and 10% of men in Great Britain.
- In Stockton-on-Tees, the proportion of working age women who are self-employed (8%) is higher than for men (7%). This is the only location covered by the analysis where this is the case.

There is no definitive, comprehensive data source which provides robust and accurate data on the number of business start ups and closures.

- Across Tees Valley overall, the trend in new registered businesses is generally upwards, with more starts created in 2021 (2,620) than in 2017 (2,320). Performance varies across Tees Valley's local authorities.
- New registered businesses in Tees Valley in 2021 represented 14.8% of the business stock, compared with 14.9% in Great Britain. Darlington had the highest proportion (17.4%) of all Tees Valley local authority areas, whilst the lowest is in Hartlepool (12.1%).
- The density of registered business births in the Tees Valley in 2021 was 49 per 10,000 population, 42% below the density at for Great Britain (68 per 10,000 population).
- There is a downwards trend in the number of registered businesses closing in Tees Valley between 2017 (2,435) and 2021 (2,250). The number of closures rose in Middlesbrough over this period but fell in other Tees Valley local authorities.
- Registered businesses in Tees Valley that closed in 2021 represented 12.7% of the business stock, compared with 13.4% in Great Britain. Middlesbrough had the highest proportion among Tees Valley local authorities (16.4%).
- The density of registered business deaths in the Tees Valley in 2021 was 42 per 10,000 population, 47% below the density at for Great Britain (62 per 10,000 population).

- The survival rates of registered businesses are similar across each of the the local authorities in Tees Valley, and also to other comparator areas. The one notable exception is that in Darlington, the three-year survival rate of businesses started in 2018 is considerably lower than all other areas. However, the survival rate for businesses started in other years are similar to other areas.
- The number of new business bank accounts opened in November 2022 in Tees Valley was highest in Stockton (72) and lowest in Hartlepool (30). Stockton was the only local authority in Tees Valley to outperform the national average.
- In November 2022, Darlington generated the highest start up rate (7.1 starts per 10,000 working age population) with Redcar and Cleveland generating the lowest (4.9), compared with the Tees Valley of 5.8.
- Unemployment is considered to be one of many factors that drive enterprise rates (new firm starts and entry into self-employment) due to the link to job losses, combined with redundancy payments, along with opportunities for entrepreneurial activity brought about by a cessation of previous work. The Covid-19 pandemic appeared to have a short-term positive effect on the rate of business start ups from around April 2020 to the end of that year (when start up rates in Tees Valley returned to a level which aligns with the five year trend).
- Most new business bank accounts opened in Tees Valley were opened by limited companies (64% in 2022) or sole traders (31%). The proportion of new starts that were sole traders jumped significantly from 24% in 2019 to 46% in 2020.
- The highest start up rate by sector in 2022 was in Real estate, professional and support services (19.1 new business bank accounts per 10,000 working age population), followed by Construction (15.3), Wholesale & retail (14.1) and Recreational, personal and community services (8.3).
- 53% of people seeking to start businesses with the support of Enterprise Agencies in Tees Valley in 2022 were male, and 46% were female. More younger people sought support than older people.

### 1.1.2 Desk research and consultation

The desk research and consultation focused on four key questions, as follows:

1. The factors which influence variations in start up rates across different geographies and locations
2. The current 'state' of the start up market in Tees Valley
3. Factors which inhibit and promote start up and survival rates
4. Good and best practice in delivering enterprise support.

There are a diverse range of factors which are thought to influence and explain variations in start up rates across different geographies and locations. Understanding these is important to policy design within different cities, towns and boroughs. Key findings include:

- At the level of the individual, factors such as “personal attitude and perceived behavioural control [have been found to be] relevant factors explaining entrepreneurial intentions”<sup>1</sup>. The study concludes that as a result, the role of entrepreneurial education must be considered.
- According to entrepreneurs, the three factors which enable company growth are: access to markets, access to human capital and access to funding. The first two of these are most likely to vary by geography across the UK.

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<sup>1</sup> Liñán, F., Rodríguez-Cohard, J.C. & Rueda-Cantuche, J.M. Factors affecting entrepreneurial intention levels: a role for education. *Int Entrep Manag J* 7, 195–218 (2011). <https://doi.org/10.1007/s11365-010-0154-z>

- Cultural factors are seen as crucial for the development of economic activity in general, and the fostering of entrepreneurship in particular.
- Business density is correlated with economic wellbeing; the higher the density, the higher the levels of personal and household income.
- The 'entrepreneurial ecosystem' approach has emerged within academic thinking, responding to the body of evidence that suggests that simply creating a supportive environment for firms is insufficient in delivering increased numbers of new and high growth firms.
- Economic trends are important and large economic shocks (such as the closure of large employers) often lead to an increase in small business start up and self-employment. However, whilst increasing unemployment rates are correlated with the higher probability of starting a company, this factor cannot support economic growth in the longer-term perspective.
- Legacies of the past in peripheral post-industrial places serve to shape current and future entrepreneurial activity (and with it, local economic resilience). This is found to express itself in numerous different ways, such as low aspirations, generational unemployment and a loss of identity which are in turn compounded by negative perceptions of place and opportunity.

The current state of the start up market in Tees Valley has been described as follows:

- Covid has influenced the start up market in numerous ways. In the middle of 2020, there was a marked increase in the number of enquiries coming forward to enterprise agencies from people considering starting a new business, it has influenced views of work-life balance and influenced a move towards home working which has persisted beyond the national lockdowns.
- Covid has also led to modifications in the way that demand for start up business support is delivered. Providers are now more focused on a hybrid model, where some support is delivered remotely and other support is delivered through face-to-face meetings and events.
- The broad picture around demand for start up support is that demand steadily rose and then peaked in 2019 and has remained around the same level.
- There is currently a very tight labour market in the UK, which has the effect of diminishing the relative attractiveness of the self-employed route. This may influence demand for start up support in the near term.
- Confidence across the Tees Valley has increased noticeably in recent years. There are numerous factors that contribute to this, including investment, political and strategic cohesiveness amongst key partners (such as the local authorities and combined authority) and a general sense that Tees Valley is a place of opportunity.
- There are a number of contemporary issues which are impacting business sustainability, such as the cost of living crisis, associated energy cost increases and labour market shortages, which is influencing the profile of businesses being started.
- There is evidence of a recent focus within support for start ups on the sustainability of the new firms, which is to be welcomed.

The factors that enhance or inhibit business start up and survival rates include the following:

- The desk research identifies success factors including the idea, CEO's leadership, the business model, the marketing approach, the entrepreneurial team, funding and timing.
- When examining the reasons that cause start ups to fail, research identifies factors such as cash flow, demand, competition, flawed business model, regulatory/legal challenges, pricing/cost issues, issue with the team, product mistimed, poor product/service, internal disharmony, pivot gone wrong and burn out.
- To support survival rates, a number of consultees identified the following factors as being important: finding and engaging with new customers, attracting talent, cashflow management, having a clearly defined business model and routes to market, the need to continually refresh plans and strategies, and understanding how to convert ideas into commerce.

- The consultation highlighted that factors inhibiting start up and survival in rural communities include the scarcity of affordable business space (given that not everyone wishes to work from home, or can operate their business from home), the size of local markets, distance to support provision and other assets which could support their business (e.g. University, innovation support) and accessing suitable labour.
- Tees Valley is an economy made up of diverse communities and the view amongst consultees was that engagement in businesses support and enterprise varies considerably across different communities.
- Access to support is an inhibitor of survival. Although there is some provision of informal support post start up, the major focus of early stage support is on pre-start businesses.
- Infrastructure is considered to be a factor that is important to start up and survival rates. The question was raised about whether the Tees Valley has sufficient incubator, small business and grow on space to support small and new businesses.

Furthermore, evidence in relation to the nature of start up support provision was also developed. The key points emerging from the consultation include the following:

- The start up market can, and should, be segmented into a number of categories:
  - Lifestyle businesses which seek to provide an income for the individual involved.
  - Small businesses with an ambition to grow in order to increase earning potential of the owners and offer opportunities to others.
  - Businesses with significant growth ambition.
- The needs of such businesses differ and support should therefore also be differentiated.
- Efforts should be made to ensure that the support is as clear and accessible as possible.
- Whilst there is generally good coordination across the wide range of business support providers (and 'signposters') across Tees Valley, this should be seen as an ongoing challenge and one where continuous improvement should be sought.
- The major support provision gap is considered to be in supporting post-start businesses that are in the early stages of their business journey (post start). Any future funding schemes (grants or loans) should consider how this challenge can be addressed, whilst also managing the risks associated with up front payments.
- The importance of identifying and platforming suitable role models emerged as an important theme in the consultation, and of particular relevance to the discussion on how start up and survival rates might be enhanced.

The research has identified the following findings in relation to 'best' or 'good' practice in business start up support and enhancing survival:

- Whilst the evidence suggests that start-up training usually leads to a higher probability of launching new ventures, this does not necessarily imply a long run effect on business performance (for example, on sales, or employment) or survival.
- For entrepreneurial training courses (training for start-up), it may be more cost-effective to target particular groups (e.g. women or unemployment and welfare benefit recipients).
- Consultees believe that there is a place for grants to support start ups, but designing appropriate and effective schemes is challenging.
- One major challenge in publicly funded business support is to focus resources on the businesses that need the support the most. There is a sense that many businesses receiving support would have 'found a way' had the support not existed. Additional screening at the start of programmes, coupled with enhanced targeting, could prove effective in critically assessing whether a particular business should be supported (and if so, how).
- Mentoring is broadly supported as an important part of the support 'mix' which should be on offer to starts ups and early stage businesses.

- Support should be person-centred, which means it should be focused the needs of the individual and their business idea.
- Consultees were keen to point out the value of the ‘inspiration piece’ – the real life stories from people who have ‘been there and done that and solved the problem’. The more of these stories that can be shared, the better, as it builds confidence, breaks down barriers and reduces fear of failure.
- Building networks and improving the flow of information and insight are also considered to be key aspects of a more rounded, effective business support ecosystem for start ups and early stage businesses.

## 1.2 Recommendations

1. Focus some business support resources on encouraging and facilitating small, unregistered businesses with suitable ambition and business proposition to take the step to registration through growth (through the VAT threshold) or by taking on staff (and registering for PAYE).
2. Continue to monitor business start up and survival rates to ensure that business support resources are well targeted.
3. Segment business support to better meet the needs of pre-start, early stage and high ambition businesses.
4. Embed start up support in a wider strategy to enhance entrepreneurial culture, social capital and other ‘base ingredients’ which influence levels of enterprise activity.
5. Consider creating an ‘enterprise board’ representing the major stakeholders from across the start up and business growth sector, as a mechanism to ensure that business support meets current need, responds to changes in the environment and achieves effective two-way communication.
6. Improve selection and targeting techniques to ensure that scarce business support resources are focused on the more sustainable business propositions and entrepreneurs.
7. Evolve business support to better capture the value of mentoring for early-stage start ups (preferably by continuing relationships which began pre-start, wherever possible and effective).
8. Improve access to information (the ‘transactional’ materials needed by the majority of new starts), support and resources through a centralised hub for Tees Valley.



## 2. Introduction

In Autumn 2022, the North East Enterprise Agency Ltd (NEEAL), in partnership with Tees Valley Combined Authority, Darlington Council, Hartlepool Council and Redcar and Cleveland Council, commissioned a study to provide granular intelligence into business start up rates and demography across the Tees Valley, and to benchmark that against appropriate areas to enable points of difference and examples of best practice to be highlighted. The study is designed to provide important insight and intelligence regarding the profile and significance of the business start up sector, and to inform the design and delivery of support services going forward.

### 2.1 Aims and objectives

The main aims of the study are to develop intelligence related to the business start up rates and demography in the Tees Valley and to benchmark that against appropriate areas, thereby enabling points of difference and examples of best practice to be identified.

This aim is supported by a number of key objectives, including:

6. To describe the overall Tees Valley business base and its demographics
7. To describe current business start up rates over a 5 year time-series and their demographics
8. To present an analysis of survival rates by type, sector and size as a minimum
9. To benchmark the Tees Valley business population and start ups against other relevant comparator areas
10. To investigate, at the Tees Valley level and in particular within Hartlepool, factors which contribute to or inhibit business start up and survival including identification of best practice.

This report presents the findings and conclusions of the study, covering all five of the objectives above.

### 2.2 Methodology

The study uses a mixed-methods approach to address the key research aims and objectives set out above. The methodology is centred around two related strands of activity;

3. Accessing and analysing secondary data related to the business population, business starts and other economic characteristics which are necessary to investigate in order to complete the study objectives. Section 2.3 below discusses the approach to accessing and analysing secondary data in detail.
4. Desk research and consultation with partners and stakeholders to investigate success factors in increasing business starts and survival of new firms, inhibitors and promoters of high business start rates and best practice in related business support. The consultation involved 12 one-to-one depth interviews with organisations listed in the Acknowledgements, on the title page.

### 2.3 Analysing secondary data

Unfortunately, there is no single, comprehensive source of data on the UK business population. Whilst a wide range of sources exist that can contribute to an understanding of the business base, they all have limitations and drawbacks. The fundamental challenge in this study, therefore, is to draw data from a range of sources and to utilise those datasets to create as accurate an estimate as possible of the business population and its demographics, including starts ups as a distinct sub-set of businesses within that population.

Furthermore, some datasets that were traditionally used to inform analyses of business starts ups, closures and related failure rates have been withdrawn. For example, in the past it was common to



measure business start up and closures through an analysis of VAT data. ONS used to maintain a dataset which tracked VAT registrations, stocks and de-registrations over time but this was discontinued in 2007. Currently the key source of data on new businesses maintained by ONS is their 'experimental analysis' of new businesses appearing on IDBR. These statistics are published at regional level and on a quarterly basis<sup>2</sup>. However, IDBR does not cover the complete UK business population as it focuses on businesses which are registered for either VAT or PAYE (which are labelled as 'registered' businesses in this report), which means their turnover is above a certain amount and/or they have employees on the payroll. Clearly in this study, the objective is to complete an analysis of the full range of businesses in the population, including – importantly – the very smallest, unregistered businesses. The key source of data on 'unregistered' businesses – those not registered for VAT or PAYE – is the ONS Business Population Estimates. However, the data are published only at the regional level, which means that local authority estimates must be created through modelling of that regional data. The approach to doing so is set out in section 2.3.2 below.

In the face of the complexity regarding data sources to inform an analysis of the businesses population in the UK, policy makers have tended to default to one source of information (typically IDBR), which provides only a partial picture and misses a very large segment of the business population.

The aim of this study is to provide a full picture, and it does so by interrogating all of the various sources and uses them where they provide intelligence against a particular line of enquiry. Therefore, the approach taken is to deliver an intelligent analysis of a range of data sources which builds on their relative strengths and mitigates weaknesses of each source. Different datasets are drawn upon to either help understand the population of businesses and the scale of key components within that population (focused on start ups, of course) or to inform an analysis of the demographics of those businesses (again, including start ups). This approach maximises the value of each dataset and minimises the amount of estimation required, which means that the results will best reflect what is happening on the ground rather than what is assumed to be happening based on expansive estimation and modelling.

The key data sources utilised in this study, along with the particular approach to estimating the scale of unregistered businesses, are set out below.

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<sup>2</sup> ONS, Business Demography, Quarterly Experimental Statistics  
<https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/businessdemographyquarterlyexperimentalstatisticsuk>

### 2.3.1 Datasets used

The datasets employed in this analysis are set out in the tables below:

**Table 1: Data on the total business population**

Source	Features	Use	Population or demographics	Estimation required
Business Population Estimates	Estimates of the total number of businesses across all size bands, including unregistered businesses.  This source will provide an important 'target population' figure	Number of businesses - total & by sector for: <ul style="list-style-type: none"> <li>• GB</li> <li>• TV</li> <li>• Comparator CAs</li> <li>• TV LADs</li> <li>• Comparator LADs</li> </ul>	Population (all businesses)  Demographics (sector)	Yes – only available at regional level so estimates for the TV and LA areas will be developed
Annual Population Survey	Survey of individuals which includes data on their employment or self-employment status	Number of self-employed - total & by sector for: <ul style="list-style-type: none"> <li>• GB</li> <li>• TV</li> <li>• Comparator CAs</li> <li>• TV LADs</li> <li>• Comparator LADs</li> </ul>	Population (all businesses)  Demographics (sector)	No
SEISS	Provides an estimate of the number of self-employed people eligible for support during the Covid-19 pandemic, based on HMRC analysis of Self-Assessment Returns.  SEISS eligibility criteria meant not all self-employed people are included	Number of claimants to the scheme – total, by age and by gender: <ul style="list-style-type: none"> <li>• GB</li> <li>• TV</li> <li>• Comparator CAs</li> <li>• TV LADs</li> <li>• Comparator LADs</li> </ul>	Population (though not comprehensive because it provides only 'claims' at local authority level)	No

Given the limited coverage of SEISS data, the analysis of this source has not been used to estimate the population of self-employed people/businesses. However, it is an important resource, especially in the context of the recent pandemic and the impact it has had on the self-employed population.

Table 2: Data on Business start ups, survival, trends, rates

Source	Features	Use	Population or demographics	Estimation required
ONS Business Demography Experimental Statistics	An analysis of business start ups and closures based on IDBR data (i.e. registered businesses only)	Number of births (Start Ups) - total for: <ul style="list-style-type: none"> <li>• GB</li> <li>• TV</li> <li>• Comparator CAs</li> <li>• TV LADs</li> <li>• Comparator LADs</li> </ul> Number of deaths – total for: <ul style="list-style-type: none"> <li>• GB</li> <li>• TV</li> <li>• Comparator CAs</li> <li>• TV LADs</li> <li>• Comparator LADs</li> </ul>	Population (start ups) Population (closures) Population (survival rates)	Modelling at CA and LA levels required
BankSearch	Tracking of opening of new business bank accounts, monthly time-series  Available for TV and LA areas	Number of Start Ups – by year - total & by sector, legal status and ward for: <ul style="list-style-type: none"> <li>• TV LADs (and aggregated to TV level)</li> </ul>	Population (start ups)  Demographics (start ups)	No
Enterprise agency data	Data captured from enterprise agency clients in the 'pre-start' phase of their support journey. Includes information on demographics of the individual.	Number of Start Ups – by year – total and by gender, ethnicity, age, previous employment status, location (postcode), size band, legal status, ownership for: <ul style="list-style-type: none"> <li>• GB</li> <li>• TV</li> <li>• Comparator CAs</li> <li>• TV LADs</li> </ul> Comparator LADs	Demographics (start ups)	Sample 'grossed up' to estimate total population

### 2.3.2 Method to estimate unregistered business population at Local Authority level

We used IDBR data (ONS Business Counts) to establish the population of registered businesses. We apportioned BEIS Business Population Estimates of the number of unregistered businesses in the North East statistical (ITT) region to the Tees Valley, on the basis of the spatial distribution (by sector) of registered businesses in the 0–4 employees size band. This is our best estimate of the population of unregistered businesses in the Tees Valley, but two caveats apply:

- The Business Population Estimates of unregistered businesses are derived from the ONS Labour Force Survey and are therefore subject to some uncertainty.
- Our approach assumes that the distribution of unregistered businesses mirrors that of the smallest registered businesses, but we do not know whether this is true.

### 2.3.3 Comparator areas

A set of comparator locations has been agreed in consultation with the client, to allow for the assessment of relative performance and characteristics. These areas are:

- North of Tyne Combined Authority

- Greater Manchester Combined Authority
- The following local authority areas:
  - Barnsley
  - St Helens
  - Wigan
  - North East Lincolnshire
  - Sefton
  - Salford

### 2.3.4 Registered businesses, unregistered businesses and the self-employed

One outcome of the use of several data sources to estimate key features of the Tees Valley (and wider) business base is that there are often overlaps between sources. These can cause confusion when interpreting the data and findings set out in this report. This section focuses on setting out some key definitions and discussing important overlaps. This is exacerbated by the use of data on 'businesses' as well as 'the self-employed'. In truth, this study could be completed without reference to the self-employed, but it has been decided to include this important category for two reasons:

- It represents a key route to enterprise and a source of income for a very large number of people in the UK.
- Many of the support schemes that are established to help businesses start engage with large numbers of people seeking to set up as a self-employed entity, and they therefore represent a key part of the 'market' for many business start-up services.

Including the self-employed does, however, introduce some complexity in terms of overlaps with other groups that are discussed in this study. The majority of self-employed entities will fall into the category of businesses that are labelled 'unregistered'. Therefore, because of these differences in definitions, overlaps and the fact that none of the sources are in fact completely comprehensive in their coverage, further confusion can result.

The key definitions used in this study are as follows:

**Registered businesses** are those which are registered for VAT and/or PAYE. A business must register for VAT if its taxable turnover for any consecutive 12-month period exceeds the VAT registration threshold, which is currently £85,000. Businesses operating below this threshold can also register, but this is optional. A business must register for PAYE when it starts employing people or using subcontractors for construction work, if one or more employees earn more than £123 per week, get expenses or benefits, have another job or get a pension. Businesses must register for PAYE even if the only employees are the directors of that business.

Registered businesses are usually a separate legal entity from their owners (shareholders). They most commonly take the form of a Limited Company but other forms of legal status also exist (e.g. company limited by guarantee, limited liability partnership, etc).

The number of registered businesses is counted using administrative data from Companies House and HMRC. Registered businesses can involve people who operate as self-employed (for example, partners in a partnership can often operate as self-employed even whilst the firm they run also operates a PAYE scheme for employed staff).

**Unregistered businesses** are those which are not registered for VAT or PAYE. They are most commonly sole traders and partnerships. Unregistered businesses are not a separate legal entity from their owners, though there may be a contractual agreement between partners in a partnership.

The number of unregistered businesses is usually estimated based on the number of self-employed people.

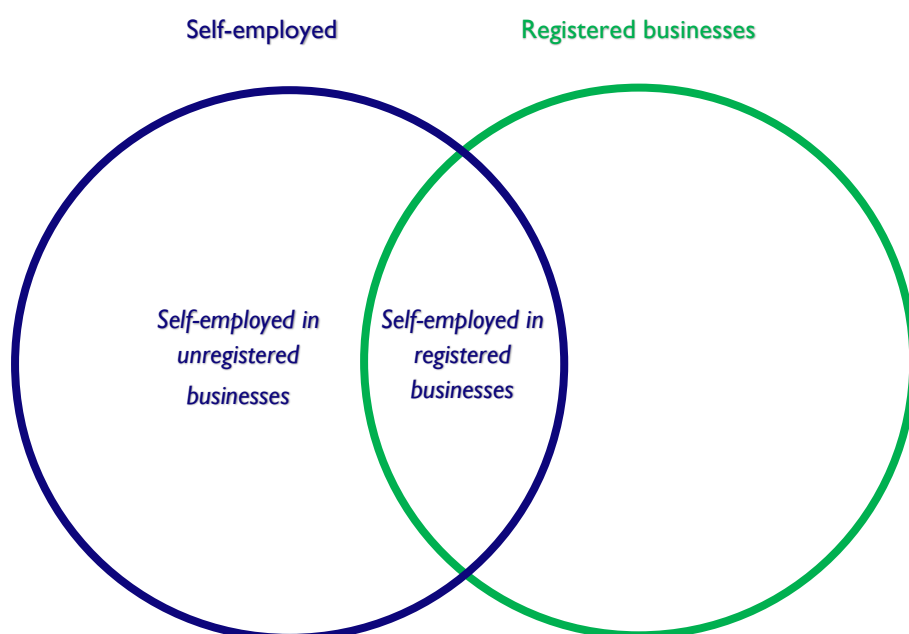
**Self-employed people** are those who run their business for themselves and take direct responsibility for its success or failure. Self-employed people are not paid through PAYE, and they do not have the rights and responsibilities of employees. Most self-employed people operate unregistered businesses as sole traders or as part of a partnership. However, self-employed people can be registered for VAT. As mentioned above in the discussion on registered businesses, self-employed people can also employ other people and can therefore be registered for PAYE even though they do not pay themselves through PAYE.

The number of self-employed people is usually estimated using survey data (e.g. Census or Annual Population Survey). It is possible that some people will identify as self-employed in response to survey questions, even though they are an employed director of their own business. Some estimates of the number of self-employed people (e.g. those eligible for the Self-Employment Income Support Scheme) are derived from HMRC's administrative data.

Figure 1 below shows the relationship between the population of self-employed people, registered businesses and unregistered businesses. The intersection contains self-employed people operating in registered businesses which are either sufficiently large to pay VAT and/or operate a PAYE system for employees. The relationships between the three groups represented in the diagram should be held in mind when considering the analysis and findings set out in the remainder of this report (particularly sections 3.1 and 3.2). The diagram demonstrates some key features of the business population, as follows:

- Some self-employed people operate in registered businesses (which may have additional staff)
- The population of self-employed people is larger than the population of unregistered businesses
- The population of unregistered businesses is determined by the population of self-employed and not the other way around.

Figure 1: Overlap between self-employed people and registered businesses



### 3. Data analysis findings

As mentioned above, this report focuses on an analysis of secondary data in order to meet the following study objectives:

1. To describe the overall Tees Valley business base and its demographics
2. To describe current business start up rates over a 5 year time-series and their demographics
3. To present an analysis of survival rates by type, sector and size as a minimum
4. To benchmark Tees Valley business population and start ups against other relevant comparator areas.

#### 3.1 Tees Valley Business Population

This section describes the business base of Tees Valley, including the smallest businesses – who may be unincorporated, trading below VAT thresholds and not operating a PAYE scheme – through to large non-SMEs. Data is provided in a format whereby it can be understood, at a minimum, at local authority (i.e. sub-Tees Valley) geography, industry sector, age of business, number of employees and characteristics of business owners including protected characteristics and status prior to setting up the business and interrogated in any combination thereof.

##### 3.1.1 Total business population

The key challenge in assessing the scale and nature of the business population across the UK is that there is no single definitive source that captures all businesses, legal entities and operational models. Therefore, it is necessary to combine sources in order to generate an estimate of the scale of the total business population. This is done by estimating the number of ‘unregistered’ businesses (based on modelling of BEIS Business Population Estimates<sup>3</sup>) and analysing the number of ‘registered’ businesses (through ONS UK Business Counts, which draws from IDBR)<sup>4</sup>. Note that BPE data is only available at regional level and therefore local authority and combined authority estimates are modelled based on the geographic and sectoral distribution of the smallest registered businesses.

**Table 3: Estimates of Total Business Population within Tees Valley and by classification**

Area	Unregistered		Registered		All businesses	
	N	%	N	%	N	%
Darlington	4,027	19%	3,485	19%	7,512	19%
Hartlepool	2,596	12%	2,215	12%	4,811	12%
Middlesbrough	4,014	19%	3,465	19%	7,479	19%
Redcar and Cleveland	3,702	18%	3,150	18%	6,852	18%
Stockton-on-Tees	6,497	31%	5,615	31%	12,112	31%
Tees Valley CA	20,836	100%	17,930	100%	38,766	100%

Source: Derived from BEIS Business Population Estimates and ONS UK Business Counts 2022

Table 3 shows the distribution of Tees Valley businesses by their status and overall, across the five constituent local authorities. The first point is to note the overall scale of each local economy in the Tees Valley; Stockton-on-Tees has the largest business population (31% of Tees Valley) and Hartlepool the smallest (12%). The second key point is that in all locations, the number of unregistered businesses exceeds the number of registered businesses, leading us to conclude that any analysis of the

<sup>3</sup> The BEIS Business Population Estimates cover all businesses (i.e. unregistered and registered). However, UK Business Counts is less limited in terms of the detail provided about the spatial distribution of registered businesses; hence, UK Business Counts is the preferred source in this case.

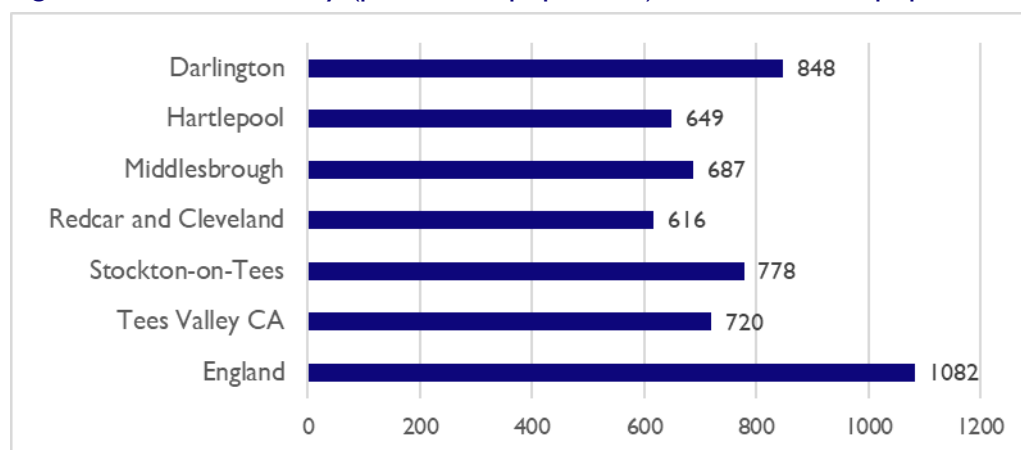
<sup>4</sup> A short description of the approach adopted is provided in the Appendix (see section 2.3.2).

UK business population which relies solely on UK Business Counts as its source is systematically excluding over 50% of the UK business population. This suggests that policy decisions based on such partial data should be seen as not fully informed and may be made on questionable grounds.

As well as understanding the total number of businesses in a location, it is often useful to also understand the density of businesses relative to population. This provides an assessment of the enterprise capacity of a place, and links to important economic development themes such as innovation, clustering/agglomeration, collaboration and competition. It also facilitates an assessment of whether a particular place is generating enterprise activity at a similar rate to another, given that people are the driving force behind enterprise.

Figure 2 identifies the businesses density of each local economy in the Tees Valley, calculated as businesses per 10,000 population. It shows that Darlington has the highest business density (848) whilst Redcar & Cleveland has the lowest (616). These findings are important to bear in mind when considering other findings below, because they set an important context regarding the relative scale of each local economy. The business density of the Tees Valley economy, and all five local authorities within it, is significantly below that of England (720 c.f. 1,082).

**Figure 2: Business density (per 10,000 population) – total business population**



Source: Derived from BEIS Business Population Estimates, ONS UK Business Counts and ONS Annual Population Survey 2022

It should be noted that many coastal communities experience low business density. This is demonstrated in Table 4 below, which is taken from the LGINform platform run by LGA. It counts only registered businesses (i.e. those that are either registered for VAT and/or PAYE and appear in the Inter-Departmental Business Register, IDBR) and therefore business density figures are lower than those set out in Figure 2 above. However, it provides a useful source of comparative figures on business density for all local authorities. It demonstrates that when this comparison is made and locations are ranked by their business density, six out of the bottom ten are coastal areas (and five of these are in the North East). Furthermore, two of the other four non-coastal areas (Kingston upon Hull and Middlesbrough) are located on the banks of significant rivers.

Coastal communities, and those located adjacent to natural barriers (sea, significant rivers or other bodies of water, hilly and mountainous areas, etc) face a number of challenges which impact the number and density of businesses located within them. Whilst a body of water may represent opportunities for economic activities that other, land-locked location cannot capitalise upon, such activities may be low value, low productivity or offer few jobs within the local area. For example, the industrial structure of coastal communities can be skewed towards certain sectors (e.g. tourism)<sup>5</sup>, may offer limited local demand for goods and services and may suffer from a lack of infrastructure of

<sup>5</sup> For example, see <https://coastaltourismacademy.co.uk/coastal-tourism>



significant transportation bottlenecks. Entrepreneurial talent, human resources and the whole panoply of resources and assets that are required to sustain businesses can only be drawn from a more limited physical geography, with a significant natural barrier in at least one direction.

These characteristics will affect the attractiveness of coastal towns for mobile investment and as locations to establish businesses. For these reasons, expectations around the performance of such locations with respect to business density (and, as discussed below, numbers and rates of business start up) should be moderated. It also demonstrates the importance of factors beyond business support for start up in influencing performance on business start up and survival.

**Table 4: Bottom 10 Local Authorities by Business Density, 2021**

Local Authority Area	Business Density (registered firms per 10,000 people)	Coastal?
Knowsley	273	N
South Tyneside	281	Y
Redcar and Cleveland	287	Y
Sunderland	289	Y
Plymouth	301	Y
Hartlepool	306	Y
Middlesbrough	312	N
Stoke-on-Trent	316	N
North Tyneside	317	Y
Kingston upon Hull	320	N

Source: LGINform, LGA and based on ONS Business Counts (registered businesses) and Mid-Year Population Estimates)

Table 5 sets out the estimates of the total business population for all areas of interest. What is also notable is the very significant scale of the business population in Greater Manchester when compared to either the North of Tyne or Tees Valley (and business density is also higher at 926 businesses per 10,000 population). In fact, it is more than five times larger than the Tees Valley economy and almost four times the size of the North of Tyne economy.

The modelling methodology which is used to estimate size of the unregistered business population at the local authority level means that the proportion of the total population represented by such businesses in each of the five Tees Valley local authority areas are very similar (though not identical – figures are rounded to the nearest integer and small differences do exist).

The analysis shows that a larger proportion of the Tees Valley business base (54%) is found within the unregistered business sector. This is similar to North of Tyne (54%) but higher than Greater Manchester (48%) and all comparator local authority areas. It is also larger than the England average (51%). This is an important finding regarding the profile and structure of the Tees Valley economy and its reliance on firms of different size to create economic activity and output. These results highlight a potential implication for policy related to the opportunity that exists to support small, new unregistered businesses to grow to the point where they may trade through the VAT threshold and/or take on staff (which would lead to them becoming registered). Combined with support to facilitate business starts for enterprises that could immediately take registered status, this could potentially have the effect of shifting the proportional balance between unregistered (very small) businesses and registered (at least marginally larger than unregistered businesses and potentially also offering employment opportunities) businesses such that the balance across the Tees Valley moves towards that found in other locations (and as discussed below).

What is also apparent from the analysis below is that the populations of unregistered businesses (which by definition are micro enterprises) are larger than the populations of registered businesses in



each of the five Tees Valley local authorities. However, this pattern differs in many of the comparator locations, such as those in the North West. The Tees Valley local economies are therefore more reliant on unregistered, micro businesses as an element of their business population (which could present an opportunity to grow such businesses and for them to become registered, through targeted support).

There appears to be a potential opportunity to boost growth and employment across Tees Valley, based on the objective of supporting and encouraging the smallest (unregistered) businesses to take the steps necessary to require registration, i.e. through turnover growth and/or the taking on of staff. This could help move the Tees Valley economy to a position where the balance between registered and unregistered businesses in the business stock is more consistent with that in the national and peer economies, achieving positive economic impacts in the process.

**Table 5: Estimates of Total Business Population across all areas**


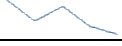
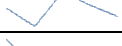


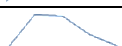

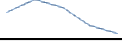

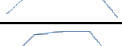

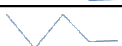
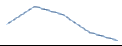


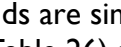
Area	Unregistered		Registered		All businesses
	N	%	N	%	
Darlington	4,027	54%	3,485	46%	7,512
Hartlepool	2,596	54%	2,215	46%	4,811
Middlesbrough	4,014	54%	3,465	46%	7,479
Redcar and Cleveland	3,702	54%	3,150	46%	6,852
Stockton-on-Tees	6,497	54%	5,615	46%	12,112
Salford	10,312	49%	10,910	51%	21,222
Wigan	8,736	48%	9,365	52%	18,101
St Helens	4,612	48%	4,985	52%	9,597
Sefton	7,433	48%	7,935	52%	15,368
North East Lincolnshire	4,858	50%	4,795	50%	9,653
Barnsley	7,106	51%	6,870	49%	13,976
Rotherham	7,884	51%	7,680	49%	15,564
Tees Valley CA	20,836	54%	17,930	46%	38,766
North of Tyne CA	29,413	54%	25,490	46%	54,903
Greater Manchester CA	100,012	48%	107,250	52%	207,262
England	2,489,305	51%	2,408,040	49%	4,897,345

Source: Derived from BEIS Business Population Estimates and ONS UK Business Counts 2022

### 3.1.2 Change over time

Table 6 shows the trends in the total business population across all areas between 2018 and 2022, and includes a trendline. The total business population in England has declined across the period, from 5.08 million to 4.9 million. This overall contraction in the business base has also been experienced in many of the local and combined authority areas covered by the analysis. However, the business base in Darlington has remained at a similar scale in 2022 to 2018, and the economy of Middlesbrough has only shrunk very marginally. There are only two locations covered by the analysis to have experienced a growth in the business base: St Helens and Wigan.

Table 6: Trends in total business population

	2018	2019	2020	2021	2022	Trendline
Darlington	7,556	7,627	7,667	7,137	7,512	
Hartlepool	5,604	5,105	5,442	5,006	4,811	
Middlesbrough	7,621	7,318	7,894	7,669	7,479	
Redcar and Cleveland	7,654	6,989	7,405	6,764	6,852	
Stockton-on-Tees	12,923	12,008	12,801	12,083	12,112	
Salford	20,934	24,637	23,947	21,860	21,222	
Wigan	17,916	19,451	19,346	18,573	18,101	
St Helens	9,345	9,841	10,188	9,825	9,597	
Sefton	16,563	17,370	16,850	15,866	15,368	
North East Lincolnshire	10,056	10,670	10,398	10,455	9,653	
Barnsley	14,104	15,092	14,980	15,271	13,976	
Rotherham	15,786	16,692	16,833	16,849	15,564	
Tees Valley CA	41,344	39,042	41,209	38,660	38,766	
North of Tyne CA	57,859	54,004	58,021	54,740	54,903	
Greater Manchester CA	218,522	230,315	224,370	213,159	207,262	
England	5,084,015	5,266,765	5,334,305	5,005,620	4,897,345	

Source: Derived from BEIS Business Population Estimates and ONS UK Business Counts 2022

An interesting question posed by the data above is whether the observed trends are similar for both registered and unregistered businesses. Two additional tables (Table 25 and Table 26) are presented in the Appendix which splits the population into these two constituent groups, and these show that:

- The recent uptick in the business population in Darlington is driven by an increase in the number of registered businesses between 2018 and 2022 (despite a decline between 2019 and 2021).
- Redcar and Cleveland's registered business population declined between 2018 and 2021 but recovered (almost back to 2018 levels) in 2022.
- Hartlepool has seen a decrease in both registered and unregistered businesses
- Stockton-on-Tees and Middlesbrough have seen a steady growth in the number of registered businesses between 2018 and 2022.

### 3.1.3 Characteristics of the business population

In this section, we examine two characteristics of the business population: industry sectors, and employment size band.

Table 7 shows the sectoral profile of the business population across the Tees Valley, setting out the proportion of businesses in each sector and location. It evidences some distinct differences in the business population across the five local authority areas, such as:

- Hartlepool has a higher proportion of businesses in Construction (20%, c.f. 18% in the Tees Valley) and Darlington the lowest (16%)
- Hartlepool and Redcar & Cleveland have a higher proportion of businesses in the Manufacturing sector (both 6%, c.f. 5% across the Tees Valley)
- Stockton-on-Tees has a comparatively low proportion of businesses in Wholesale, retail and repair (8%, c.f. 11% across Tees Valley)
- Hartlepool and Redcar & Cleveland have the highest proportion of businesses in the Professional, scientific and technical activities sector (both 16%)
- Darlington has the highest proportion of businesses in the Other services sector (10% c.f. 8% across the Tees Valley)

These figures are also presented in Figure 18 in the Appendix.

**Table 7: Proportional split of all businesses by sector**

Industry	Darlington	Hartlepool	Middlesbrough	Redcar and Cleveland	Stockton-on-Tees	Tees Valley
A : Agriculture, forestry and fishing	2%	1%	0%	2%	1%	1%
B, D and E : Mining and Quarrying; Utilities	0%	0%	0%	0%	0%	0%
C : Manufacturing	4%	6%	5%	6%	3%	5%
F : Construction	16%	20%	17%	19%	10%	18%
G : Wholesale and retail trade; repair	12%	10%	12%	11%	8%	11%
H : Transportation and storage	9%	6%	6%	5%	3%	6%
I : Accommodation and food service activities	5%	5%	5%	5%	4%	5%
J : Information and communication	2%	1%	2%	1%	2%	2%
K : Financial and insurance activities	2%	1%	2%	1%	1%	2%
L : Real estate activities	2%	2%	2%	1%	2%	2%
M : Professional, scientific and technical activities	13%	16%	16%	15%	12%	16%
N : Administrative and support service activities	7%	6%	7%	6%	5%	7%
O : Public administration and defence	4%	3%	3%	5%	1%	4%
P : Education	4%	4%	4%	6%	2%	4%
Q : Human health and social work activities	7%	6%	8%	6%	3%	7%
R : Arts, entertainment and recreation	5%	3%	3%	4%	2%	4%
S : Other service activities	10%	7%	8%	8%	4%	8%
Column Total	100%	100%	100%	100%	100%	100%

Source: Derived from BEIS Business Population Estimates and ONS UK Business Counts 2022

An estimate of the distribution of all businesses by size band presents is presented in Table 8. The analysis identifies no notable difference in profile across the Tees Valley local authorities. However, the comparisons with other locations outside the Tees Valley highlight that the major difference between these economies is that some locations (Salford, Wigan, St Helens, Sefton) have a higher proportion of businesses which are registered and in the 0 to 4 size band – i.e. micro businesses but registered for either VAT or PAYE (because they are trading at a higher turnover and/or employ staff). It is not

possible to discern the reasons for this using these data, but this could be driven by sectoral profile (i.e. economies which are skewed towards sectors where the minimum economic scale is marginally higher than in other sectors, such as capital intensive sectors), levels of entrepreneurial activity, or a range of other factors.

Other differences are small but speak to an economy in Tees Valley which is more reliant on unregistered businesses as a cohort of the business base (which, as commented earlier, could be seen as an opportunity).

**Table 8: Businesses by size band (%)**

Area	Unregistered	Registered				
		0 to 4	5 to 9	Small (10 to 49)	Medium-sized (50 to 249)	Large (250+)
Darlington	54%	35%	6%	5%	0.7%	0.3%
Hartlepool	54%	35%	6%	4%	0.8%	0.2%
Middlesbrough	54%	35%	6%	5%	0.8%	0.3%
Redcar and Cleveland	54%	35%	6%	4%	0.7%	0.2%
Stockton-on-Tees	54%	35%	6%	5%	1.0%	0.2%
Salford	49%	41%	5%	4%	0.8%	0.2%
Wigan	48%	40%	6%	5%	0.7%	0.1%
St. Helens	48%	39%	7%	5%	1.0%	0.2%
Sefton	48%	40%	6%	5%	0.7%	0.2%
North East Lincolnshire	50%	37%	6%	5%	0.9%	0.2%
Barnsley	51%	38%	6%	5%	0.6%	0.2%
Rotherham	51%	38%	6%	5%	0.9%	0.2%
Tees Valley CA	54%	35%	6%	5%	0.8%	0.2%
North of Tyne CA	54%	34%	7%	5%	0.8%	0.2%
Greater Manchester CA	48%	40%	6%	5%	0.8%	0.2%
England	51%	39%	5%	4%	0.7%	0.2%

Source: Derived from BEIS Business Population Estimates and ONS UK Business Counts 2022

## 3.2 Self-Employment in the Tees Valley

The final area of investigation in this section on the business base focuses on self-employment. Definitions and the relationship between self-employed people and unregistered/registered businesses are covered in section 2.3.4). The key points to note when reviewing the findings in this section are that:

- Self-employed people either operate unregistered businesses (not registered for VAT or PAYE) or registered businesses (which are registered either for VAT or PAYE). Some self-employed people therefore operate within businesses with employees, and which may of be significant size.
- The statistics on the self-employed come from the Census and Annual Population Survey, and are therefore based on self-determined classifications (i.e. the Census respondent decides whether they are self-employed or not).
- It is possible to operate a multi-faceted career where, for example, a full- or part-time employed role is combined with a self-employed activity. Therefore, some people are both employees and self-employed.

The data available relates to the number of people who are registered as self-employed, whether that is a part-time or full-time status and whether they operate with or without employees. The key

sources are the UK Census and the ONS Annual Population Survey (APS). As is often the case, the methodologies used to create these datasets mean that the results do not align. Therefore, sources have been employed for different purposes; the Census to present estimates of the total number of self-employed people, and the APS to understand the split by gender and trends over the last few years.

Self-employment has grown as a source of work in the last few decades. It is also known as a route into work from unemployment or economic inactivity. However, the evidence suggests that solo self-employed earn less, on average, than employees and the gap has widened in recent years<sup>6</sup>. So, whilst it is an important part of the economy, and an important route into enterprise, the self-employed face numerous challenges in establishing their business and making it work in a financial sense. This also has implications for the size and performance of local economies, of course.

### 3.2.1 Self-employment: numbers and rates

Table 9 shows that there are over 35,000 people classified as self-employed in the Tees Valley in 2021, with 30% of these in Stockton-on-Tees. The analysis also shows that the density of self-employment relative to population (per 10,000 people) is significantly higher in Stockton and Middlesbrough than in other Tees Valley local economies.

**Table 9: Self-employed population in the Tees Valley**

Area	Total	%	Density
Hartlepool	4,577	13%	517
Middlesbrough	6,744	19%	910
Redcar and Cleveland	7,115	20%	653
Stockton-on-Tees	10,555	30%	949
Darlington	6,074	17%	390
Tees Valley CA	35,065	100%	651

Source: UK Census 2021

Note that this estimate is considerably larger than the estimated number of unregistered businesses in the Tees Valley (20,836 – see Table 5). The difference is explained by two ways in which self-employed people are distributed into the ‘registered’ category: either because they have employees, or because their business is registered for VAT based on the level of turnover they generate. The scale of the first of these groups, with employees, is estimated below. The balance of the difference (i.e. around 7,600 self-employed people) are assumed to be registered for VAT.

Table 10 shows that the majority (84%) of self-employed people across England work in a solo capacity (i.e. without employees). However, the self-employed in Tees Valley are more likely to employ staff, with 19% of all entities with self-employed people doing so (c.f. 16% in England). This characteristic is common across all Tees Valley local authority areas. In fact, the five Tees Valley local economies all have a higher proportion of self-employed with employees than any of the comparator areas covered by this analysis (where the highest comparator area is North East Lincolnshire at 18%). It is important to focus on comparisons across this measure, rather than absolute numbers, in part because the Census data relies on respondents self-classifying as self-employed and in part because the analysis which contextualises these statistics – the total business population and the number of unregistered businesses in particular) is based on estimation.

<sup>6</sup> See Institute for Fiscal Studies – What does the rise in self-employment tell us about the UK Labour Market? <https://ifs.org.uk/publications/what-does-rise-self-employment-tell-us-about-uk-labour-market#:~:text=Solo%20self%20employment%20accounts%20for,the%20highest%20in%20OECD%20countries>.

Table 10: Self-employment – with and without employees

Area	Self-employed with employees		Self-employed without employees		Total
	N	%	N	%	
Darlington	1,161	19%	4,913	81%	6,074
Hartlepool	877	19%	3,700	81%	4,577
Middlesbrough	1,269	18%	5,475	82%	6,744
Redcar and Cleveland	1,295	19%	5,820	81%	7,115
Stockton-on-Tees	2,005	19%	8,550	81%	10,555
Salford	2,565	16%	13,537	84%	16,102
Wigan	3,147	15%	17,365	85%	20,512
St. Helens	1,677	17%	8,160	83%	9,837
Sefton	3,063	17%	15,128	83%	18,191
North East Lincolnshire	1,492	18%	6,728	82%	8,220
Barnsley	2,474	16%	13,244	84%	15,718
Rotherham	2,800	17%	13,776	83%	16,576
Tees Valley CA	6,607	19%	28,458	81%	35,065
North of Tyne CA	31,143	17%	153,197	83%	184,340
Greater Manchester CA	9,618	19%	40,776	81%	50,394
England and Wales	747,798	16%	3,918,491	84%	4,666,289

Source: UK Census 2021

Table 11 shows that across the Tees Valley, just over six in ten (61%) of self-employed people operate in a full-time capacity. This varies somewhat across the five local authority areas, with 63% in Darlington working full-time and 59% in Hartlepool.

Table 11: Self-employment – full- and part-time

Area	Self-employed - full time		Self-employed - part time		Total
	N	%	N	%	
Darlington	3,760	63%	2,314	37%	6,074
Hartlepool	2,902	59%	1,675	41%	4,577
Middlesbrough	3,983	61%	2,761	39%	6,744
Redcar and Cleveland	4,327	62%	2,788	38%	7,115
Stockton-on-Tees	6,589	62%	3,966	38%	10,555
Salford	9,657	60%	6,445	40%	16,102
Wigan	12,963	63%	7,549	37%	20,512
St. Helens	6,241	63%	3,596	37%	9,837
Sefton	10,843	60%	7,348	40%	18,191
North East Lincolnshire	5,008	61%	3,212	39%	8,220
Barnsley	10,294	65%	5,424	35%	15,718
Rotherham	10,737	65%	5,839	35%	16,576
Tees Valley CA	21,561	61%	13,504	39%	35,065
North of Tyne CA	107,625	58%	76,715	42%	184,340
Greater Manchester CA	29,706	59%	20,688	41%	50,394
England and Wales	2,762,213	59%	1,904,076	41%	4,666,289

Source: UK Census 2021

Table 12 sets out the self-employment rate across the comparator areas (measured as the number of self-employed people as a proportion of all 16+ population. The average across Tees Valley is 6%, lower than both other Combined Authority areas and the England average (10%). The rate is marginally higher in Darlington and Stockton-on-Tees (7%) than the three other local authorities in the Tees Valley (all 6%).

Table 12: Self-employment rate

Area	Proportion of population that is self-employed
Darlington	7%
Hartlepool	6%
Middlesbrough	6%
Redcar and Cleveland	6%
Stockton-on-Tees	7%
Salford	7%
Wigan	8%
St. Helens	7%
Sefton	8%
North East Lincolnshire	6%
Barnsley	8%
Rotherham	8%
Tees Valley CA	6%
North of Tyne CA	8%
Greater Manchester CA	7%
England and Wales	10%

Source: UK Census 2021

### 3.2.2 SEISS data

Lastly, the analysis of the self-employed population has also considered the statistics published to report on take up of Government Coronavirus (Covid-19) business support schemes. A specific scheme for the self-employed was established – the Self-Employment Income Support Scheme – to “support self-employed individuals (including members of partnerships) whose self-employment activities have been adversely affected by COVID-19. The scheme... sought to quickly target individuals most reliant on their self-employment income who would otherwise have lost out financially due to COVID-19; enable self-employed people to remain in business; and minimise the risk of error and fraud<sup>7</sup>”.

Statistics in relation to the scheme identify a number of ‘categories’ of self employed:

- ‘Assessed for potential eligibility<sup>8</sup>’ – i.e. the total population of self-employed according to HMRC
- ‘Ineligible population’ – the number of self-employed people estimated by government to be ineligible based on application of its own eligibility criteria (for example, HMRC would know how many of the current population of self-employed had submitted 2019/20 tax returns)
- ‘Potentially eligible population’ – the number of self-employed people that are potentially eligible once the ‘ineligible population’ is subtracted from the ‘assessed for potential eligibility’ population.

<sup>7</sup> See <https://www.gov.uk/government/publications/self-employment-income-support-scheme-screening-equality-impact-assessment/self-employment-income-support-scheme-seiss>

<sup>8</sup> Eligibility criteria can be found at <https://www.gov.uk/government/publications/self-employment-income-support-scheme-screening-equality-impact-assessment/self-employment-income-support-scheme-seiss>

However, estimates for each of these were published only at national level. For Round 5 of the scheme, the following estimates were published:

- ‘Assessed for potential eligibility’ – 5,010,000<sup>9</sup>
- ‘Ineligible population’ – 1,668,000 (33% of the population)
- ‘Potentially eligible population’ – 3,342,000 (67% of the population)

Unfortunately, statistics were not made available at the local level for all of these categories, which limits the value of the SEISS data to this study.

Statistics on the potentially eligible population and the number of people claiming a grant were published, and the data from these sources are set out in the tables below. These suggest that the government’s estimate of the eligible population in the Tees Valley varied from 23,100 in Round 1 to 22,300 in Round 5. The total number of individuals claiming support was 20,000 in the Tees Valley. Note that these statistics exclude self-employed people deemed to be ineligible, so the population of self-employed is confirmed as being higher than 20,000.

**Table 13: SEISS Total Potentially Eligible Population (for the 5 rounds)**

Area	Round 1	Round 2	Round 3	Round 4	Round 5
Darlington UA	3,900	3,900	3,900	3,800	3,800
Hartlepool UA	3,100	3,100	3,000	3,000	3,000
Middlesbrough UA	5,100	5,000	4,900	4,700	4,600
Redcar and Cleveland UA	4,600	4,600	4,500	4,500	4,500
Stockton-on-Tees UA	6,400	6,400	6,400	6,400	6,400
Salford	10,200	10,200	10,100	10,300	10,300
Wigan	14,200	14,200	14,200	14,100	14,100
St. Helens	6,700	6,700	6,600	6,600	6,500
Sefton	11,500	11,500	11,500	11,400	11,300
North East Lincolnshire UA	5,100	5,100	5,100	5,200	5,200
Barnsley	11,600	11,500	11,500	11,400	11,400
Rotherham	12,100	12,100	12,000	12,100	12,000
Tees Valley CA*	23,100	23,000	22,700	22,400	22,300
North of Tyne CA*	31,500	31,400	31,400	31,100	31,000
Greater Manchester CA	121,700	121,300	120,400	120,200	119,300
UK	3,399,000	3,390,000	3,370,000	3,364,000	3,345,000

Source: HM Government, SEISS scheme

<sup>9</sup> See

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1015830/20210826\\_SEISS\\_5\\_Statistics\\_-\\_Final\\_Table.ods](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1015830/20210826_SEISS_5_Statistics_-_Final_Table.ods)



Table 14: SEISS Total Number of Individuals Claiming a Grant (all 5 schemes)

Area	Number of individuals who claimed a grant
Darlington UA	3,300
Hartlepool UA	2,700
Middlesbrough UA	4,500
Redcar and Cleveland UA	3,900
Stockton-on-Tees UA	5,600
Salford	9,100
Wigan	12,800
St. Helens	6,000
Sefton	10,100
North East Lincolnshire UA	4,400
Barnsley	10,200
Rotherham	10,700
Tees Valley CA*	20,000
North of Tyne CA*	26,600
Greater Manchester CA	107,300
UK	2,897,000

Source: HM Government, SEISS scheme

### 3.2.3 Self-employment by gender

The Annual Population Survey provides estimates of the number of people who are self-employed by gender. When calculated as a proportion of people aged 16 and over, Table 15 shows that, firstly, the proportion of women taking up self-employment is considerably lower than that for men, both at the national level (6% of women cf. 10% of men) and local level (5% of women cf. 8% of men in the Tees Valley).

There are also some key differences within the Tees Valley, where the gap between the proportion of men and women pursuing self-employment is greatest in Middlesbrough, Redcar and Cleveland and Darlington (all 5% difference). However, it is very notable that in Stockton-on-Tees, the proportion of working age women that are self-employed is higher than for men; this is the only location covered by the analysis where this is the case.

Table 15: Self-employment by gender (% of population)

Area	Men	Women
Darlington	8%	3%
Hartlepool	7%	3%
Middlesbrough	11%	4%
Redcar and Cleveland	9%	4%
Stockton-on-Tees	7%	8%
Salford	9%	3%
Wigan	10%	3%
Sefton	5%	2%
St. Helens	8%	4%
North East Lincolnshire	9%	4%
Barnsley	9%	3%
Rotherham	11%	4%
Tees Valley CA	8%	5%
North of Tyne CA	8%	5%
Greater Manchester CA	10%	4%
GB	10%	6%

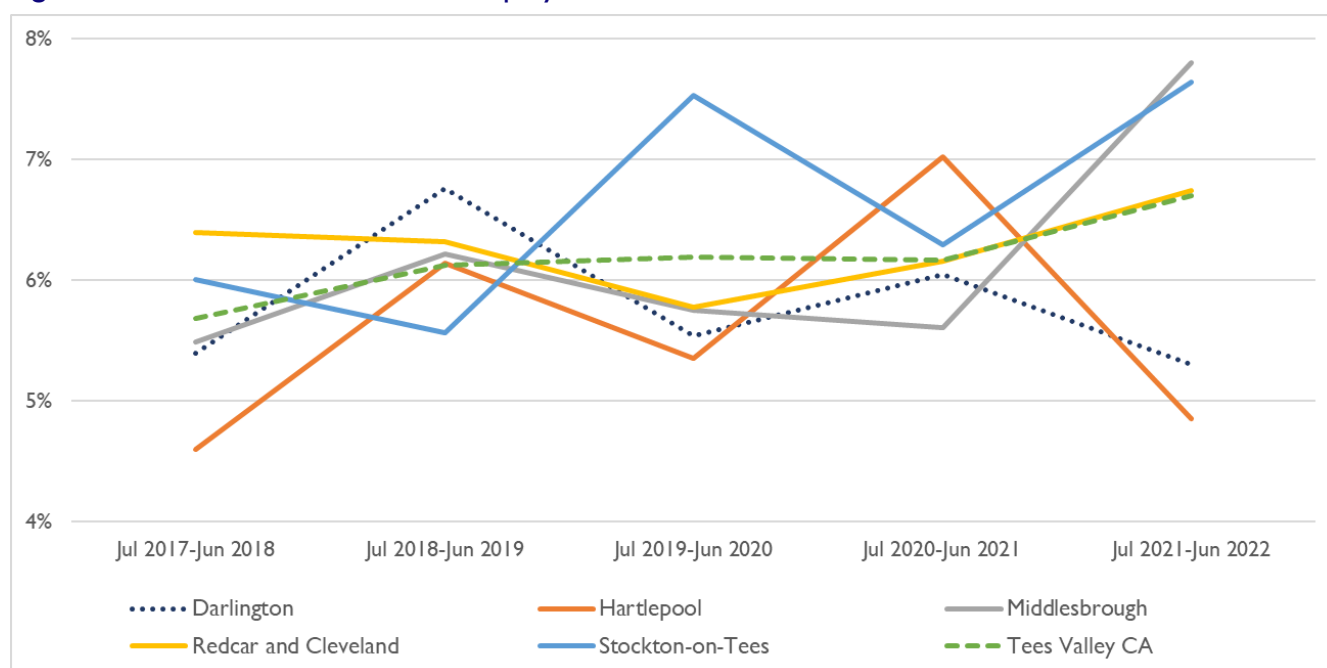
Source: Annual Population Survey (Jul 2021-Jun 2022)

### 3.2.4 Trends in self-employment

Figure 3 sets out trends in the rate of self-employment (as a proportion of all population aged 16+) in the Tees Valley. There has been a 1% increase in the rate across Tees Valley<sup>10</sup> between 2018 and 2022, and this has been driven by increases in Middlesbrough and Stockton-in-Tees. The rate in Redcar and Cleveland has remained broadly static at 6.7% in 2022 (marginally up from 6.4% in 2018) and a similar trend can be observed for Hartlepool (from 4.6% in 2018 to 4.9% in 2022). In Darlington, however, the rate has decreased marginally over the period (from 5.4% in 2018 to 5.3% in 2022).

<sup>10</sup> Note that caution should be applied when interpreting this statistic because it lies well within the stated margins of error

Figure 3: Trends in the rate of self-employment



Source: Annual Population Survey

### 3.3 The Business Start Up Population in Tees Valley

Unfortunately, there is no definitive, comprehensive data source which provides robust and accurate data on the number of business start ups and closures. There are, however, numerous sources which provide an insight into the business start up cohort across the economy. These include ONS Experimental Demography Statistics and BankSearch. Each has its strengths and weaknesses and these are commented on in the Introduction (see section 2.3) whilst specific characteristics of the BankSearch datasets are commented on in the Appendix (see section 6.2). They are employed in the analysis below as follows:

- ONS Experimental Demography Statistics – estimates of survival rates
- BankSearch – comparison of business start up numbers and rates across the Tees Valley, including by a number of characteristics (e.g. sector).

















In addition, NEEAL has provided some summary analysis of start up businesses based on data provided by member enterprise agencies, both for the Tees Valley and the North East.

#### 3.3.1 Number of starts and deaths

Table 16 presents the analysis of the ONS Business Demography statistics in relation to business starts – i.e. the number of new registered businesses in each year. Note that these data are not as current as those for the business population – they run to 2021 only. The table also includes trend lines for each location. It suggests a mixed performance across Tees Valley in terms of the absolute number of new businesses that have been started. Darlington produced more starts in 2021 than in 2017, but the number fluctuated considerably in between. Hartlepool has seen less fluctuation but the overall trend is for the number of starts to have decreased across the period. Redcar and Cleveland has experienced some variance across the period but generated as many new starts in 2021 as in 2017. Finally, across the Tees Valley overall, the trend is generally upwards, with more starts created in 2021 than in 2017.

Interestingly, the data suggest no particular 'bump' in the number of business starts during the first year of the pandemic (2020), which has been suggested in other studies<sup>11</sup>. This, however, is likely to be due to the nature of starts that are recorded through this data source<sup>12</sup>, given that the starts counted are new entries of registered businesses onto the Inter-Departmental Business Register (IDBR) and that the evidence related to the 'bump' suggests that additional enquiries and start ups that constituted the increase were very likely to be small, sole trader types entities (and therefore more likely to be 'unregistered' businesses) or enquiries which did not lead to the creation of a new entity at all.

**Table 16: Number of business starts by year**

Area	2017	2018	2019	2020	2021	Trend
Darlington	410	645	445	350	570	
Hartlepool	315	285	310	270	275	
Middlesbrough	490	560	585	590	535	
Redcar and Cleveland	405	435	380	315	400	
Stockton-on-Tees	700	695	785	685	840	
Salford	1,740	2,065	1,895	1,795	1,695	
Wigan	1,155	1,085	1,300	1,320	1,375	
Sefton	1,110	1,095	1,190	1,095	1,125	
St. Helens	605	615	855	800	1,025	
North East Lincolnshire	550	540	595	665	580	
Barnsley	820	880	925	975	1,070	
Rotherham	915	930	1,145	1,100	1,135	
Tees Valley CA*	2,320	2,620	2,505	2,210	2,620	
North of Tyne CA*	2,850	2,970	3,045	2,835	3,160	
Greater Manchester CA	20,285	17,845	16,470	15,740	17,510	
GB	350,325	343,085	357,780	327,350	357,340	

Source: ONS Business Demography

As well as understanding the overall number of starts (and this concept is returned to during the analysis of BankSearch data, below), it is also important to understand the relative importance of businesses starts within the local economy in which they exist. Using official data from ONS, it is only possible to understand this by investigating the proportion of the business stock which is represented by business starts. Note, since this analysis uses data on registered starts as the numerator, we also use registered business stock as the denominator. In this way, we remove the chance that the methodology used to model unregistered businesses (which itself relies on data on registered businesses) will skew the results. It is also important to note, however, that data on new registrations does not perfectly report new business starts. Some unregistered businesses will take the decision to become registered because they take on a member of staff or decide to register for VAT. What is most important, however, is that there is consistency of definition used in the data to inform the numerator and the denominator.

<sup>11</sup> North East LEP – Business Start Up and Self-employment study.

See <https://evidencehub.northeastlep.co.uk/report/business-startup-and-self-employment-study-march-2021>

<sup>12</sup> Starts are defined as businesses that had turnover or employment during the reference year, meaning that a business must be trading and have reached a level of formality in its operations, which may lead to the exclusion of short-term or informal businesses, particularly when run as solo self-employed entities.

The analysis of starts as a proportion of stock is presented in Table 17 below, and this shows that in 2021<sup>13</sup>, Darlington had the highest proportion (17.4%) of all Tees Valley local authority areas, whilst the lowest is in Hartlepool (12.1%). At the Combined Authority level, Tees Valley's performance (14.8%) sits between Greater Manchester (16.4%) and North of Tyne (12.5%).

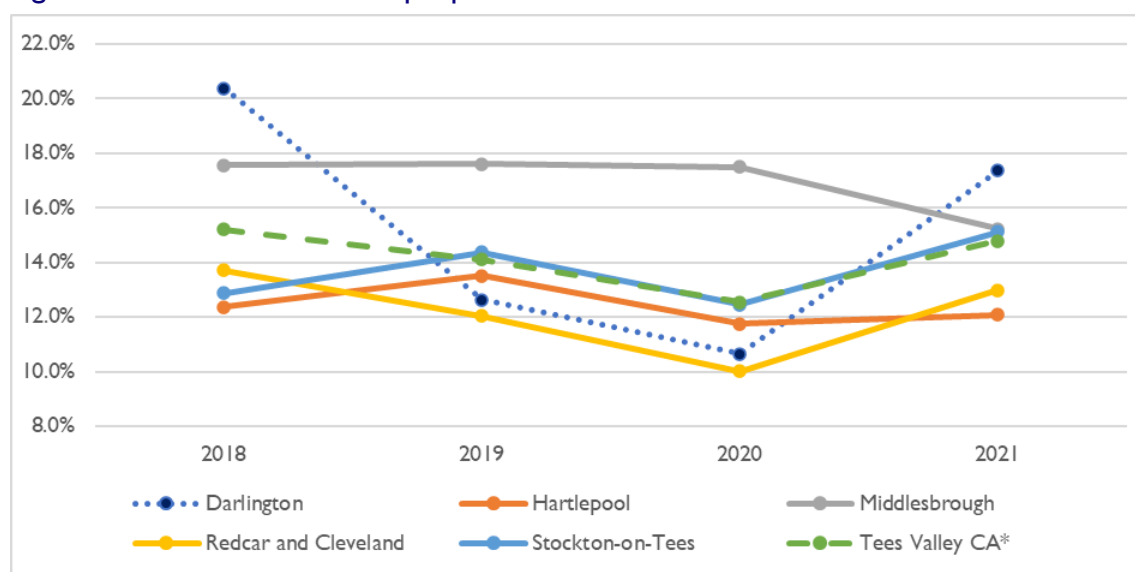
Table 17: Starts as a proportion of stock

Area	2018	2019	2020	2021
Darlington	20.4%	12.6%	10.7%	17.4%
Hartlepool	12.4%	13.5%	11.7%	12.1%
Middlesbrough	17.6%	17.6%	17.5%	15.2%
Redcar and Cleveland	13.7%	12.0%	10.0%	13.0%
Stockton-on-Tees	12.9%	14.4%	12.4%	15.1%
Salford	20.5%	17.2%	16.2%	15.6%
Wigan	12.5%	14.8%	14.6%	14.8%
Sefton	24.0%	26.5%	22.9%	22.7%
St. Helens	7.7%	10.9%	10.2%	12.9%
North East Lincolnshire	11.8%	12.9%	14.3%	12.1%
Barnsley	13.9%	14.4%	14.8%	15.5%
Rotherham	13.1%	16.0%	14.8%	14.8%
Tees Valley CA*	15.2%	14.1%	12.5%	14.8%
North of Tyne CA*	12.2%	12.3%	11.4%	12.5%
Greater Manchester CA	17.0%	15.8%	15.1%	16.4%
GB	14.8%	15.2%	13.7%	14.9%

Source: ONS Business Demography, BPE and UK Business Counts

Trends in the proportion of stock made up by starts are presented in Figure 4 below. It shows that trends in Darlington, Redcar and Cleveland and Tees Valley overall are somewhat 'U-shaped' where rates dip from a comparatively high position in 2018, are lowest in 2020 but recover in 2021. The picture in Hartlepool is more stable, where the rate has remained around 5.6% across the four years.

Figure 4: Trends in Starts as a proportion of stock



Source: ONS Business Demography, BPE and UK Business Counts

<sup>13</sup> Note that only four years' of data are presented because the demography statistics lag the business population statistics by one year, where the latest data for business starts is 2021.

As with business stock, it is important to standardise number of starts and closures when comparing the strengths and weaknesses of local economies. Table 18 sets out the density of business starts, measured as the number of starts per 10,000 population. It shows that the density of starts in the Tees Valley (when measured as registered businesses only, through the Inter-Departmental Business Register) is 49 per 10,000 people in 2021, some 42% below the Great Britain density of 68 new starts per 10,000 population.

The density of births is consistently below the GB level across all Tees Valley local authorities. The data also indicates that density of starts was commonly lowest (though not universally so) in 2020, the first year of the Covid-19 pandemic.

One notable finding, however, is that Darlington has experienced a start up density which almost matched, in 2021, the GB level and exceeded it in 2018.

**Table 18: Density of business starts (registered businesses)**

Area	2017	2018	2019	2020	2021
Darlington	46	73	50	40	64
Hartlepool	43	38	42	36	37
Middlesbrough	45	51	54	54	49
Redcar and Cleveland	36	39	34	28	36
Stockton-on-Tees	45	45	50	44	54
Salford	83	98	90	85	80
Wigan	45	42	50	51	53
Sefton	49	48	53	48	50
St. Helens	43	44	61	57	73
North East Lincolnshire	42	42	46	51	45
Barnsley	40	43	45	47	52
Rotherham	44	44	55	53	54
Tees Valley CA*	43	49	47	41	49
North of Tyne CA*	43	45	46	43	48
Greater Manchester CA	91	80	74	70	78
Great Britain	67	66	68	63	68

Source: ONS Business Demography (IDBR) and ONS Annual Population Survey 2022

The Business Demography dataset also provides an analysis of business ‘deaths’ (i.e. business de-registrations or closures) and the data are presented across all areas in Table 19 below. This shows that for four of the Tees Valley local authorities (Darlington, Hartlepool, Redcar and Cleveland and Stockton-on-Tees), and across the Tees Valley overall, the number of deaths has declined between 2017 and 2021. The opposite is true in Middlesbrough, where the number of deaths has risen.

**Table 19: Number of business deaths by year**

Area	2017	2018	2019	2020	2021	Trend
Darlington	415	340	435	335	345	
Hartlepool	375	335	300	260	315	
Middlesbrough	485	430	480	435	575	
Redcar and Cleveland	410	380	390	370	335	
Stockton-on-Tees	750	680	690	675	680	
Salford	1,205	1,300	1,560	1,365	1,495	
Wigan	1,205	990	1,020	1,015	1,190	
Sefton	1,055	985	995	905	1,020	
St. Helens	630	545	570	635	880	
North East Lincolnshire	585	490	520	475	645	
Barnsley	785	730	780	740	950	
Rotherham	925	820	855	835	1,145	
Tees Valley CA*	2,435	2,165	2,295	2,075	2,250	
North of Tyne CA*	2,650	2,475	2,670	2,450	2,595	
Greater Manchester CA	14,425	15,745	15,010	12,800	14,410	
GB	327,195	292,470	298,705	295,015	322,185	

Source: ONS Business Demography

As for starts, the proportion of business stock represented by deaths can be calculated using the number of deaths as a proportion of active businesses (registered). Table 20 presents these findings for all areas covered by the analysis, and shows that within the Tees Valley, Middlesbrough has the highest proportion of stock that were deaths in 2021 (16.4%), followed by Hartlepool (13.8%). The proportion of stock that were deaths across the Tees Valley (12.7%) again sits between the North of Tyne (10.3%) and Greater Manchester (13.5%), and also sits below the national average (13.4%). Trends in the proportion of stock that were deaths between 2018 and 2021 are also shown in Figure 5 below.

Between them, business start rates and business deaths rates indicate the level of ‘churn’ within an economy, and high levels of churn are often associated with higher economic growth rates. Certainly, entrepreneurial economies tend to experience high levels of both business start and closure, hence high churn. For this reason, levels of business closure, or death, should be considered in light of the corresponding start up rate. What we conclude when considering the results in Table 19 and Table 20 together is that:

- Middlesbrough can be considered a relatively high churn economy in 2021 – with a large proportion of the business stock being represented by both starts and deaths. However, this is not that case for all years; between 2017 and 2020, the proportion of starts is higher than the proportion of deaths. The uptick in the proportion of stock that were deaths in 2021 is therefore notable.
- The net effect of starts and deaths in Darlington, Stockton-on-Tees and Redcar & Cleveland, is positive, in that the proportion of stock that was births exceeds that for deaths in 2021. In the

case of Redcar & Cleveland, however, the proportions are not significantly different over the four years.

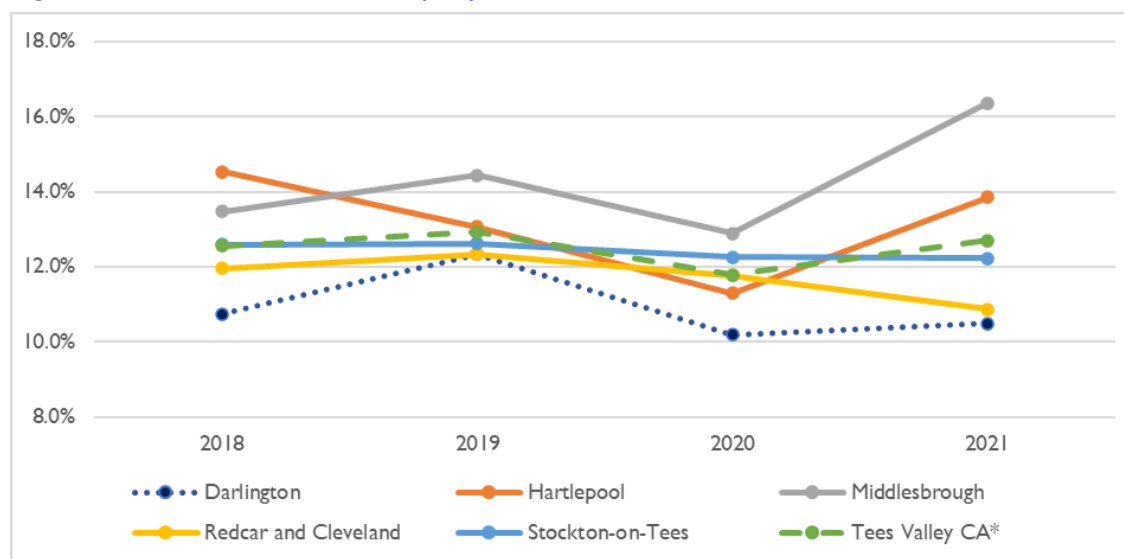
- However, in Hartlepool, the net effect in 2021 was negative, with the proportion of stock that died outstripping the proportion that were start ups. Although this is not the case in all four years, it can be concluded that start up and closure effects are effectively cancelling each other out over the period.

Table 20: Deaths as a proportion of stock

Area	2018	2019	2020	2021
Darlington	10.7%	12.3%	10.2%	10.5%
Hartlepool	14.5%	13.1%	11.3%	13.8%
Middlesbrough	13.5%	14.4%	12.9%	16.4%
Redcar and Cleveland	12.0%	12.3%	11.8%	10.9%
Stockton-on-Tees	12.6%	12.6%	12.3%	12.2%
Salford	12.9%	14.1%	12.3%	13.7%
Wigan	11.4%	11.6%	11.3%	12.8%
Sefton	21.6%	22.1%	18.9%	20.6%
St. Helens	6.8%	7.3%	8.1%	11.1%
North East Lincolnshire	10.7%	11.3%	10.2%	13.4%
Barnsley	11.5%	12.1%	11.2%	13.7%
Rotherham	11.5%	12.0%	11.2%	14.9%
Tees Valley CA*	12.6%	12.9%	11.8%	12.7%
North of Tyne CA*	10.2%	10.8%	9.8%	10.3%
Greater Manchester CA	15.0%	14.4%	12.2%	13.5%
GB	12.6%	12.7%	12.3%	13.4%

Source: ONS Business Demography, BPE and UK Business Counts

Figure 5: Trends in Deaths as a proportion of stock



Source: ONS Business Demography, BPE and UK Business Counts

Table 21 sets out the density of business deaths, measured as the number of starts per 10,000 population. It shows that the density of deaths in the Tees Valley (when measured as registered businesses only, through the Inter-Departmental Business Register) is 42 per 10,000 people in 2021, some 47% below the Great Britain density of 62 new starts per 10,000 population. On the face of it, this appears to be a positive result, but when we consider that together, business births and deaths



constitute churn in an economy, and high performing economies are associated with high levels of churn (i.e. both birth and death rate), we can conclude that this again points to a low level of enterprise activity overall across the Tees Valley. One encouraging conclusion would be, however, that with the density of births being marginally higher than the density of deaths in 2021 (47 compared to 42), there is at least evidence of some positive net additional benefit to the Tees Valley economy through churn.

Table 21 also shows that the density of deaths is consistently below the GB level across all Tees Valley local authorities. The data also indicates that there was no noticeable peak in either 2020 or 2021, the years where it might be imagined that the impact of Covid-19 might be evidenced in higher density of business deaths.

**Table 21: Density of business deaths (registered)**

Area	2017	2018	2019	2020	2021
Darlington	47	38	49	38	39
Hartlepool	51	45	40	35	43
Middlesbrough	45	39	44	40	53
Redcar and Cleveland	37	34	35	33	30
Stockton-on-Tees	48	44	44	43	44
Salford	57	62	74	65	71
Wigan	46	38	39	39	46
Sefton	47	43	44	40	45
St. Helens	45	39	41	45	63
North East Lincolnshire	45	38	40	37	50
Barnsley	38	36	38	36	46
Rotherham	44	39	41	40	55
Tees Valley CA*	45	40	43	39	42
North of Tyne CA*	40	37	40	37	39
Greater Manchester CA	64	70	67	57	64
Great Britain	63	56	57	56	62

Source: ONS Business Demography (IDBR) and ONS Annual Population Survey 2022

### 3.3.2 Survival rates

**Table 22 and**

Figure 6 present start up survival rates. Note that these are presented as the proportion of business starts in a particular year which survived to 2021; this means that the survival of businesses started in 2017 is assessed over four years, those started in 2018 over three years, and so on.

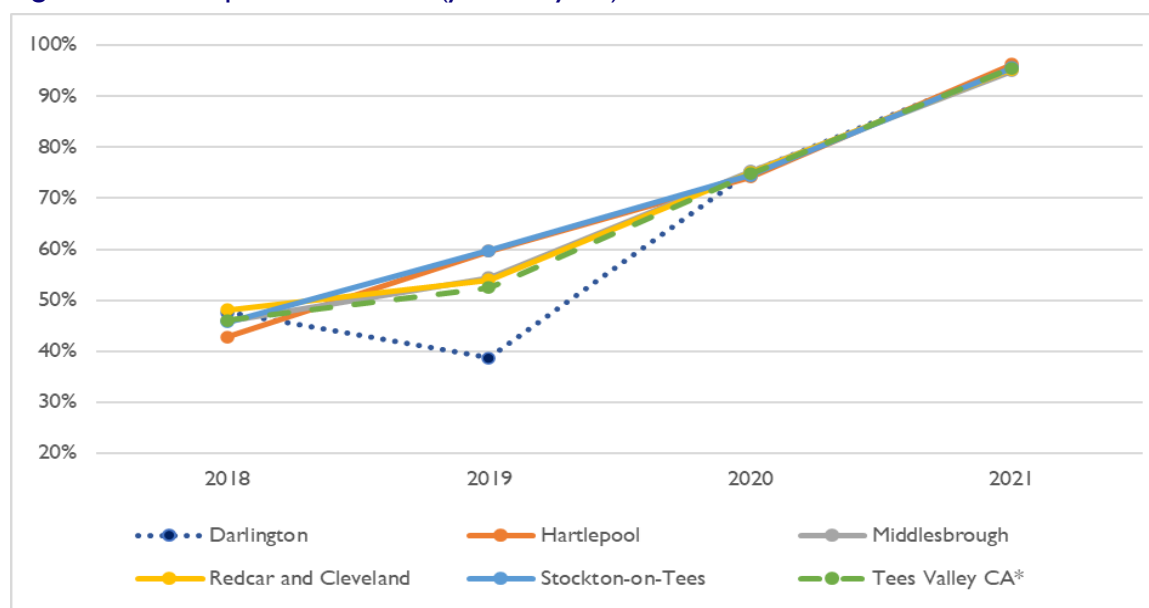
What this analysis indicates is that with one major exception, survival rates across the local authorities in the Tees Valley are similar to each other, and also to other comparator areas. The one notable exception is that in Darlington, the three-year survival rate of businesses started in 2018 is considerably lower (at 39%) than all other areas. However, the survival rate for businesses started in the other three years are similar to other areas. This raises the question as to whether the observed result is truly reflective of reality on the ground, or is a quirk in the data. This is explored in the consultation and desk research phase of the study.

Table 22: Start up survival rates

	2017 start ups	2018 start ups	2019 start ups	2020 start ups
Area	4-year survival rate	3-year survival rate	2-year survival rate	1-year survival rate
Darlington	48%	39%	75%	96%
Hartlepool	43%	60%	74%	96%
Middlesbrough	46%	54%	75%	95%
Redcar and Cleveland	48%	54%	75%	95%
Stockton-on-Tees	46%	60%	75%	96%
Salford	36%	48%	70%	92%
Wigan	50%	61%	76%	94%
Sefton	41%	57%	76%	95%
St. Helens	46%	56%	68%	95%
North East Lincolnshire	48%	60%	77%	96%
Barnsley	47%	56%	74%	91%
Rotherham	49%	61%	73%	93%
Tees Valley CA*	46%	52%	75%	95%
North of Tyne CA*	49%	59%	77%	92%
Greater Manchester CA	33%	52%	74%	93%
GB	46%	57%	75%	93%

Source: ONS Business Demography

Figure 6: Start Up Survival Rates (year on year)



Source: ONS Business Demography

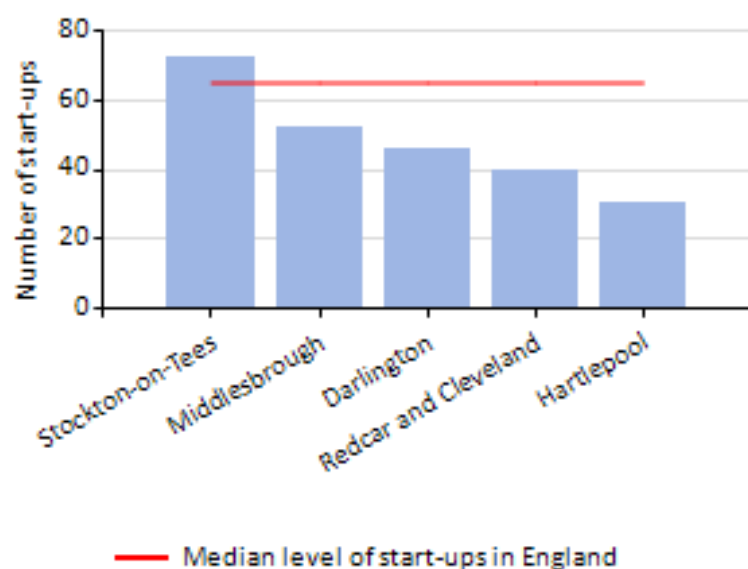
### 3.3.3 Further analysis of Start ups using BankSearch data

In addition to the ONS Business Demography datasets, the project has acquired data from BankSearch, a data consultancy specialising in estimating the number and rate of business start ups using data on the opening of bank accounts. Comments on the approach to data acquisition are provided in the Introduction (see section 2.3) and in the Appendix (section 6.2.1). Data are collected monthly, which provides a rich analysis of trends over time.

The BankSearch data supports analysis of the number of business starts, the rate of start up and start up characteristics (legal status and industry sector), using new business accounts as a proxy for business start up.

Table 23 shows the number of starts in November 2022 across the Tees Valley local authorities. It highlights that Stockton produced the highest number (72) and Hartlepool the fewest (30). Only Stockton out-performed the national median average for that month.

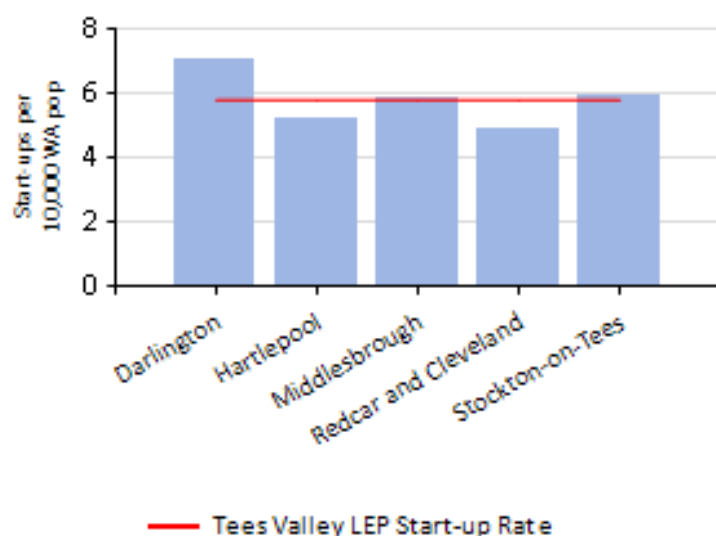
Table 23: Number of start ups, November 2022



Source: BankSearch

However, when the number of start ups is standardised against working age population to generate a start up rate, we see in Figure 7 that this has the result of flattening out the performance across the five locations. In November 2022, Darlington generated the highest start up rate (7.1 starts per 10k WA population) with Redcar and Cleveland generating the lowest (4.9). Nonetheless, this rate (and that for Hartlepool) was only marginally below the rate for the Tees Valley and the North East (not shown on the chart, at 5.8).

Figure 7: Start up rate (per 10,000 Working Age Population), November 2022



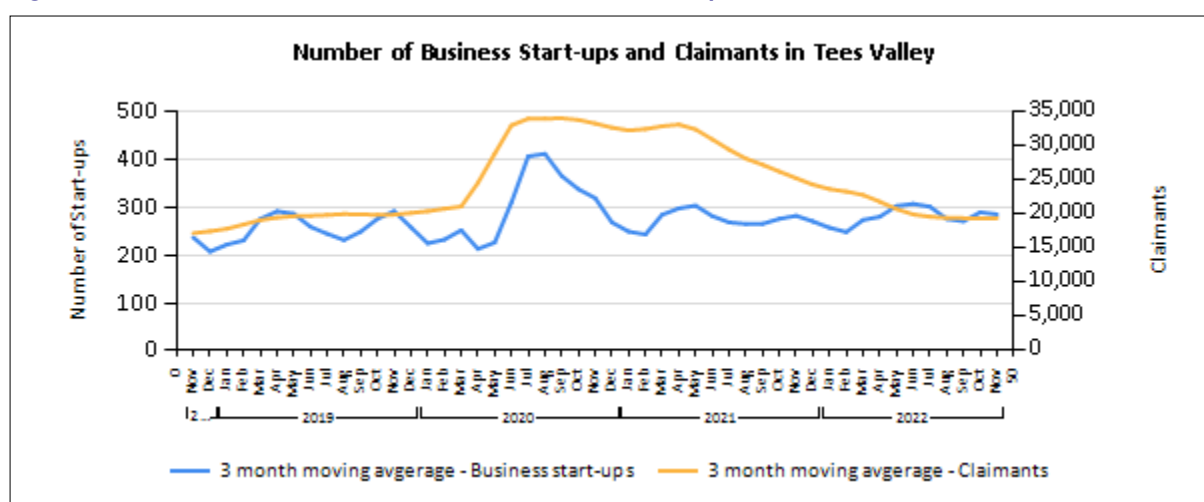
Source: BankSearch

### 3.3.4 Start up rates and claimants

The level of unemployment is considered to be one of many factors that drive enterprise rates (and therefore new firm starts and entry into self-employment) due to the link to job losses, combined with redundancy payments, along with opportunities for entrepreneurial activity brought about by a cessation of previous work. Figure 8 and Figure 9 below show the absolute number of starts and claimants and rates for each (respectively). These suggest a relationship between these two factors; whilst the lines do not marry perfectly, the major trends in each line generally mirror the other. That said, the lines diverge through the second half of 2020 and converge again in 2022. For example, a growth in the number and rate of claimants in the second quarter of 2020 is matched by a growth in the number and rate of business starts.

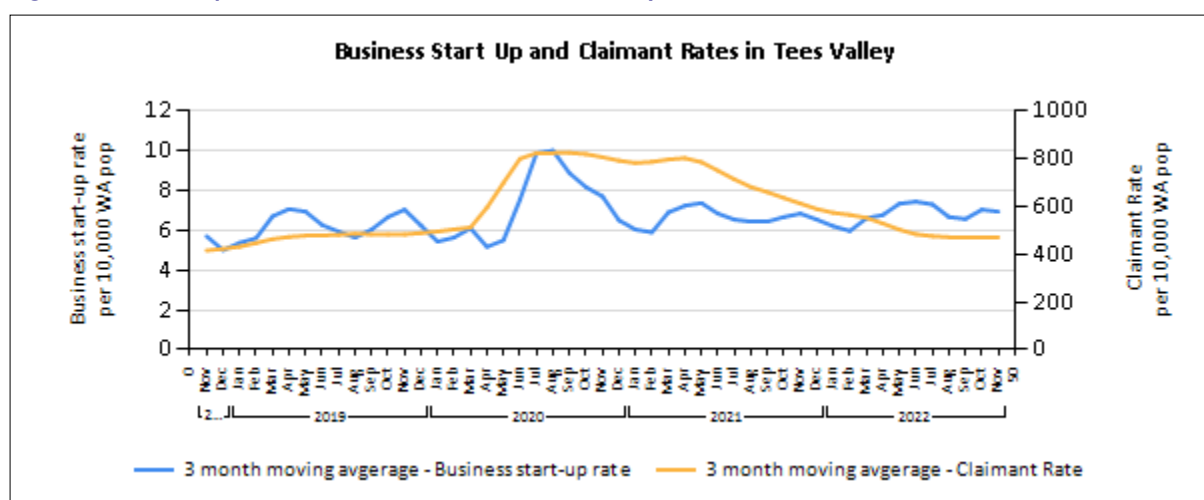
This was a particularly challenging and unique period of time, of course, when the first national lockdowns for Covid-19 were in place, government business support schemes and furlough payments were being claimed and there was much uncertainty and churn in the labour market. Despite significant government support, many firms made redundancies in order to manage risk and individuals that found themselves either furloughed or redundant had an opportunity – perhaps for the first time in their career – to consider alternative work, including through self-employment and business start up.

Figure 8: Number of starts and claimants in Tees Valley



Source: BankSearch

Figure 9: Start up and claimant rates in Tees Valley



Source: BankSearch

It is therefore possible to conclude that, based on BankSearch data, the Covid-19 pandemic has a short-term and positive effect on the rate of start up from around April 2020 to the end of that year (when start up rates in Tees Valley returned to a level which aligns with the five year trend).

This finding is further supported by the analysis presented in Figure 19 in the Appendix, which shows month-on-month start up rates for each of the local authorities. It also shows that the overall trend across the 5-year period in business start up rate is upwards for the Tees Valley and Darlington, Hartlepool and Redcar and Cleveland.

### 3.3.5 Start ups by Legal Status

BankSearch data is also presented by legal status, allowing for an assessment of the nature of the businesses that are being started in Tees Valley. Table 24 shows the percentage split of new starts by legal status for each of the five full years covered by the data. It demonstrates that the vast majority of starts picked up by BankSearch data are either limited companies (64% in 2022) or sole traders (31% in 2022). The next largest status is not for profit (4% in 2022). These data also indicate that in 2020 (the first year of the Covid-19 pandemic), the proportion of new starts that were sole traders jumped significantly, from 24% in 2019 to 46% in 2020. This also supports the conclusion that the pandemic

itself stimulated a wave of new business start up that were more likely to be sole traders. Having said that, it is known that a number of banks implemented a range of fraud-prevention measures during the early stages of the pandemic, including restrictions on the opening of bank accounts<sup>14</sup>.

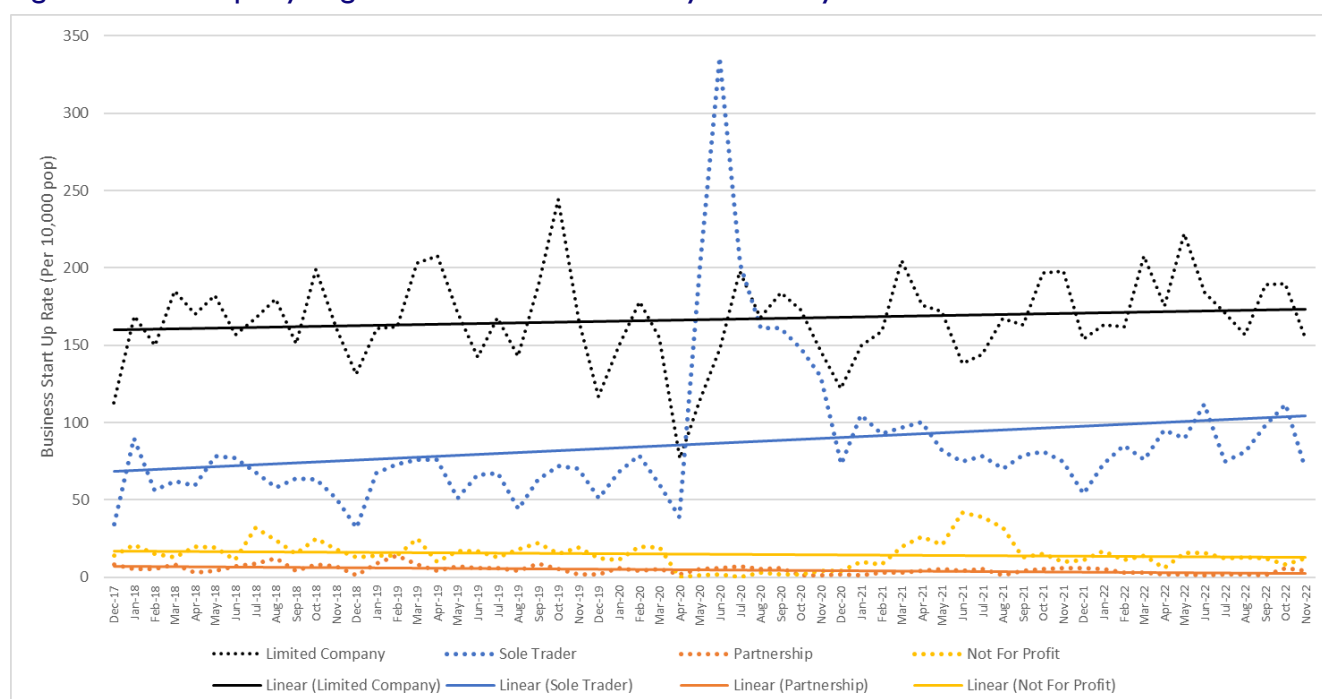
Table 24: Start ups by Legal Status in the Tees Valley (%)

Year	Limited Company	Sole Trader	Partnership	Limited Liability Partnership	Not For Profit	Unknown
2018	65%	25%	3%	0%	7%	0%
2019	67%	24%	2%	0%	6%	0%
2020	51%	46%	1%	0%	2%	0%
2021	61%	31%	1%	0%	7%	0%
2022	64%	31%	1%	0%	4%	0%

Source: BankSearch

This finding is further demonstrated in Figure 10, which shows the month-on-month trend line for the proportion of start ups by legal status.

Figure 10: Start ups by Legal Status in the Tees Valley - monthly

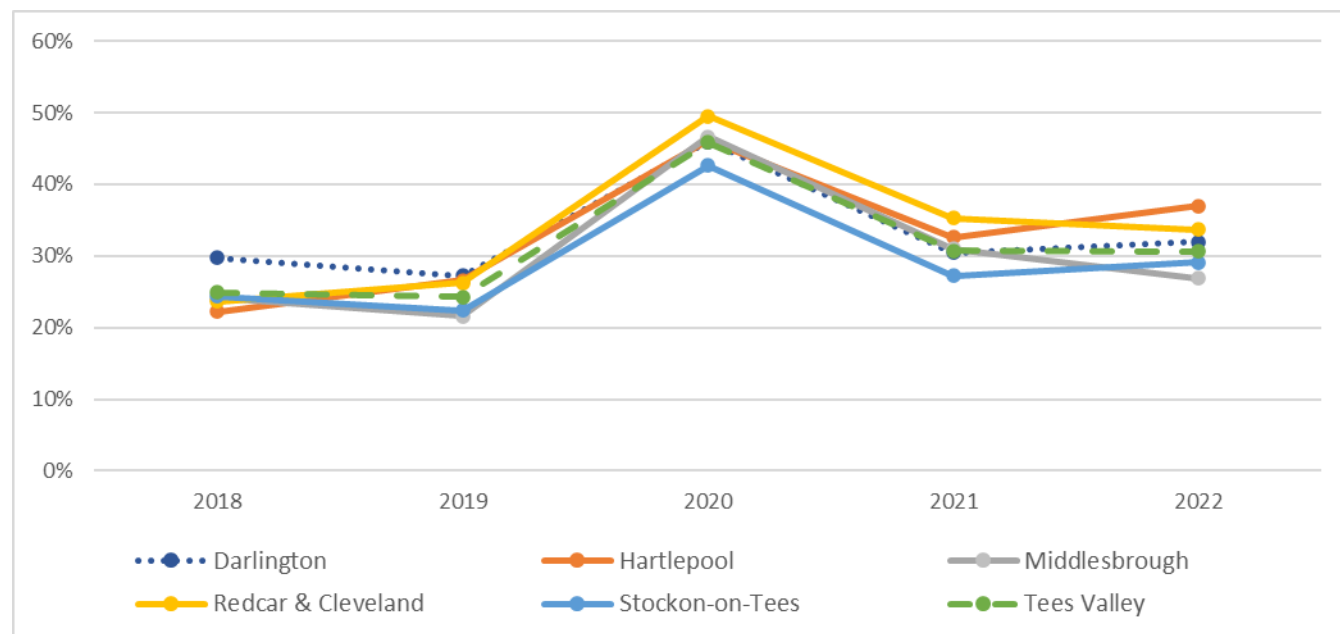


Source: BankSearch

<sup>14</sup> For example, see <https://www.thebusinessdesk.com/news/1026040-banks-are-stifling-small-businesses-by-imposing-lockdown-on-new-accounts/>

Looking at the proportion of start ups that were sole traders only, Figure 11 shows that all five local authorities within the Tees Valley experienced the same uplift in 2020, though not all to precisely the same extent (where the proportion was highest in Redcar and Cleveland and lowest in Stockton-on-Tees).

Figure 11: Start Ups by Legal Status in the Tees Valley – Local Authority

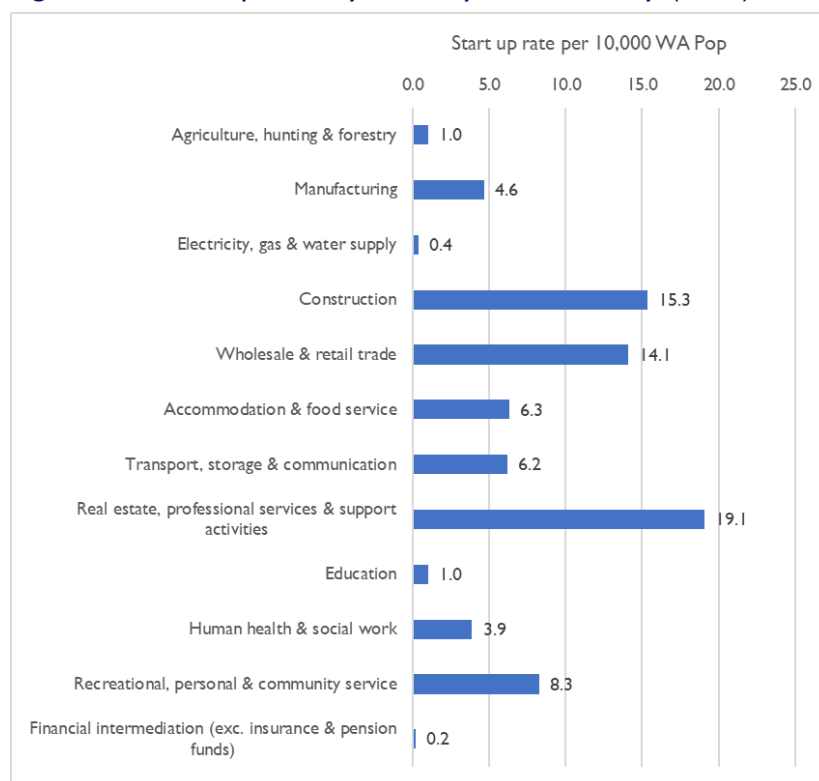


Source: BankSearch

### 3.3.6 Start ups by Industry

This section focuses on the number and rate of start ups by industry sector. Figure 12 shows that the industry sector with the highest start up rate in 2022 was Real estate, professional and support services (19.1 per 10,000 working age population), followed by construction (15.3), Wholesale & retail (14.1) and Recreational, personal and community services (8.3).

Figure 12: Start Up Rate by Industry – Tees Valley (2022)



Source: BankSearch

Note that only sectors with a start rate >0 have been included

Similar charts are provided in the Appendix for the five constituent local authority areas (see Figure 20 to Figure 24) and a review of these highlights the following key findings:

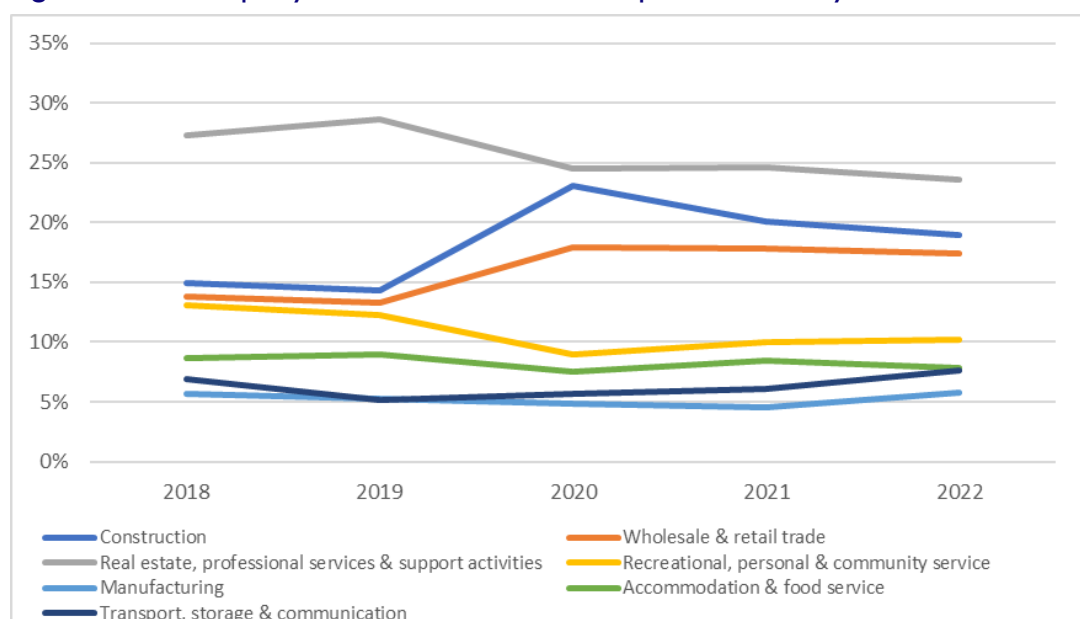
- Transport, storage and communication (8.4) and Accommodation and food service (7.5) are important sectors in Darlington
- Wholesale and retail trade (11.5) is an important sector for Hartlepool
- The start up rate in Manufacturing (5.0) is high in Redcar and Cleveland

When key sectors are examined over time, as shown in Figure 13 (showing the proportion of start ups in any year which come from each sector), we find that by 2022, Construction and Wholesale and retail trade represent higher proportions of all starts than they did in 2017. There was a notable peak in 2020 for both these sectors.

Conversely, there has been a decrease in the proportion of all starts that occur in the Real estate, professional services and support activities sector between 2017 and 2022, whilst the contribution of other sectors has remained relatively stable.



Figure 13: Start Ups by sector as % of all Start Ups – Tees Valley



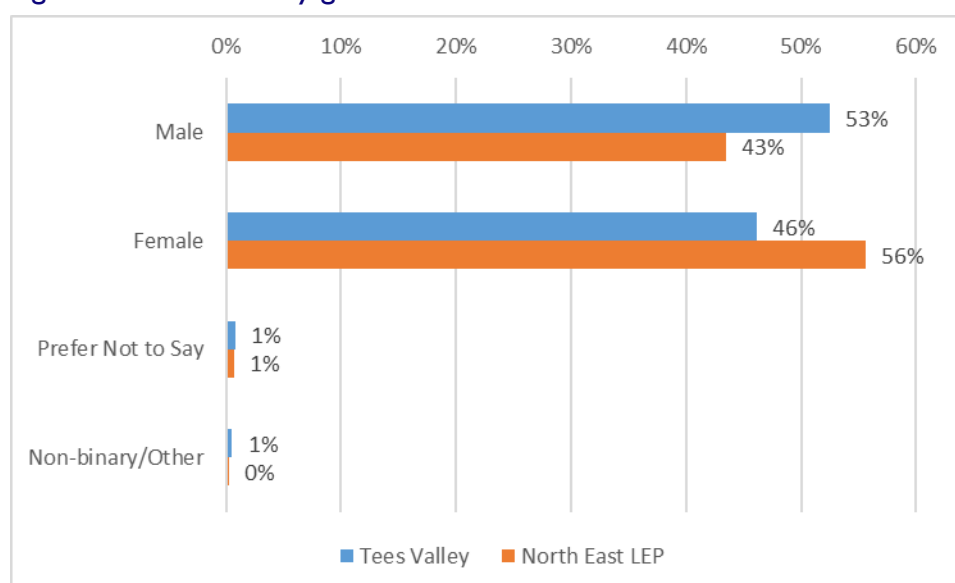
Source: BankSearch

### 3.3.7 Characteristics of supported, pre-start businesses

This section draws on data provided by NEEAL regarding characteristics of pre-start businesses which are recorded via a diagnostic form administered by member Enterprise Agencies. The data captures a range of characteristics of the pre-start proprietor. Unfortunately, there is no record of whether each pre-start business went on to start and trade. However, the analysis provides some further insight into the demographics of people seeking to start businesses with the support of Enterprise Agencies, both across the Tees Valley and the wider North East. The analysis below focuses on a comparison of the demographics of pre-start businesses in Tees Valley compared to the North East LEP area.

Figure 14 shows that the profile of pre-start businesses in Tees Valley is proportionally more represented by men (53% of all pre-starts in 2022) when compared to the North East LEP area (43%).

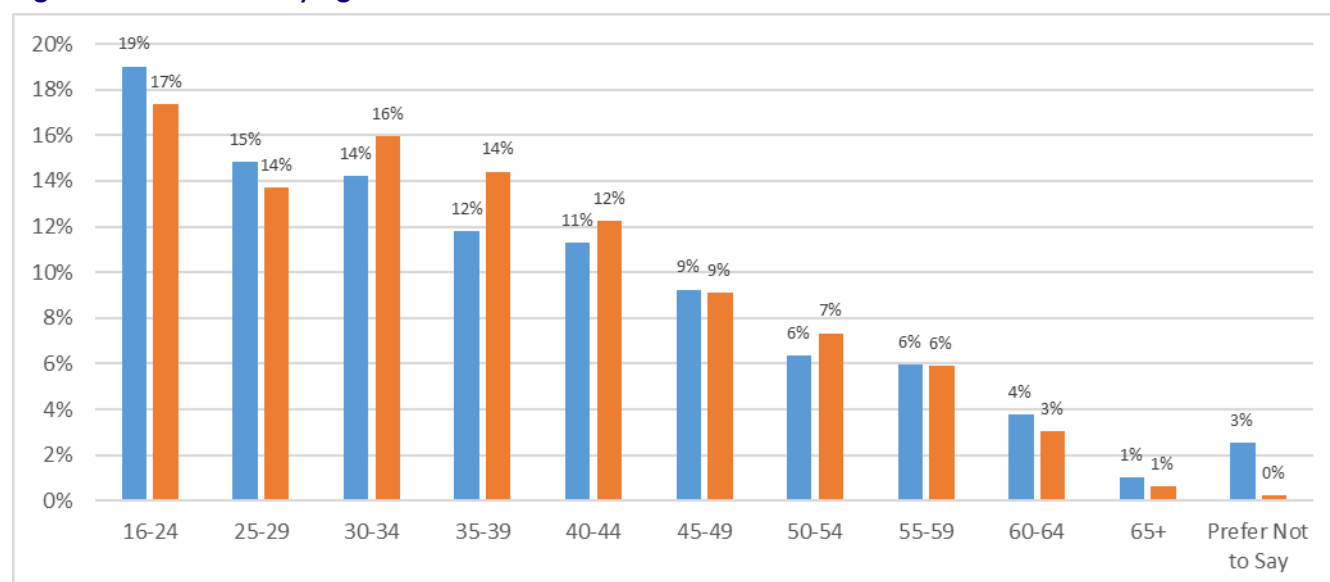
Figure 14: Pre-starts by gender 2022



Source: NEEAL

When the profile is analysed by age, as in Figure 15, the data shows that there is a differing profile of pre-start businesses by age. Pre-starts in Tees Valley are being brought forward by young people (in the 16 to 29 age cohort) and that people aged 30 to 44 are less represented.

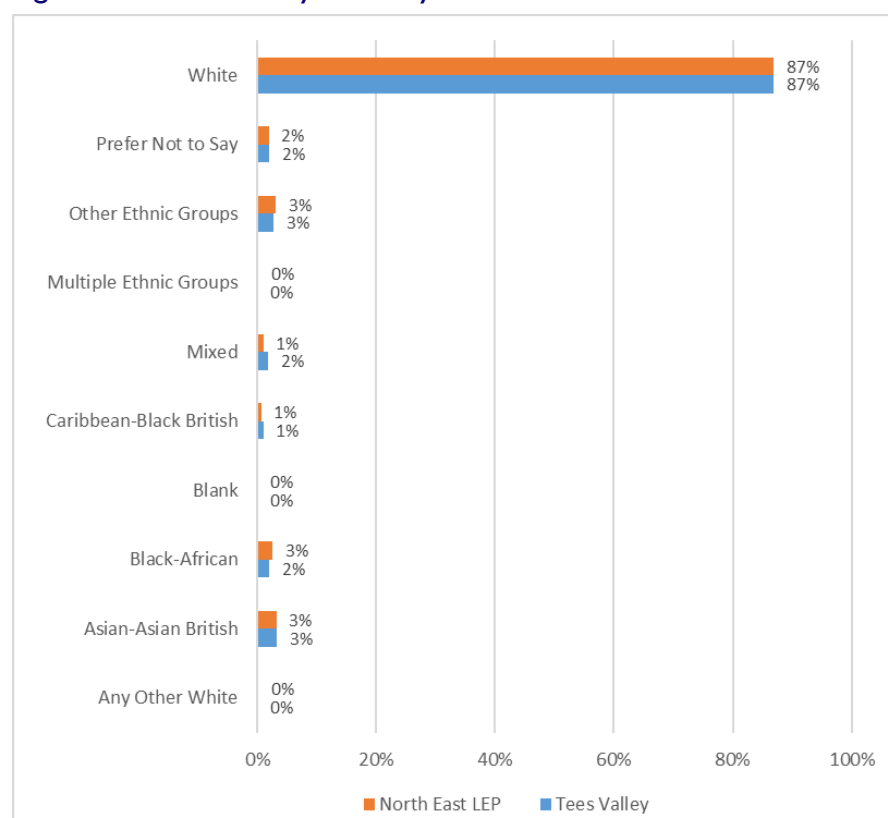
Figure 15: Pre-starts by age in 2022



Source: NEEAL

Finally, when pre-starts are analysed by ethnicity, Figure 16 shows that there are very few meaningful differences between the profile in Tees Valley compared to the North East LEP.

Figure 16: Pre-starts by ethnicity



Source: NEEAL

## 4. Desk research and consultation

The desk research and consultation exercises have focused on generating evidence in relation to one of the five objectives of this study, namely:

- To investigate, at the Tees Valley level and in particular within Hartlepool, factors which contribute to or inhibit business start up and survival including identification of best practice.

In order to address this objective, this section focuses on four topics, as follows:

1. The factors that influence rates of business start up across different locales
2. Qualitative evidence of the current state of the start up 'market'
3. The factors that enhance or inhibit business start up and survival rates
4. 'Best' or 'good' practice in business start up support and enhancing survival

This section of the report presents a discussion of the key findings derived from a process of desk research and consultation with key partners and stakeholders, structured by these four topics.

### 4.1 Factors influencing start up rates in different locations

There is no definitive answer to the question of why some places foster higher levels of entrepreneurship (however defined) than others. With much of the research on entrepreneurship conducted at the national and regional level, much less is known about the dynamics of entrepreneurship and resilience at the local scale<sup>15</sup>. That said, a large body of evidence does exist which comments on the relationship between entrepreneurship and geography and that provides insight into the factors that may enhance or inhibit enterprise within different places. This is a very broad topic so what follows should be seen as a snapshot of the evidence, but the following are considered to be important to the investigation which this study is engaged in:

- At the level of the individual, factors such as “personal attitude and perceived behavioural control [have been found to be] relevant factors explaining entrepreneurial intentions”<sup>16</sup>. The study concludes that as a result, the role of entrepreneurial education must be considered.
- According to entrepreneurs, the three factors which enable company growth are: access to markets, access to human capital and access to funding<sup>17</sup>.
- Cultural factors are seen as crucial for the development of economic activity in general, and the fostering of entrepreneurship in particular<sup>18</sup>. Some regions may be immersed in a local culture that predisposes its inhabitants to act and start up new businesses, whilst other regions are less immersed in such culture. Cultural change is therefore seen to be an important goal in areas with low levels of entrepreneurship but with aspirations to increase those levels. Cultural factors include entrepreneurship perception, experiences, and training in business activity, role models, attitudes, beliefs and ways of doing things.
- Whilst increasing unemployment rates are correlated with the higher probability of starting a company, this factor cannot support economic growth in the longer-term perspective<sup>19</sup>. The

<sup>15</sup> Dawley, S., Pike, A., & Tomaney, J. (2010). Towards the resilient region? *Local Economy*, 25(8), 650–667. <https://doi.org/10.1080/02690942.2010.533424>

<sup>16</sup> Liñán, F., Rodríguez-Cohard, J.C. & Rueda-Cantuche, J.M. Factors affecting entrepreneurial intention levels: a role for education. *Int Entrep Manag J* 7, 195–218 (2011). <https://doi.org/10.1007/s11365-010-0154-z>

<sup>17</sup> World Economic Forum, Forum Report. See <https://www.weforum.org/agenda/2014/02/three-factors-allow-entrepreneurship-thrive/>

<sup>18</sup> Yurrebasso A., Picado E.M., Paiva T., The role of geographical area and entrepreneurs' personality, *Frontiers In Psychology*, Volume 12, 2021. See <https://www.frontiersin.org/articles/10.3389/fpsyg.2021.671931/full>

<sup>19</sup> The Geography of Entrepreneurship Regional and individual determinants of new firm formation in Sweden, Marcin Rataj, Department of Geography Umeå 2020. See <https://umu.diva-portal.org/smash/get/diva2:1390358/FULLTEXT01.pdf>

same study also concluded that for local economies which suffer from low business density and agglomeration characteristics (i.e. clustering), certain characteristics can compensate for these weaknesses. It found, for example, that social capital allows compensation for other missing resources in the regional economy, as it facilitates the interaction between people and therefore shortens the social distances between individuals with relevant knowledge and resources.

- Business density is correlated with economic well-being; the higher the density, the higher the levels of personal and household income<sup>20</sup>.
- Many argue that creating a supportive environment for new firms, including high growth firms, is insufficient in increasing their number. Instead, the 'entrepreneurial ecosystem' approach has emerged in response. The distinguishing features of entrepreneurial ecosystems include: "a core of large established businesses, including some that have been entrepreneur-led (entrepreneurial blockbusters); entrepreneurial recycling – whereby successful cashed out entrepreneurs reinvest their time, money and expertise in supporting new entrepreneurial activity; and an information-rich environment in which this information is both accessible and shared"<sup>21</sup>.
- Legacies of the past in peripheral post-industrial places serve to shape current and future entrepreneurial activity (and with it, local economic resilience). This is found to express itself in numerous different ways, such as low aspirations, generational unemployment and a loss of identity which are in turn compounded by negative perceptions of place and opportunity<sup>22</sup>. Tackling these issues should be priorities for policy makers in such locations, though the mechanisms for doing so are likely to involve long-term investment to address the social, economic and cultural factors that are at play.

The evidence above provides some insight into the types of factors that influence levels of entrepreneurial activity in local economies. One thing is clear from this evidence – the factors are complex, often tied to past and current cultural and social factors and solutions must be multi-faceted. Whilst investing in support for start ups, policy must also seek to address the more cultural and societal issues which exists within localities and which drive entrepreneurial patterns and behaviours.

## 4.2 Qualitative evidence of the current 'state' of the start up market

The evidence in relation to this topic is drawn from the consultation exercise undertaken as part of the study. A number of key points were expressed by consultees in relation to the start up market, and also placing that part of the economy in the wider context of the Tees Valley and how it is developing, experiencing investment and becoming more collaborative and cohesive. Key points made are summarised as follows:

- Covid has influenced the start up market in numerous ways. In the middle of 2020, there was a marked increase in the number of enquiries coming forward to enterprise agencies from people considering starting a new business. The furlough scheme was one influencing factor (giving people time and space to consider their career and opportunities), along with redundancy (either real or threatened) meaning that people were actively considering their options for generating income. However, what is not certain is how many of these enquiries were taken

<sup>20</sup> Lowrey Y.L., Business density, entrepreneurship and economic well-being, for the 2005 American Economic Association Meeting in Philadelphia. See

[https://www.researchgate.net/publication/228314991\\_Business\\_Density\\_Entrepreneurship\\_and\\_Economic\\_Well-Being](https://www.researchgate.net/publication/228314991_Business_Density_Entrepreneurship_and_Economic_Well-Being)

<sup>21</sup> Mason C., Brown R., Entrepreneurial ecosystems and growth oriented entrepreneurship, 2014. See <https://www.oecd.org/cfe/leed/entrepreneurial-ecosystems.pdf>

<sup>22</sup> Gherbes C., Vorley T., Williams N., Entrepreneurship and local economic resilience: the impact of institutional hysteresis in peripheral places, Small Business Economics

forward. The general perception is that there was a covid-driven bubble in 2020 which had little medium-term impact on business start up rates in the Tees Valley.

- Covid has also impacted the ways in which people wish to work. Home-working by necessity has led to what many believe is a permanent shift in the ways (and locations) in which people are working. Whilst there has certainly been a 'return to the office' since the pandemic has receded, many employers are supporting hybrid working, driven in large part by a new preference expressed by staff to work in such a way. This has had a number of impacts across the economy, not least within the commercial property market and labour market (where opportunities from a wider geography are now accessible if the job can be undertaken remotely, meaning that some employers can recruit from a wider pool but often face higher costs of labour as a consequence – particularly noticeable in tech sectors).
- Covid has also led to modifications in the way that demand for start up business support is delivered. Initially, this was driven by necessity (i.e. lockdowns precluded the delivery of face-to-face support) but the changes introduced in the early stages of the pandemic have led to longer-term shifts in delivery models. They are now more focused on a hybrid model, where some support is delivered remotely and other support is delivered through face-to-face meetings and events. One view expressed is that as a result, there is a renewed sense of value in the elements which are delivered face-to-face. This has improved efficiency within enterprise agencies (because, for example, it has significantly cut travel time) and removed certain barriers to support (such as geographical and logistical barriers, which disproportionately impact rural communities).
- The broader picture around demand for start up support is that demand steadily rose and then peaked in 2019 and has remained around the same level (where it has remained, either side of the exceptional peak identified in mid 2020). The Enterprise Agency consultees generally thought that their services were at saturation levels and that investment in additional capacity would likely lead to a greater number of new businesses.
- There is currently a very tight labour market in the UK. Many sectors are reporting labour shortages driven by reduced labour supply (which is considered to be due to a number of factors including an exodus of EU workers post-Brexit, increased competition across the whole UK and beyond for certain skillsets, and an increase in the number of people exiting the labour market due to ill health). This has the effect of keeping wages high but reducing productivity, and therefore investment. It may also be constraining levels of business start up as the attractiveness of employment in a tight labour market is comparatively high.
- Confidence across the Tees Valley has increased noticeably in recent years. There are numerous factors that contribute to this, including investment in the Freeport, clearing of and building commencing on sites that have remained empty/derelict for many years, and a general sense that the region is beginning to benefit from a number of key opportunities that will drive economic prosperity in the near future. This was described as a sense that after decades of trying to stimulate large scale investment in the Tees Valley, it is finally beginning to happen. This confidence is also seen to be held by residents and entrepreneurs alike, and this is considered to be a reason for optimism in relation to economic prosperity and the very many positive things that contribute to that (including rates of business start up) and the impacts that it brings. Anchor institutions such as Teesside University are also investing heavily and that adds to the sense that Tees Valley is moving forward positively. Investment in 5G infrastructure across all five boroughs is also seen to be important and a differentiating factor.
- A number of consultees also commented on the important strategic role being played by TVCA and the five local authorities in creating a vision for Tees Valley and supporting delivery towards that. Politically, the Tees Valley now seems to be pulling in a single direction. The messages being emitted about Tees Valley's future are considered to be clear and cohesive, and

the strategies being adopted by the Tees Valley are encouragingly cognisant of the important role that small and new businesses can play.

- There are a number of contemporary issues which are impacting business sustainability, such as the cost of living crisis, associated energy cost increases and labour market shortages. Support agencies commented on this having an impact on the types of businesses being started, with certain activities becoming less attractive (such as 'bricks and mortar' businesses) and others becoming comparatively more attractive (e.g. freelancing opportunities and 'side hustles' in order to boost income alongside other work).
- There is evidence of a recent focus within support for start ups on the sustainability of the new firms. This is in recognition of three important factors: that there is a gamut of information available digitally to anyone thinking about starting a business, so value needs to be added elsewhere; the experience and expertise that support agencies can offer can complement and build on that basic information, and; that supporting someone to start a business has limited impact unless that business is sustainable.

### 4.3 The factors that enhance or inhibit business start up and survival rates

The desk research exercise has highlighted a number of resources which identify factors affecting the success and failure of startups.

The 'Core-7 Success Factors' for start ups, identified by Sevilla-Bernardo et al<sup>23</sup>, are as follows:

- the Idea
- the CEO's Leadership
- the Business Model
- the Marketing approach
- the Entrepreneurial Team
- Funding
- Timing

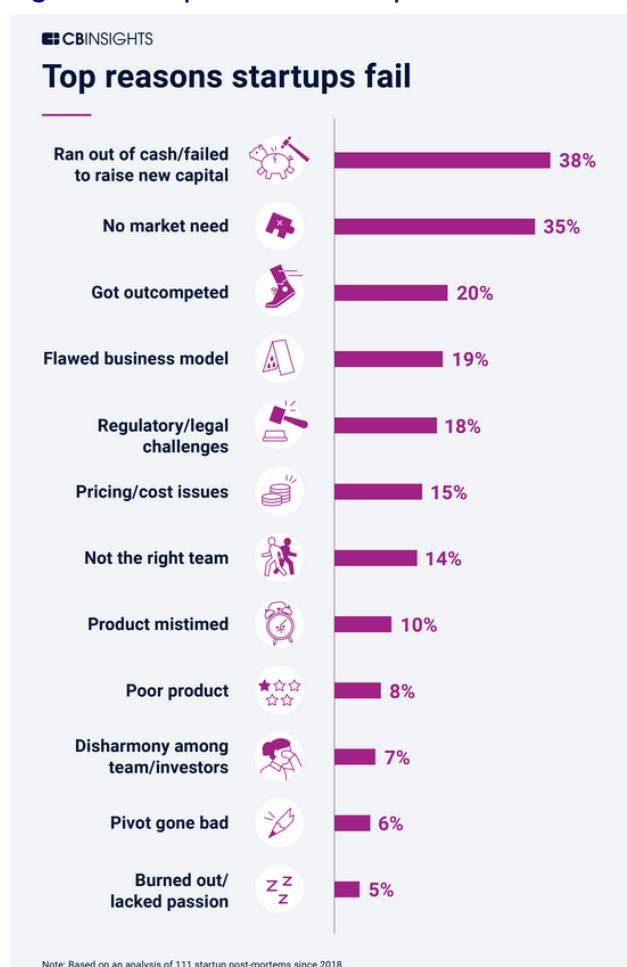
When examining the reasons that cause start ups to fail, the CBI<sup>24</sup> concluded that there are 12 factors outlined in Figure 17 below.

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<sup>23</sup> Sevilla-Bernardo, Javier, Blanca Sanchez-Robles, and Teresa C. Herrador-Alcaide. 2022. Success Factors of Startups in Research Literature within the Entrepreneurial Ecosystem. Administrative Sciences 12: 102. See [https://www.researchgate.net/publication/362701147\\_Success\\_Factors\\_of\\_Startups\\_in\\_Research\\_Literature\\_within\\_the\\_Entrepreneurial\\_Ecosystem](https://www.researchgate.net/publication/362701147_Success_Factors_of_Startups_in_Research_Literature_within_the_Entrepreneurial_Ecosystem)

<sup>24</sup> See <https://www.cbinsights.com/research/report/startup-failure-reasons-top/>

Figure 17: Top reasons startups fail



Source: CBI

A comparison of the success factors set out in the list above, and the failure factors set out in Figure 17 demonstrates the complexity of the subject matter and the difficulties of making comparisons between the two sets of factors. For example, 'funding' is identified as one of the Core-7 success factors but the nature and scale of 'funding' required by start ups will be highly variable. When the reasons for failure which are of a financial, or funding nature are considered, the factors focus on much more specific issues, such as pricing, costs, cash flow management and raising finance. Furthermore, such evidence does not dig sufficiently deeply to get to the true cause of the challenges. For example, running out of cash can itself be a symptom of a deeper problem, such as financial incompetence, bad debt or the withdrawal of lender facilities. This makes the design of policy responses challenging.

However, a third study is perhaps more helpful in attempting to identify the factors that can be more directly addressed through business support. Gaskill et al<sup>25</sup> identifies the following causes of small business failure:

- inadequate knowledge of pricing strategies
- failure to generate a long-term business plan
- ineffective advertising/promotional strategy

<sup>25</sup> LiiAnn Ricketts Gaskill, Howard E. Van Auken, and Ronald A. Manning, A factor analytic study of the perceived causes of small business failure, Journal of Small Business Management October 1993. See <https://cemi.com.au/sites/all/publications/Gaskill%20van%20Auken%20and%20Manning%201993%20SME%20failur.pdf>



- lack of managerial experience, skills, and training
- failure to generate a personnel plan
- lack of experience in the product line
- inflexible decision-making
- lack of knowledge of current business literature
- poor use of outside advisors.

A review<sup>26</sup> of Local Enterprise Growth Initiative (LEGI) activities and programmes that were designed to support enterprise growth in deprived areas identified areas of good practice in outreach, working with schools and young people, provision of premises and enterprise coaching. Relevant recommendations include:

- Local delivery – ensuring easy access to support is key to promoting enterprise in deprived areas. This may be through physically locating within target communities - such as local offices, shops or a community centre or through using mobile advisors.
- Take a holistic approach that brings together a range of services to support business start-up (access to finance, premises, skills etc).
- The most successful business start-ups are those that have engaged with a wide range of services.
- Support that gives clients access to a range of skills and expertise – as businesses develop, they will encounter a range of problems and issues that are broader in range than those thinking of starting a business.
- Personalised support where the client knows that after their intensive support comes to an end that they can still access a range of services that they might find useful. A ‘whole person approach’ that addresses a range of issues and barriers to entering self employment is effective.
- Outreach messages will be stronger if it comes from someone people can identify strongly with.

The consultation exercise included discussion of the factors which enhance or inhibit start up and survival rates. The following captures the major points to emerge from those discussions:

- The first point to make relates to the quality of statistics available to assist in understanding start up and failure rates. There are a number of challenges associated with measuring true levels of enterprise and start up, some of which are discussed in the earlier sections of this report. Others include the reticence of people starting a new business to ‘formalise’ that new business (with the acquisition of a Unique Taxpayer Reference, UTR, from HMRC, for example), the fact that there can be a long gestation between pre-start support and the establishment of the new business and that this is rarely tracked, and the link between socio-economic profile and the scale of the ‘informal’ economy. Some consultees felt that it was likely to be the case that Tees Valley has in reality a higher rate of start up than suggested by the main data sources, but factors such as these tend to mask this characteristic of the local economy.
- Factors inhibiting start up and survival in rural communities include the scarcity of affordable business space (given that not everyone wishes to work from home, or can operate their business from home), the size of local markets, distance to support provision and other assets which could support their business (e.g. University, innovation support) and accessing suitable labour. It was also noted that rural communities are ageing, with young people leaving to access

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<sup>26</sup> See <https://www.local.gov.uk/sites/default/files/documents/good-practice-guide-counc-5d7.pdf>



opportunities in urban locations, or forced out due to unaffordable property prices or a lack of connectivity, which reduces the talent available to start new enterprises and drive economic growth. The specific challenges faced by rural communities should be addressed through bespoke solutions rather than generic policies which are 'parachuted' in from other locations.

- The education sector is seen to have an underdeveloped role in encouraging enterprise and entrepreneurship, where the assumed future career path is through employment. When coupled with the difficulties that schools face in engaging businesses, the level of resource available from school budgets for careers advice and the wider challenges around funding, it can be concluded that opportunities are being lost to encourage more young people to consider self-employment and entrepreneurship.
- Tees Valley is an economy made up of diverse communities and the view amongst consultees was that engagement in businesses support and enterprise varies considerably across different communities. Efforts to build trust in the support system are seen as key to addressing issues of varied engagement, alongside a more nuanced and segmented approach to support design to better cater for the needs of different audiences.
- Lack of access to ongoing support post-start up is considered an inhibitor of survival. Although there is some provision of informal support post start up, the major focus of early stage support is on pre-start businesses. Some providers then offer continued contact post start, with the emphasis being on being a critical friend or trusted confidante. It is through this approach that the support agencies get exposed to, and provide support in relation to the early stage challenges which new businesses face. It is in these early stages that the reality of running a business will become apparent, and this often contradicts the expectations of new business founders; reality and expectation may not match. New business founders, if taking this step for the first time, can often be somewhat naïve about the realities of running a business; the day to day efforts that need to be made to manage finances, deal with regulations, organise resources, find and service customers, source materials and so on which are necessary in addition to provision of the core good or service that the business is set up to deliver. The ability of proprietors to cope with these challenges is seen as key to their ability to survive the risky early years of their new venture.
- Infrastructure is considered to be a factor that is important to start up and survival rates. The question was raised about whether the Tees Valley has sufficient incubator, small business and grow-on space to support small and new businesses.
- To support survival rates, a number of consultees identified the following factors as being important: finding and engaging with new customers, attracting talent, cashflow management, having a clearly defined business model and routes to market, the need to continually refresh plans and strategies, and understanding how to convert ideas into commerce.

Furthermore, evidence in relation to the nature of start up support provision was also developed. The key points emerging from the consultation include the following:

- The start up market can, and should, be segmented into a number of categories;
  - Lifestyle businesses which seek to provide an income for the individual involved.
  - Small businesses with an ambition to grow in order to increase earning potential of the owners and offer opportunities to others.
  - Businesses with significant growth ambition.
- The needs of such businesses differ and support should therefore also be differentiated. The current view seems to be that this does happen to some extent, but the support available is insufficiently flexible and customised to meet the needs of the wide variety of businesses that start (and their proprietors). A balanced approach to provision needs to be developed, which recognises the importance of, and difference between high volume support, high value/high

intensity support and ongoing support to help new, early stage business tackle initial teething problems and challenges.

- Efforts should be made to ensure that the support is as clear and accessible as possible. Positive feedback regarding the 'shop window' approach to the Tees Valley Business Start Up project was received during the consultation, along with positive feedback about the willingness of partners to cross-refer in order to ensure that those coming forward are receiving the most appropriate support. However, across the wider system, the range and diversity of support on offer can be bewildering to businesses, who tend to be time and information poor. All future support programmes should be designed with this issue in mind. It is believed that the decentralisation of funding to resource business support through the UK Shared Prosperity Fund (UKSPF) will improve opportunities to achieve this objective, but generally speaking support needs to avoid the perception that it is 'siloed' and discourage protectionism across providers.
- Whilst there is generally good coordination across the wide range of business support providers (and 'signposters') across Tees Valley, this should be seen as an ongoing challenge and one where continuous improvement should be sought. Some reports of issues in relation to referrals not being made or clients being poorly matched with providers due to inappropriate signposting suggest that greater coordination could be achieved. Efforts should be made to ensure a 'whole system' approach is taken, with structures put in place to ensure all partners understand the full range of provision and are able to signpost accurately and efficiently. Such mechanisms should also ensure that developments and opportunities are communicated effectively to all relevant partners.
- The general view was that support for pre-start businesses was well catered for through existing support mechanisms and projects. In addition, the 'accelerator' element of business support is considered to be strong in Tees Valley. The major gap, it would appear, is in supporting post-start businesses that are in the early stages of their business journey. Ensuring they can call on support to navigate early-stage, post start challenges should be seen as an important future objective and one that could materially and positively affect the survival rate. Support for pre-start businesses should also ensure that the realities of running a start up business are made clear to those considering it, which may mean some are put off taking that step.
- Financial support for start ups, whether grants or loans, are typically based on payment in arrears, which presents a significant challenge for any start up that requires (even a small amount of) seed capital in order to get their idea off the ground. Future schemes should consider how this challenge can be addressed, whilst also managing the risks associated with up-front payments.
- The importance of identifying and platforming suitable role models emerged as a key theme in the consultation, and of particular relevance to the discussion on how start up and survival rates might be enhanced. Telling the stories of those who have taken the journey that pre-start and early stage businesses are taking can be a powerful mechanism in persuading people to take the next step and to face the challenges that doing so will present. This is seen to be important to building confidence, improving ambition, reducing fear of failure, setting and managing expectations and articulating the positive outcomes that can flow from entrepreneurship.

#### 4.4 'Best' or 'good' practice in business start up support and enhancing survival

The desk research and consultation elements of the study have provided evidence of 'good' or 'best' practice in supporting business start ups and enhancing survival.

The What Works Centre for Economic Growth publishes a number of Toolkits, informed by and based on extensive research undertaken by the Centre. The key points of relevance to this study are as follows:

- Business Advice<sup>27</sup>
  - Business advice is found to have a positive impact on at least one business outcome in 14 out of 23 evaluations.
  - Business advice programmes show somewhat better results for sales and turnover than they do for employment and productivity, but results are generally mixed.
  - Programmes which used a hands-on, 'managed brokerage' approach may perform better than those using a light touch approach
  - Understanding what works in business advice can be unclear because of frequent changes in policy.
- Start up Training<sup>28</sup>
  - The evidence suggests that start-up training usually leads to a higher probability of launching new ventures.
  - While start-up training may have a positive effect on business creation, this does not necessarily imply a long run effect on business performance (for example, on sales, or employment) or survival.
  - For entrepreneurial training courses (training for start-up), it may be more cost-effective to target particular groups (e.g. women or unemployment and welfare benefit recipients).
- Accelerators<sup>29</sup>
  - Six studies consider the impact of accelerators on firm survival. Findings are positive in one study, mixed in two studies, zero in one study, and negative in the other two. Taken at face value, this suggests that accelerators may sometimes negatively affect firm survival. One explanation may be that accelerators help participants to quickly gauge the quality of their ideas (for example, through investor or peer feedback on demo days) and encourage those with weak propositions to quit early, rather than continuing until they fail 'naturally'.
  - One study which compares the effectiveness of different types of incubator and accelerator support on firm survival, finds that more specialised programmes (focusing on a single sector) are more conducive to firm survival than generalist programmes. Networking events are associated with lower likelihood of survival, while putting on training has no effect on survival. These effects vary across locations.
  - Accelerators benefit from locating in areas with a dense entrepreneurial ecosystem.
- Tailored support<sup>30</sup>
  - Tailored support is the provision of business advice that is tailored to the requirements of the specific firm or entrepreneur. The evidence suggests that tailored support may be more likely to increase employment and productivity than survival or sales, in contrast to the findings of a broader range of business advice programmes. This may simply reflect the self-

<sup>27</sup> See (<https://whatworksgrowth.org/resource-library/business-advice/>)

<sup>28</sup> See (<https://whatworksgrowth.org/resource-library/business-advice-toolkit-training/>)

<sup>29</sup> See (<https://whatworksgrowth.org/resource-library/business-advice-toolkit-accelerators/>)

<sup>30</sup> See (<https://whatworksgrowth.org/resource-library/business-advice-toolkit-tailored-support/>)

selection of firms that use tailored support when they are already looking to grow employment or improve productivity

- Public Advisory services<sup>31</sup>
  - The evidence suggests a generally positive effect of public advisory services on employment. There are also positive effects on firm survival and firm creation.

An early evaluation<sup>32</sup> of the Start-Up Loans programme, run by the British Business Bank, highlighted the following findings:

- The Start-Up Loans programme has had a significant and positive effect on the start-rate, i.e. beneficiaries were more likely to start a business than the comparison group.
- Having a business plan before start-up also had a significant and positive effect on the start-rate.
- Start-Up Loans beneficiaries were found to have significantly higher levels of confidence in running and managing a business compared to the comparison group.
- One-third of beneficiaries that had started a new business through the programme would not have started-up the business without Start-Up Loans, compared to just over one in ten reporting that the business would have started up at the same time, scale and quality.

In relation to a programme of enterprise support for start ups, the European Union published an evaluation<sup>33</sup> which drew the following key conclusions:

- The three key elements in early phase support are individual business advice, training and providing access to finance, but these do need to be supplemented by the ancillary services that have been identified in the study.
- In particular, the relative neglect of provision preparing businesses, right from their earliest stages, to make use of digital technology in the development of their products or services and in their business management and marketing is an important finding of the study and needs to be addressed at all levels, both as part of standard support services and as separate provision for those who can really take advantage of it.
- The ‘standup, startup, scaleup’ stages are important and some support service providers should pay more attention to this progression and ensure that services are tailored to the distinctive requirements of each of the three stages.
- Support for female entrepreneurs has distinct characteristics, supplementing general provision with features that address barriers specifically encountered by women. Providers need to ensure that the features, such as mutual support and the use of role models, exemplified by numerous cases in the study, become a standard part of their own services.
- While the provision of facilities has long been a feature of business support, its nature has changed as some incubators have become virtual organisations and many incubators and technology centres have become increasingly integrated into regional ecosystems. There is a lot to learn from this experience and support agencies should be encouraged to review their position in relation to such ecosystems and especially to pay more attention to improving the survival rate and subsequent growth of the newly established enterprises.
- The adoption of open innovation spaces, co-working spaces and living labs (in university incubators) are innovative elements that deserve to be better explored analysed and validated.

<sup>31</sup> See <https://whatworksgrowth.org/resource-library/business-advice-toolkit-public-advisors/>

<sup>32</sup> See <https://www.british-business-bank.co.uk/wp-content/uploads/2016/03/SUL-Evaluation-Year-1-Report-Final-March-2016.pdf>

<sup>33</sup> See <https://op.europa.eu/en/publication-detail/-/publication/c396caad-e977-11e9-9c4e-01aa75ed71a1>

Finally, the consultation exercise also pointed to approaches to designing and delivering support for start ups and early-stage businesses which consultees considered to be 'good' or 'best' practice, as follows:

- There is a place for grants to support start ups, but designing appropriate and effective schemes is challenging. Offering too much money will incentivise non-viable businesses, whilst offering too little will render the support less meaningful. Paying grants or loans in arrears is not helpful to those start ups that need a small amount of seed capital to get their business off the ground. The view is that financial support should also be sufficiently flexible that it is adaptable to a range of businesses and scenarios.
- One major challenge in publicly funded business support is to focus resources on the businesses that need the support the most. There is a sense that many businesses receiving support would have 'found a way' had the support not existed. This reduced the overall impact of the investment, and its additionality. This is not an easy challenge to address, and there is little in the way of evidence from elsewhere that points to effective mechanisms. However, additional screening at the start of programmes, coupled with enhanced targeting, could prove effective in critically assessing whether a particular business should be supported (and if so, how).
- Mentoring is broadly supported as an important part of the support 'mix' which should be on offer to start ups and early stage businesses. This serves a different role from 'functional' support, which aims to train individuals in the art of starting and running a business (i.e. dealing with 'transactional' questions). It should be focused on ongoing encouragement and a source of advice and guidance that is called upon when needed. Focused more on providing a trusted, knowledgeable resource on which entrepreneurs can call for any reason, including mere moral support, mentoring needs to be carefully designed to ensure that the quality of available mentors is sufficiently high (and can therefore act as a 'resourceful' friend).
- Support should be person-centred, which means it should be focused the needs of the individual and their business idea. Whilst there are of course common challenges and problems that can be dealt with most efficiently through a 'cookie cutter' approach, support needs to blend this with bespoke advice and guidance which fills skills gaps, is relevant to the core good/service and market and which continues beyond the pre-start stage and into early years. Fundamentally, this is about placing the customer at the heart of business support activities, improving diagnostics and operating flexibly (across multiple partners, potentially) to ensure that individual needs are met.
- Consultees were keen to point out the value of the 'inspiration piece' – the real life stories from people who have 'been there and done that and solved the problem'. The more of these stories that can be shared, the better, as it builds confidence, breaks down barriers and reduces fear of failure.
- Building networks and improving the flow of information and insight are also considered to be key aspects of a more rounded, effective business support ecosystem for start ups and early stage businesses. There are numerous benefits to investment in these activities, primarily around the development of a more entrepreneurial culture, breaking down information asymmetries and helping entrepreneurs build the confidence needed to build and deliver on ambition.

## 5. Conclusions and recommendations

New businesses are incredibly important to the UK economy and significant investment is made every year to support individuals to take the step into enterprise. A wide range of agencies are involved in the process of designing and delivering support and they are naturally interested in the trends and patterns of business start up and the demographics of new businesses. This is particularly important at this point in time as the European Structural and Investment Funds (ESIF) come to an end and the replacement national funding programme, the UK Shared Prosperity Fund (UKSPF), begins funding business support projects.

This study has the key aim of developing intelligence related to business start up rates and demography in the Tees Valley area and to benchmark that against appropriate areas, thereby enabling points of difference and examples of best practice to be identified. To support this aim, the study has collated evidence aligned to five objectives, as follows:

1. To describe the overall Tees Valley business base and its demographics
2. To describe current business start up rates over a 5 year time-series and their demographics
3. To present an analysis of survival rates by type, sector and size as a minimum
4. To benchmark Tees Valley business population and start ups against other relevant comparator areas
5. To investigate, at the Tees Valley level and in particular within Hartlepool, factors which contribute to or inhibit business start up and survival including identification of best practice.

The conclusions presented below are structured around these five objectives, though the fourth (the benchmarking requirement) has been incorporated into the first three.

### 5.1 The Tees Valley business base

Our estimates indicate that there are 38,766 businesses in the Tees Valley in 2022, made up of 20,826 unregistered businesses (54%) and 17,930 registered<sup>34</sup> businesses (46%). Small, unregistered businesses therefore represent the majority of businesses in the Tees Valley. Whilst this is also the case for the majority of benchmark areas including England, the balance in Tees Valley is more significantly tipped towards unregistered businesses. Much of the research and discussion of business stock utilises analysis which only considers registered businesses and this means that much of the debate around business stock ignores not only an important cohort of the UK economy, but in many places the largest cohort of businesses. Furthermore, there could be an important opportunity across the Tees Valley economy that could arise from efforts to shift the balance between unregistered and registered businesses. It is not clear why this balance is why it is in Tees Valley, but if support could be provided to encourage more small, unregistered businesses to take the steps necessary to require registration, i.e. through turnover growth and/or the taking on of staff, then this could deliver a significant boost to the economy.

**Recommendation 1.** Focus some business support resources on encouraging and facilitating small, unregistered businesses with suitable ambition and business proposition to take the step to registration through growth (through the VAT threshold) or by taking on staff (and registering for PAYE).

As is with case with many locations outside London and the South East, business density (when measured as businesses per 10,000 people) is low across the Tees Valley. Business density in the Tees Valley is 720 firms per 10,000 population, compared to 1,082 in England. Darlington is the local

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<sup>34</sup> Please see section 2.3 for an explanation of the data sources accessed, categories of businesses covered by the study and definitions.



authority with the highest density (848) whilst that in Redcar and Cleveland is the lowest (616). This is a key point because there are important relationships between business density and economic growth (around agglomeration economies, the propensity for economies to produce spin outs, the scale of local business-to-business markets and local competition/collaboration, for example). Areas with low density are therefore likely to have comparatively low business start up rates, as well as lower rates of growth. It is also important to note the constraints faced by coastal economies and how these negatively affect business density rates (and other, linked indicators). Expectations and goals need to be set and managed accordingly.

However, increasing business start up rates is also one of the key mechanisms by which low rates of business density can be influenced. Along with attracting inward investment and creating the conditions for growth of existing businesses, this should be a key part of any economic strategy which seeks to encourage growth (and all the positive externalities which flow from economic growth, such as higher incomes). What is clear is that any such strategy needs to be multi-faceted, and the element which focuses on start ups needs also to consider how businesses are supported (directly and indirectly) post start, to ensure that they continue to operate over time and create a more lasting impact on the local economy.

## 5.2 Business start up rates and demographics

The data analysis does indeed confirm that the number of business starts, relative to population, is lower in the Tees Valley (49 per 10,000 people) than in England (68) in 2021. Considering the role that business starts can contribute to increasing business density, it is concerning to see the rate is below the national average as this suggests that gaps in business density levels are likely to persist (and potentially widen).

The pattern is not uniform across the Tees Valley. In Darlington, for example, the density of new starts (when measured as registered businesses) has been very close to or above the national average in two of the last five years (2018, 73 per 10,000 population and 2021, 64 per 10,000 population). On the other hand, density rates for new starts when measured in this way in both Redcar and Cleveland and Hartlepool are consistently below both the Tees Valley and GB averages. Again, this demonstrates the intrinsic link between density of business stock and density of new start ups.

The data also show a reduction in the number of business starts (registered firms) in the Tees Valley 2020 compared to the four other years studied and this is consistent across four of the five local authorities (with Middlesbrough being the exception). However, whilst this is also the case for GB, some economies, such as Rotherham, North East Lincolnshire, Wigan and the North of Tyne, did not experience this reduction in start up rates. It would be tempting to suggest that Covid is responsible but given the inconsistencies from one location to the next, this conclusion cannot be readily drawn.

The objective of raising business start up rates is an important one, but is undermined by the low business density across the Tees Valley and in some locations in particular. Support for people seeking to begin self-employment or start a business is an important part of the landscape required to achieve such goals, as discussed in more detail below.

Further analysis of business starts using BankSearch data has been undertaken. This allows a more granular analysis and is not constrained to 'registered' businesses only. However, it only covers the five local authorities within the Tees Valley (as it was cost-prohibitive to extend the analysis to the benchmark locations). The first point is that the data suggests a correlation between the number of unemployment benefit claimants and the rate of business start up, which indicates that for people moving out of work, the opportunity to start their own business is an important one. The data also shows that the Covid-19 pandemic has a short-term and positive effect on the rate of start up from

around April 2020 to the end of that year, when start up rates in Tees Valley returned to a level which align with the five year trend.

The BankSearch data also allows an examination of start ups by legal status and sector. It demonstrates that most new business bank accounts opened in Tees Valley were opened by limited companies (64% in 2022) or sole traders (31%). The proportion of new starts that were sole traders jumped significantly from 24% in 2019 to 46% in 2020. When we look at sector, the data shows that the highest start up rate by sector in 2022 was in Real estate, professional and support services (19.1 new business bank accounts per 10,000 working age population), followed by Construction (15.3), Wholesale & retail (14.1) and Recreational, personal and community services (8.3). These are typically sectors with low barriers to entry.

**Recommendation 2.** Continue to monitor business start up and survival rates to ensure that business support resources are well targeted.

### 5.3 Start up survival rates

Survival rates of new (registered) businesses in Tees Valley compare well with the locations that have been benchmarked. The four-year survival rate of businesses that started in 2017, at 46%, matches that for GB, and the two-year and one-year survival rates are also comparable. The rate for three-year survival of businesses started in 2018 is somewhat below the national average, however (52%, cf. 57%). Similar rates of survival are seen across the five local authorities, though the statistics indicate a significant reduction in the 3-year survival rate in Darlington for firms started in 2018. This may simply be an issue with the underlying data as no rational explanation has been unearthed through desk research and consultation. These results are encouraging, as they indicate that when new businesses are formed across the Tees Valley, they have at least an equal chance of survival as new firms in other locations. Efforts to support business start ups are not undermined by low survival rates, and this demonstrates that were it possible to increase start up rates (and volumes), there would be a positive net effect to the business stock (all other things being equal). Care would need to be taken, in such policies, not to encourage unviable business propositions, of course, but better segmentation of business support, targeted at different stages of the life cycle and levels of ambition, could help evolve the offer and influence survival as well as start up rates.

**Recommendation 3.** Segment business support to better meet the needs of pre-start, early stage and high ambition businesses.

### 5.4 Factors affecting business start up and survival including identification of best practice

There is a significant body of research related to the factors which encourage and inhibit enterprise and business start up. Entrepreneurs are likely to cite factors such as access to markets, access to human capital and access to funding as being important to decisions about starting businesses and choosing the location in which to do so. With business density being correlated with economic well-being, we also know that places that have strong existing economies are likely also to be very successful at attracting new firms through start up or inward investment. Social and cultural factors are also important, and research exists that demonstrates that these can often compensate for the lack of business density and characteristics of strong economies that drive growth. This is an important thing to consider, particularly for economies with low business density and also when setting policy targeted at growing local economies. Education, building social capital and changing cultural attitudes and norms (towards enterprise) over time are all key to such an approach.

**Recommendation 4.** Embed start up support in a wider strategy to enhance entrepreneurial culture, social capital and other 'base ingredients' which influence levels of enterprise activity.



As for the start up market and business support system in Tees Valley, the experience over the last few years has been influenced by the Covid pandemic, resulting in short-term changes in the nature of enquiries to enterprise agencies, and longer-term changes to the mode of support delivery and the types of businesses coming forward for support. This last factor is also tied to very contemporary challenges such as the cost of living crisis and increases in energy costs, which have accelerated a broad shift away from bricks and mortar enterprises. However, in some locations such as Darlington, the town centre is seen as a major asset and the major location for jobs growth, demonstrating that local conditions will set the context for the correct strategy. Confidence in the Tees Valley economy is generally considered to be high, with a supportive and collaborative political environment assisting in raising optimism about future growth. Now is a good time to capitalise on this positive energy in all aspects of economic development, including new start ups.

Factors which inhibit or encourage start up include the core business idea, the CEO's leadership, the business model, the marketing approach, the entrepreneurial team, funding and timing. Getting as many of these right from the outset should be the goal, and business support can of course be designed to influence many of them.

There is already an existing, strong network of support for business start up, consisting of umbrella organisations offering a 'shop window' (i.e. NEEAL), to economic development professionals supporting and signposting those enquiring about business start up, and agencies delivering business support under contract. The co-ordination and collaboration are seen to be effective but this is an area where continuous improvement is to be encouraged.

**Recommendation 5.** Consider creating an 'enterprise board' representing the major stakeholders from across the start up and business growth sector, as a mechanism to ensure that business support meets current need, responds to changes in the environment and achieves effective two-way communication.

Ultimately, effective support should be flexible and tailored to the needs of the individual, should extend beyond the pre-start up and start up stages to ensure that new entrepreneurs can navigate those difficult early years and be delivered through a mix of 'high volume' support (focused on the 'transactional' challenges new businesses face, which are somewhat generic) and personal, one-to-one support. Mentoring should be considered an important and somewhat overlooked element in the mix. Funding approaches need to respond by avoiding some of the constraints which drive focus on counting outputs, which – whilst important from an audit point of view – drive behaviours and can be counter-productive to the overall goal of increasing the number of viable new start ups, supporting sustainability and growth and building a stronger Tees Valley business base and economy.

**Recommendation 6.** Improve selection and targeting techniques to ensure that scarce business support resources are focused on the more sustainable business propositions and entrepreneurs.

**Recommendation 7.** Evolve business support to better capture the value of mentoring for early-stage start ups (preferably by continuing relationships which began pre-start, wherever possible and effective).


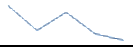
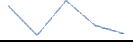
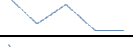



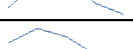
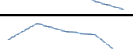
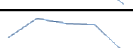
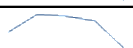
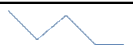
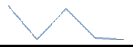
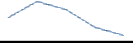


**Recommendation 8.** Improve access to information (the 'transactional' materials needed by the majority of new starts), support and resources through a centralised hub for Tees Valley.

## 6. Appendix

### 6.1 Additional data tables and charts



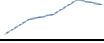
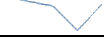
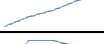

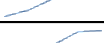
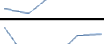

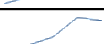
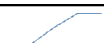


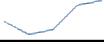
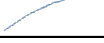

Data note: UKBC and IDBR both cover 'registered businesses' and this sources has been used to estimate distributions of such businesses, alongside Business Population Estimates of unregistered businesses (which also estimates registered businesses). Although IDBR/UKBC and BPE estimates for registered businesses are not identical, they are very similar (probably because they are snapshots taken at different times of the year. UKBC (IDBR) = 2,767,700, BPE = 2,675,595

Table 25: Unregistered businesses - trends

Area	2018	2019	2020	2021	2022	Trendline
<i>Darlington</i>	4,391	4,102	4,382	3,852	4,027	
<i>Hartlepool</i>	3,299	2,810	3,142	2,731	2,596	
<i>Middlesbrough</i>	4,431	3,993	4,519	4,154	4,014	
<i>Redcar and Cleveland</i>	4,479	3,829	4,260	3,684	3,702	
<i>Stockton-on-Tees</i>	7,523	6,543	7,296	6,523	6,497	
<i>Salford</i>	10,879	13,597	12,872	10,975	10,312	
<i>Wigan</i>	9,256	10,651	10,326	9,268	8,736	
<i>St Helens</i>	4,785	5,346	5,408	4,875	4,612	
<i>Sefton</i>	8,598	9,540	9,005	7,936	7,433	
<i>North East Lincolnshire</i>	5,486	6,060	5,763	5,655	4,858	
<i>Barnsley</i>	7,779	8,662	8,395	8,346	7,106	
<i>Rotherham</i>	8,671	9,542	9,398	9,169	7,884	
<i>Tees Valley CA</i>	24,114	21,277	23,599	20,945	20,836	
<i>North of Tyne CA</i>	33,589	29,344	33,071	29,555	29,413	
<i>Greater Manchester CA</i>	113,267	126,205	119,820	106,464	100,012	
<i>England</i>	2,765,955	2,905,985	2,943,335	2,599,655	2,489,305	

Source: Derived from BEIS Business Population Estimates and ONS UK Business Counts 2022

Table 26: Registered businesses - trends

Area	2018	2019	2020	2021	2022	Trendline
<i>Darlington</i>	3,165	3,525	3,285	3,285	3,485	
<i>Hartlepool</i>	2,305	2,295	2,300	2,275	2,215	
<i>Middlesbrough</i>	3,190	3,325	3,375	3,515	3,465	
<i>Redcar and Cleveland</i>	3,175	3,160	3,145	3,080	3,150	
<i>Stockton-on-Tees</i>	5,400	5,465	5,505	5,560	5,615	
<i>Salford</i>	10,055	11,040	11,075	10,885	10,910	
<i>Wigan</i>	8,660	8,800	9,020	9,305	9,365	
<i>St Helens</i>	4,560	4,495	4,780	4,950	4,985	
<i>Sefton</i>	7,965	7,830	7,845	7,930	7,935	
<i>North East Lincolnshire</i>	4,570	4,610	4,635	4,800	4,795	
<i>Barnsley</i>	6,325	6,430	6,585	6,925	6,870	
<i>Rotherham</i>	7,115	7,150	7,435	7,680	7,680	
<i>Tees Valley CA</i>	17,230	17,765	17,610	17,715	17,930	
<i>North of Tyne CA</i>	24,270	24,660	24,950	25,185	25,490	
<i>Greater Manchester CA</i>	105,255	104,110	104,550	106,695	107,250	
<i>England</i>	2,318,060	2,360,780	2,390,970	2,405,965	2,408,040	

Source: Derived from BEIS Business Population Estimates and ONS UK Business Counts 2022

Table 27: All businesses by sector (n)

Industry	Darlington	Hartlepool	Middlesbrough	Redcar and Cleveland	Stockton-on-Tees	Salford	Wigan	St Helens	Sefton	North East Lincolnshire	Barnsley	Rotherham	Tees Valley	North of Tyne	Greater Manchester	England
A : Agriculture, forestry and fishing	166	64	21	134	92	32	137	84	74	67	247	143	482	2,065	729	97,480
B, D and E Mining and Quarrying; Utilities	15	20	25	25	40	99	84	43	36	30	79	97	125	125	673	13,070
C : Manufacturing	300	269	362	388	364	625	883	412	600	463	674	870	1,830	2,212	8,041	210,120
F : Construction	1,223	981	1,263	1,311	1,221	2,492	3,725	1,552	2,660	2,322	3,595	4,082	7,013	8,187	27,496	806,180
G : Wholesale and retail trade; repair	870	499	883	780	942	2,432	2,097	1,443	1,713	1,130	1,465	1,604	4,345	5,634	27,510	477,735
H : Transportation and storage	670	302	479	344	344	2,013	2,403	1,234	1,382	1,066	1,566	1,548	2,507	3,006	17,888	298,055
I : Accommodation and food service activities	345	256	390	364	459	631	772	398	679	457	622	601	1,866	2,879	8,178	184,800
J : Information and communication	140	70	150	80	250	987	616	290	596	198	382	638	690	1,315	10,014	181,615
K : Financial and insurance activities	173	49	128	69	131	1,601	147	71	185	59	162	198	710	1,046	4,040	86,890
L : Real estate activities	158	94	158	99	186	765	257	139	337	155	238	218	752	1,469	5,148	120,760
M : Professional, scientific and technical activities	945	769	1,193	1,036	1,393	2,106	1,846	952	1,836	801	1,179	1,359	6,087	7,004	25,665	687,180
N : Administrative and support service activities	516	310	530	433	578	1,859	1,457	823	1,337	776	918	1,137	2,698	3,626	19,217	423,540
O : Public administration and defence	272	155	235	342	139	938	896	521	953	616	1,078	1,088	1,469	2,176	10,017	251,530
P : Education	322	190	285	397	219	1,108	1,046	601	1,093	681	1,188	1,203	1,734	2,496	11,737	286,920
Q : Human health and social work activities	494	287	593	435	394	1,256	958	541	1,192	552	661	846	2,708	3,666	16,433	320,070
R : Arts, entertainment and recreation	372	162	240	277	247	1,196	998	528	1,025	362	519	441	1,587	2,939	11,997	247,080
S : Other service activities	744	343	606	518	456	1,144	1,470	725	1,489	771	959	1,225	3,097	4,219	14,249	316,230
Column Total	7,512	4,811	7,479	6,852	12,112	21,222	18,101	9,597	15,368	9,653	13,976	15,564	38,766	54,903	207,262	4,897,345

Source: ONS – Business Population Estimates and UK Business Counts 2022

Table 28: All businesses by sector (%)

Industry	Darlington	Hartlepool	Middlesbrough	Redcar and Cleveland	Stockton-on-Tees	Salford	Wigan	St Helens	Sefton	North East Lincolnshire	Barnsley	Rotherham	Tees Valley	North of Tyne	Greater Manchester	England
A : Agriculture, forestry and fishing	2%	1%	0%	2%	1%	0%	1%	1%	0%	1%	2%	1%	1%	4%	0%	2%
B, D and E Mining and Quarrying; Utilities	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	1%	0%	0%	0%	0%
C : Manufacturing	4%	6%	5%	6%	3%	3%	5%	4%	4%	5%	5%	6%	5%	4%	4%	4%
F : Construction	16%	20%	17%	19%	10%	12%	21%	16%	17%	24%	26%	26%	18%	15%	13%	16%
G : Wholesale and retail trade; repair	12%	10%	12%	11%	8%	11%	12%	15%	11%	12%	10%	10%	11%	10%	13%	10%
H : Transportation and storage	9%	6%	6%	5%	3%	9%	13%	13%	9%	11%	11%	10%	6%	5%	9%	6%
I : Accommodation and food service activities	5%	5%	5%	5%	4%	3%	4%	4%	4%	5%	4%	4%	5%	5%	4%	4%
J : Information and communication	2%	1%	2%	1%	2%	5%	3%	3%	4%	2%	3%	4%	2%	2%	5%	4%
K : Financial and insurance activities	2%	1%	2%	1%	1%	8%	1%	1%	1%	1%	1%	1%	2%	2%	2%	2%
L : Real estate activities	2%	2%	2%	1%	2%	4%	1%	1%	2%	2%	2%	1%	2%	3%	2%	2%
M : Professional, scientific and technical activities	13%	16%	16%	15%	12%	10%	10%	10%	12%	8%	8%	9%	16%	13%	12%	14%
N : Administrative and support service activities	7%	6%	7%	6%	5%	9%	8%	9%	9%	8%	7%	7%	7%	7%	9%	9%
O : Public administration and defence	4%	3%	3%	5%	1%	4%	5%	5%	6%	6%	8%	7%	4%	4%	5%	5%
P : Education	4%	4%	4%	6%	2%	5%	6%	6%	7%	7%	8%	8%	4%	5%	6%	6%
Q : Human health and social work activities	7%	6%	8%	6%	3%	6%	5%	6%	8%	6%	5%	5%	7%	7%	8%	7%
R : Arts, entertainment and recreation	5%	3%	3%	4%	2%	6%	6%	6%	7%	4%	4%	3%	4%	5%	6%	5%
S : Other service activities	10%	7%	8%	8%	4%	5%	8%	8%	10%	8%	7%	8%	8%	8%	7%	6%
Column Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

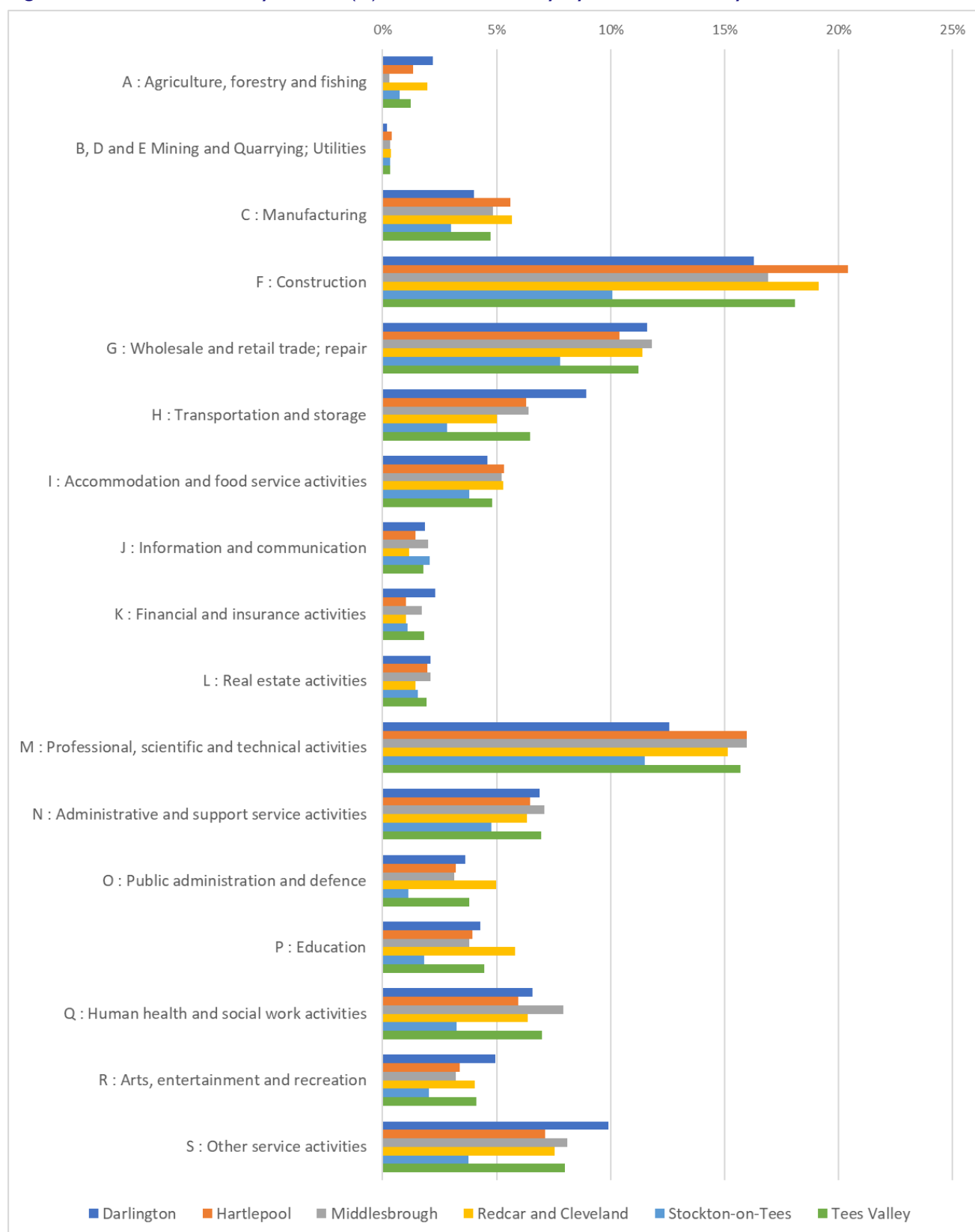
Source: ONS – Business Population Estimates and UK Business Counts 2022

Table 29: Businesses by size band

Area	Unregistered	Registered						All Businesses
		0 to 4	5 to 9	Small (10 to 49)	Medium-sized (50 to 249)	Large (250+)	Total Registered	
Darlington	4,027	2,605	445	355	55	25	3,485	7,512
Hartlepool	2,596	1,690	275	205	40	10	2,215	4,811
Middlesbrough	4,014	2,585	450	345	60	20	3,465	7,479
Redcar and Cleveland	3,702	2,380	420	285	50	15	3,150	6,852
Stockton-on-Tees	6,497	4,250	670	555	120	20	5,615	12,112
Salford	10,312	8,735	1,080	880	170	45	10,910	21,222
Wigan	8,736	7,205	1,115	880	135	25	9,365	18,101
St. Helens	4,612	3,770	625	475	100	15	4,985	9,597
Sefton	7,433	6,170	915	715	110	30	7,935	15,368
North East Lincolnshire	4,858	3,540	625	520	90	20	4,795	9,653
Barnsley	7,106	5,285	795	665	90	30	6,870	13,976
Rotherham	7,884	5,865	890	745	145	30	7,680	15,564
Tees Valley CA	20,836	13,505	2,260	1,750	325	90	17,930	38,766
North of Tyne CA	29,413	18,735	3,575	2,635	415	135	25,490	54,903
Greater Manchester CA	100,012	82,815	12,390	9,920	1,705	425	107,250	207,262
England	2,489,305	1,889,220	268,025	204,960	36,495	9,345	2,408,040	4,897,345

Source: ONS – Business Population Estimates and UK Business Counts 2022

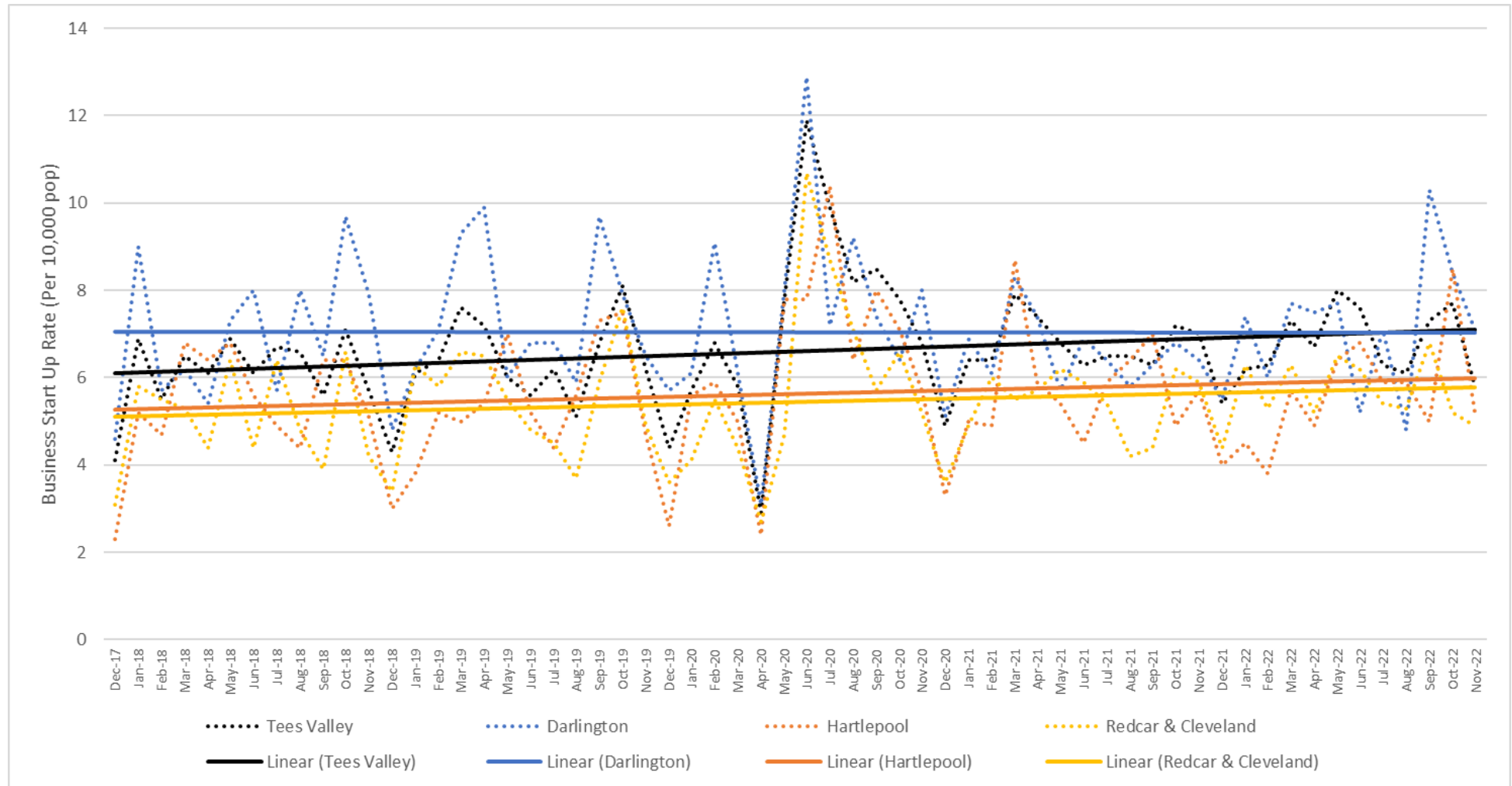
Figure 18: All businesses by sector (%) in the Tees Valley by Local Authority



Source: ONS – Business Population Estimates and UK Business Counts 2022



Figure 19: Start up rate, monthly



Source: BankSearch

Table 30: Comparison of start up data – BankSearch and ONS Business Demography

	ONS Demography		BankSearch		BS as % of ONS
	# Start Ups	% TV Start Ups	# Start Ups	% TV Start Ups	
	2021	2021	2021	2021	
Darlington	570	22%	509	15%	89%
Hartlepool	275	10%	389	12%	141%
Middlesbrough	535	20%	910	28%	170%
Redcar and Cleveland	400	15%	519	16%	130%
Stockton-on-Tees	840	32%	957	29%	114%
<b>Tees Valley</b>	<b>2,620</b>		<b>3,284</b>		<b>125%</b>

Source: ONS and BankSearch

## Start Ups by Industry

Table 31: Start Ups by Industry – Number and % (Darlington)

Industry	2018	2019	2020	2021	2022		2018	2019	2020	2021	2022
	Number						Proportion				
<b>All</b>	544	562	581	509	551		100%	100%	100%	100%	100%
<b>Agriculture, hunting &amp; forestry</b>	4	7	7	13	11		1%	1%	1%	3%	2%
<b>Fishing</b>	0	1	0	0	0		0%	0%	0%	0%	0%
<b>Mining &amp; quarrying</b>	0	2	1	0	0		0%	0%	0%	0%	0%
<b>Manufacturing</b>	32	27	25	22	31		6%	5%	4%	4%	6%
<b>Electricity, gas &amp; water supply</b>	3	2	2	3	3		1%	0%	0%	1%	1%
<b>Construction</b>	74	79	140	87	103		14%	14%	24%	17%	19%
<b>Wholesale &amp; retail trade</b>	73	97	101	90	85		13%	17%	17%	18%	15%
<b>Accomm'n &amp; food service</b>	54	49	44	55	49		10%	9%	8%	11%	9%
<b>Transport, storage &amp; comms</b>	47	36	42	39	55		9%	6%	7%	8%	10%
<b>Real estate, prof services &amp; support</b>	145	150	138	117	123		27%	27%	24%	23%	22%
<b>Public admin &amp; defence</b>	0	0	1	0	1		0%	0%	0%	0%	0%
<b>Education</b>	8	11	9	14	4		1%	2%	2%	3%	1%
<b>Human health &amp; social work</b>	26	26	18	15	26		5%	5%	3%	3%	5%
<b>Recreation, personal &amp; comm'y serv</b>	72	61	51	50	57		13%	11%	9%	10%	10%
<b>Financial intermediation</b>	4	2	0	3	2		1%	0%	0%	1%	0%
<b>Insurance co's &amp; pension funds</b>	1	0	0	0	0		0%	0%	0%	0%	0%
<b>Activities aux. to financial intermed'n</b>	1	1	1	0	0		0%	0%	0%	0%	0%
<b>Individuals &amp; individual trusts</b>	0	1	0	1	1		0%	0%	0%	0%	0%
<b>Unknown</b>	0	11	5	0	0		0%	2%	0%	0%	0%

Table 32: Start Ups by Industry – Number and % (Hartlepool)

Industry	2018	2019	2020	2021	2022		2018	2019	2020	2021	2022
	Number						Proportion				
<b>All</b>	373	368	431	389	384		100%	100%	100%	100%	100%
<b>Agriculture, hunting &amp; forestry</b>	2	3	4	5	6		1%	1%	1%	1%	2%
<b>Fishing</b>	0	0	1	0	0		0%	0%	0%	0%	0%
<b>Mining &amp; quarrying</b>	3	1	1	0	0		1%	0%	0%	0%	0%
<b>Manufacturing</b>	24	30	22	23	17		6%	8%	5%	6%	4%
<b>Electricity, gas &amp; water supply</b>	0	5	4	4	4		0%	1%	1%	1%	1%
<b>Construction</b>	71	48	108	81	74		19%	13%	25%	21%	19%
<b>Wholesale &amp; retail trade</b>	49	39	70	58	66		13%	11%	16%	15%	17%
<b>Accomm'n &amp; food service</b>	26	41	49	46	36		7%	11%	11%	12%	9%
<b>Transport, storage &amp; comms</b>	29	14	22	23	23		8%	4%	5%	6%	6%
<b>Real estate, prof services &amp; support</b>	99	111	95	81	85		27%	30%	22%	21%	22%
<b>Public admin &amp; defence</b>	3	1	0	3	1		1%	0%	0%	1%	0%
<b>Education</b>	10	5	5	4	6		3%	1%	1%	1%	2%
<b>Human health &amp; social work</b>	21	16	11	15	25		6%	4%	3%	4%	7%
<b>Recreation, personal &amp; comm'y serv</b>	36	49	37	44	40		10%	13%	9%	11%	10%
<b>Financial intermediation</b>	0	1	0	2	0		0%	0%	0%	1%	0%
<b>Insurance co's &amp; pension funds</b>	0	0	0	0	1		0%	0%	0%	0%	0%
<b>Activities aux. to financial intermed'n</b>	0	0	1	0	0		0%	0%	0%	0%	0%
<b>Individuals &amp; individual trusts</b>	0	0	0	0	0		0%	0%	0%	0%	0%
<b>Unknown</b>	0	4	1	0	0		0%	1%	0%	0%	0%

Table 33: Start Ups by Industry – Number and % (Middlesbrough)

Industry	2018	2019	2020	2021	2022		2018	2019	2020	2021	2022
	Number						Proportion				
<b>All</b>	731	744	999	910	955		100%	100%	100%	100%	100%
<b>Agriculture, hunting &amp; forestry</b>	8	6	2	4	4		1%	1%	0%	0%	0%
<b>Fishing</b>	0	0	0	1	1		0%	0%	0%	0%	0%
<b>Mining &amp; quarrying</b>	1	5	3	2	1		0%	1%	0%	0%	0%
<b>Manufacturing</b>	34	34	66	45	54		5%	5%	7%	5%	6%
<b>Electricity, gas &amp; water supply</b>	2	0	2	5	6		0%	0%	0%	1%	1%
<b>Construction</b>	107	112	211	206	176		15%	15%	21%	23%	18%
<b>Wholesale &amp; retail trade</b>	128	113	204	176	190		18%	15%	20%	19%	20%
<b>Accomm'n &amp; food service</b>	71	80	74	60	64		10%	11%	7%	7%	7%
<b>Transport, storage &amp; comms</b>	43	41	64	64	96		6%	6%	6%	7%	10%
<b>Real estate, prof services &amp; support</b>	192	205	245	230	232		26%	28%	25%	25%	24%
<b>Public admin &amp; defence</b>	0	5	1	2	0		0%	1%	0%	0%	0%
<b>Education</b>	12	9	8	14	13		2%	1%	1%	2%	1%
<b>Human health &amp; social work</b>	31	35	32	27	31		4%	5%	3%	3%	3%
<b>Recreation, personal &amp; comm'y serv</b>	97	74	81	73	83		13%	10%	8%	8%	9%
<b>Financial intermediation</b>	1	2	2	0	2		0%	0%	0%	0%	0%
<b>Insurance co's &amp; pension funds</b>	0	1	0	1	0		0%	0%	0%	0%	0%
<b>Activities aux. to financial intermed'n</b>	4	2	0	0	1		1%	0%	0%	0%	0%
<b>Individuals &amp; individual trusts</b>	0	0	1	0	1		0%	0%	0%	0%	0%
<b>Unknown</b>	0	20	3	0	0		0%	3%	0%	0%	0%

Table 34: Start Ups by Industry – Number and % (Redcar and Cleveland)

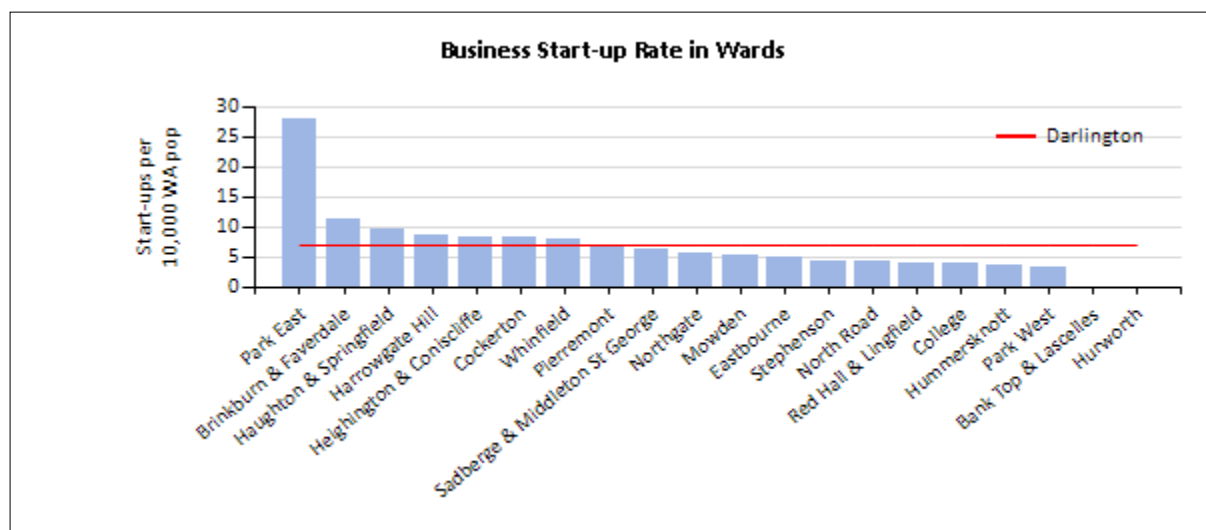
Industry	2018	2019	2020	2021	2022		2018	2019	2020	2021	2022
	Number						Proportion				
<b>All</b>	495	534	561	519	550		100%	100%	100%	100%	100%
<b>Agriculture, hunting &amp; forestry</b>	9	10	4	4	9		2%	2%	1%	1%	2%
<b>Fishing</b>	0	2	1	2	0		0%	0%	0%	0%	0%
<b>Mining &amp; quarrying</b>	6	5	2	0	1		1%	1%	0%	0%	0%
<b>Manufacturing</b>	32	31	28	21	41		6%	6%	5%	4%	7%
<b>Electricity, gas &amp; water supply</b>	1	2	2	1	0		0%	0%	0%	0%	0%
<b>Construction</b>	87	76	152	120	116		18%	14%	27%	23%	21%
<b>Wholesale &amp; retail trade</b>	55	56	104	81	83		11%	10%	19%	16%	15%
<b>Accomm'n &amp; food service</b>	39	41	41	38	52		8%	8%	7%	7%	9%
<b>Transport, storage &amp; comms</b>	30	26	18	26	38		6%	5%	3%	5%	7%
<b>Real estate, prof services &amp; support</b>	128	166	123	121	119		26%	31%	22%	23%	22%
<b>Public admin &amp; defence</b>	0	0	0	1	1		0%	0%	0%	0%	0%
<b>Education</b>	12	7	10	8	8		2%	1%	2%	2%	1%
<b>Human health &amp; social work</b>	17	29	19	24	17		3%	5%	3%	5%	3%
<b>Recreation, personal &amp; comm'y serv</b>	79	67	56	70	65		16%	13%	10%	13%	12%
<b>Financial intermediation</b>	0	0	0	0	0		0%	0%	0%	0%	0%
<b>Insurance co's &amp; pension funds</b>	0	0	0	0	0		0%	0%	0%	0%	0%
<b>Activities aux. to financial intermed'n</b>	0	2	0	2	0		0%	0%	0%	0%	0%
<b>Individuals &amp; individual trusts</b>	0	0	0	0	0		0%	0%	0%	0%	0%
<b>Unknown</b>	0	14	1	0	0		0%	3%	0%	0%	0%

Table 35: Start Ups by Industry – Number and % (Stockton-on-Tees)

Industry	2018	2019	2020	2021	2022		2018	2019	2020	2021	2022
	Number						Proportion				
<b>All</b>	911	915	999	957	897		100%	100%	100%	100%	100%
<b>Agriculture, hunting &amp; forestry</b>	12	10	10	12	12		1%	1%	1%	1%	1%
<b>Fishing</b>	1	0	2	1	0		0%	0%	0%	0%	0%
<b>Mining &amp; quarrying</b>	4	4	1	1	1		0%	0%	0%	0%	0%
<b>Manufacturing</b>	50	42	31	39	49		5%	5%	3%	4%	5%
<b>Electricity, gas &amp; water supply</b>	1	4	1	6	2		0%	0%	0%	1%	0%
<b>Construction</b>	118	133	213	167	165		13%	15%	21%	17%	18%
<b>Wholesale &amp; retail trade</b>	117	110	161	182	158		13%	12%	16%	19%	18%
<b>Accomm'n &amp; food service</b>	75	68	61	80	59		8%	7%	6%	8%	7%
<b>Transport, storage &amp; comms</b>	63	45	58	49	44		7%	5%	6%	5%	5%
<b>Real estate, prof services &amp; support</b>	270	263	275	260	229		30%	29%	28%	27%	26%
<b>Public admin &amp; defence</b>	4	0	0	2	4		0%	0%	0%	0%	0%
<b>Education</b>	14	23	18	16	10		2%	3%	2%	2%	1%
<b>Human health &amp; social work</b>	63	64	58	48	61		7%	7%	6%	5%	7%
<b>Recreation, personal &amp; comm'y serv</b>	115	131	96	90	97		13%	14%	10%	9%	11%
<b>Financial intermediation</b>	2	3	2	1	4		0%	0%	0%	0%	0%
<b>Insurance co's &amp; pension funds</b>	0	0	0	0	0		0%	0%	0%	0%	0%
<b>Activities aux. to financial intermed'n</b>	1	2	7	3	2		0%	0%	1%	0%	0%
<b>Individuals &amp; individual trusts</b>	1	2	0	0	0		0%	0%	0%	0%	0%
<b>Unknown</b>	0	11	5	0	0		0%	1%	1%	0%	0%

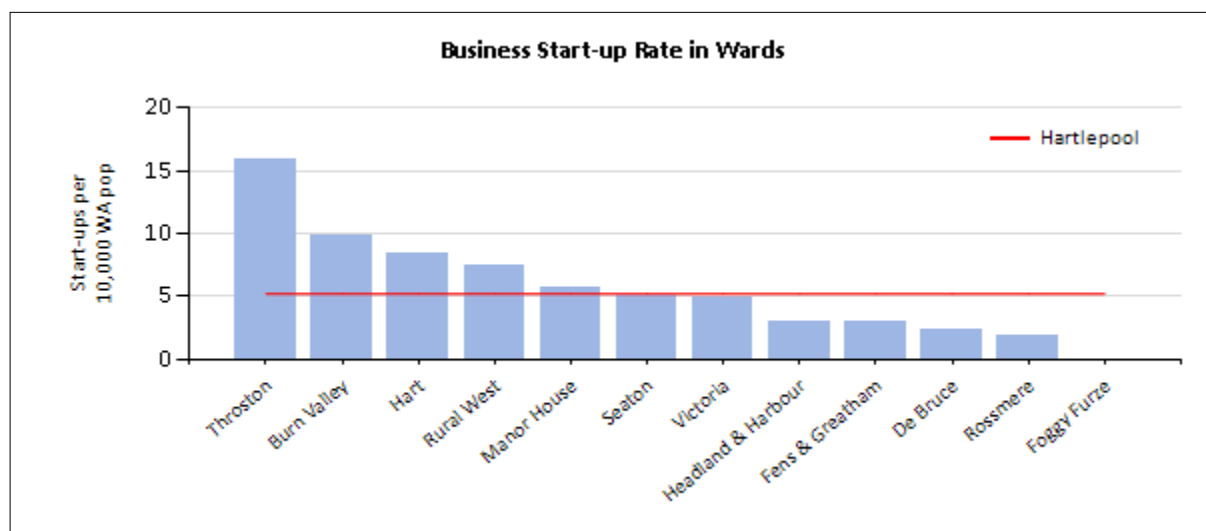
## 6.1.1 Business Start Up Rate at the Ward Level

Table 36: Business Start Up Rate in Wards – Darlington (November 2022)



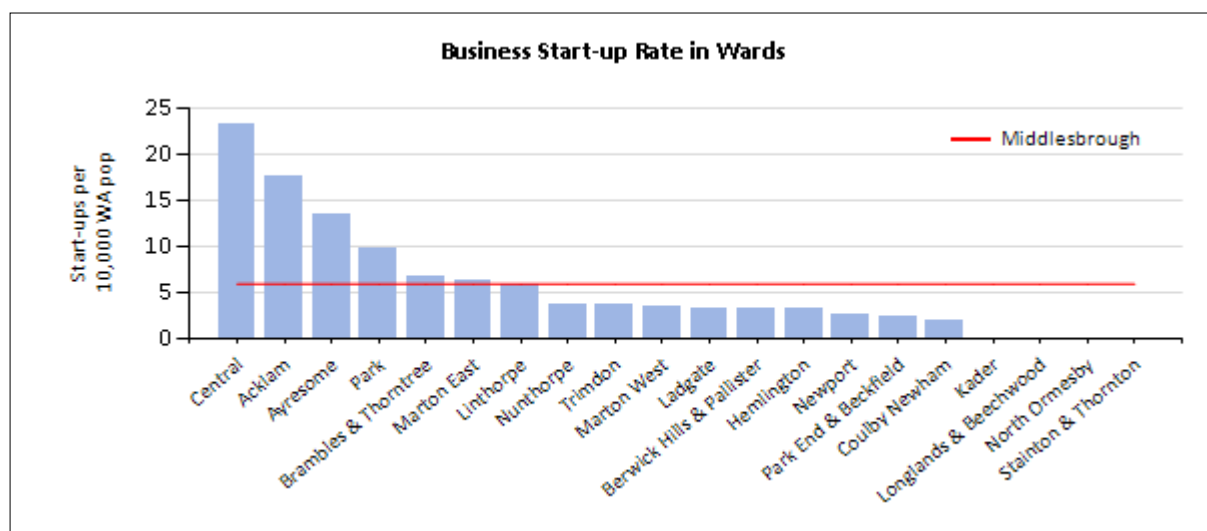
Source: BankSearch

Table 37: Business Start Up Rate in Wards – Hartlepool (November 2022)



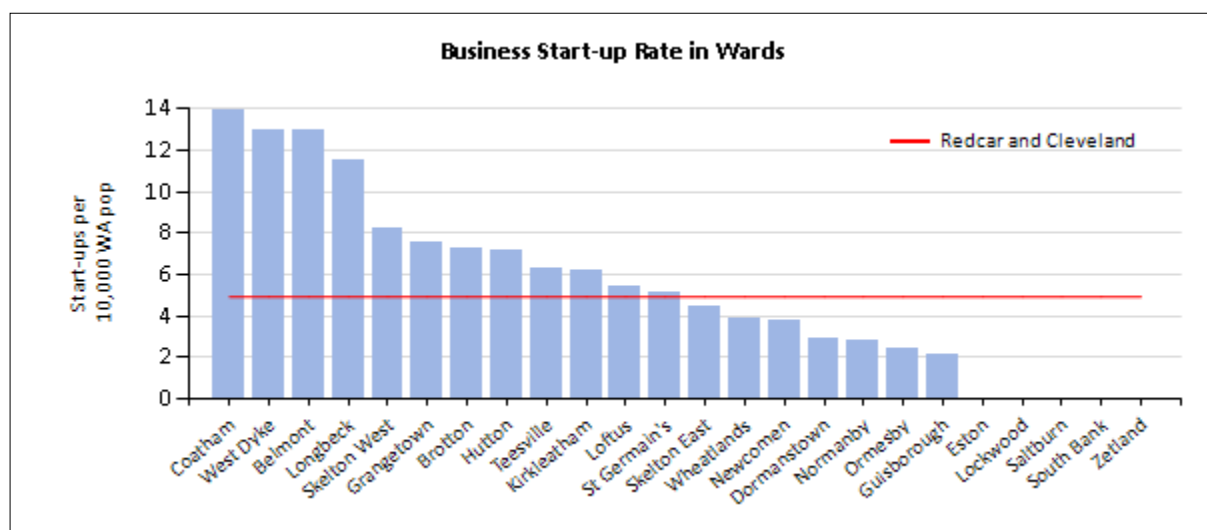
Source: BankSearch

Table 38: Business Start Up Rate in Wards – Middlesbrough (November 2022)



Source: BankSearch

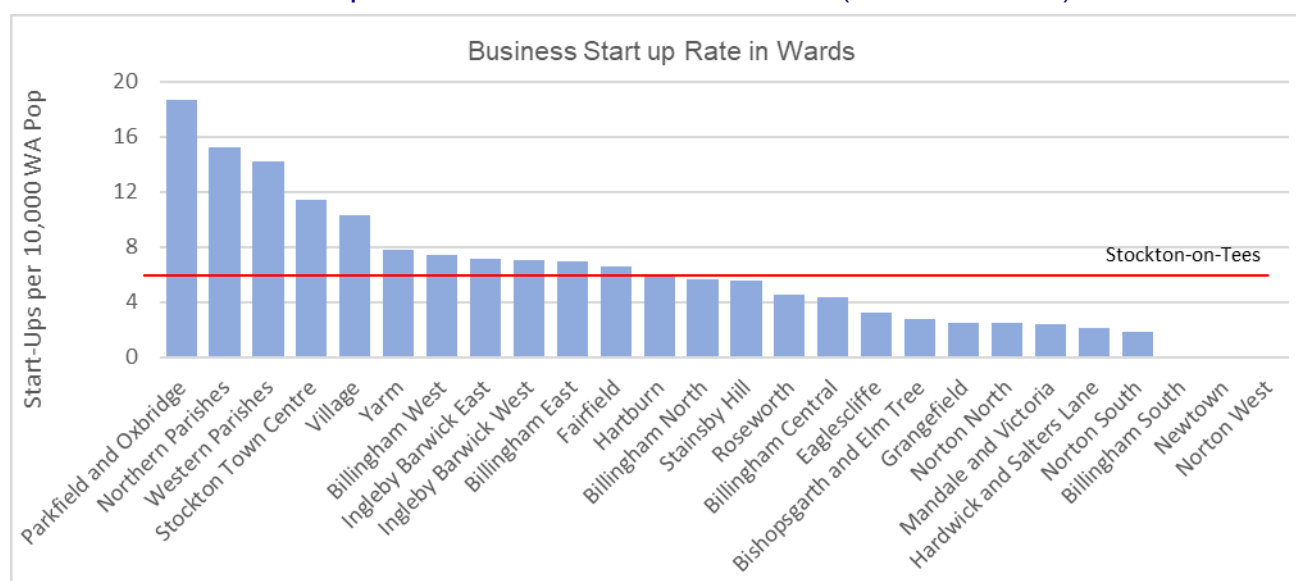
Table 39: Business Start Up Rate in Wards – Redcar and Cleveland (November 2022)



Source: BankSearch



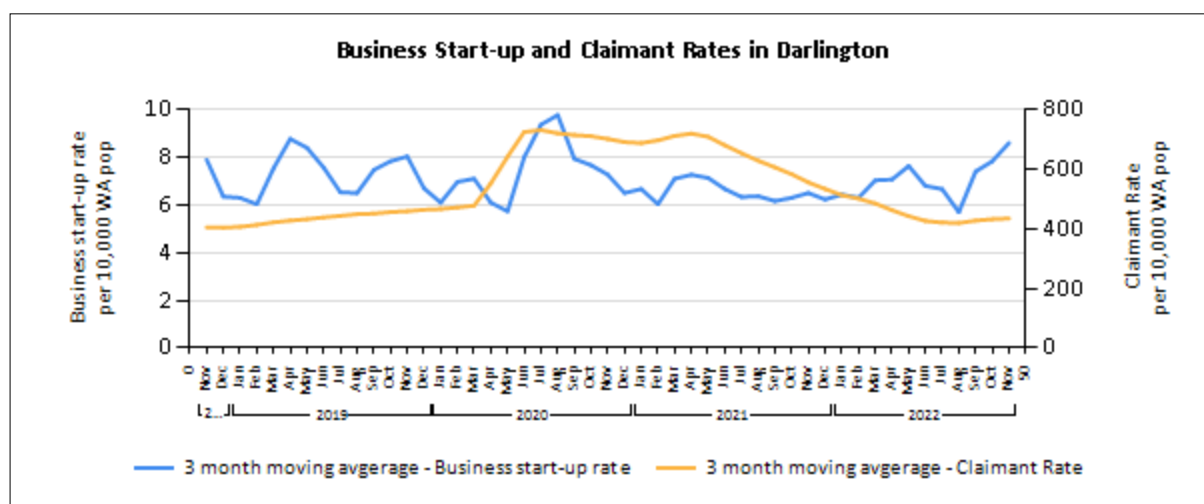
Table 40: Business Start Up Rate in Wards – Stockton-on-Tees (November 2022)



Source: BankSearch

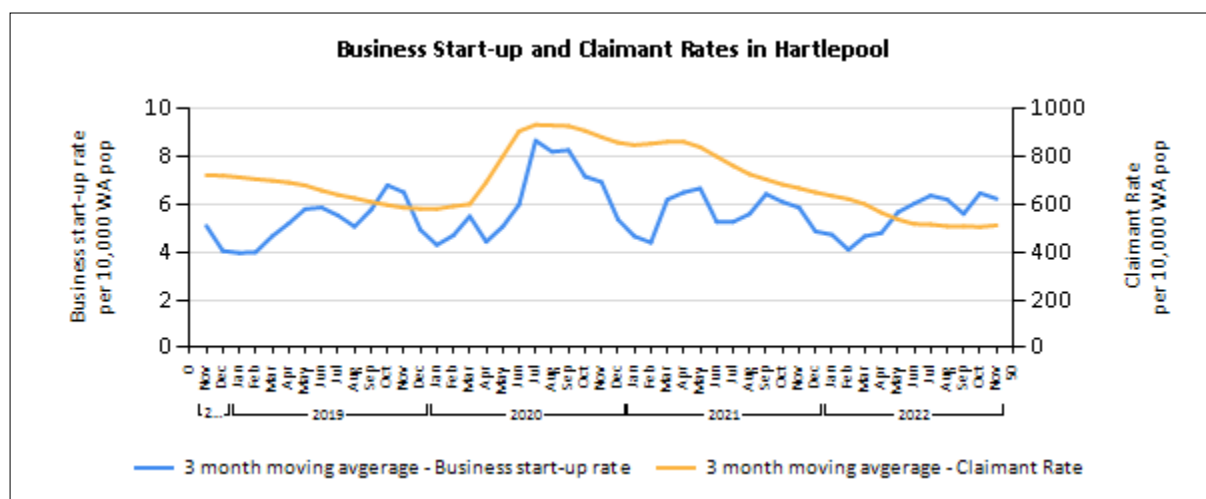
### 6.1.2 Business Start Up and Claimant Rates by Local Authority

Table 41: Business Start Up Rate and Claimant Rates – Darlington



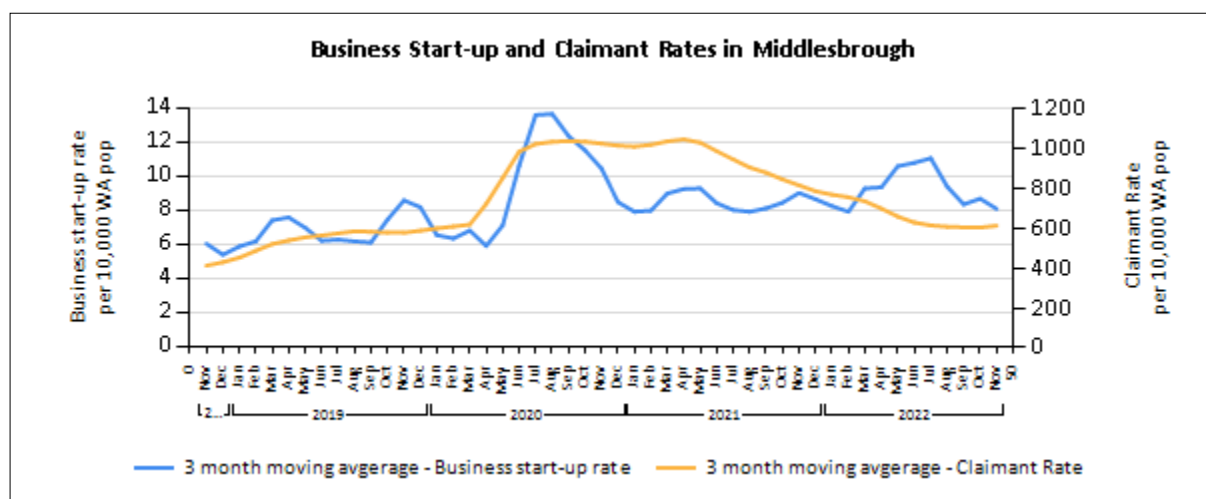
Source: BankSearch

Table 42: Business Start Up Rate and Claimant Rates – Hartlepool



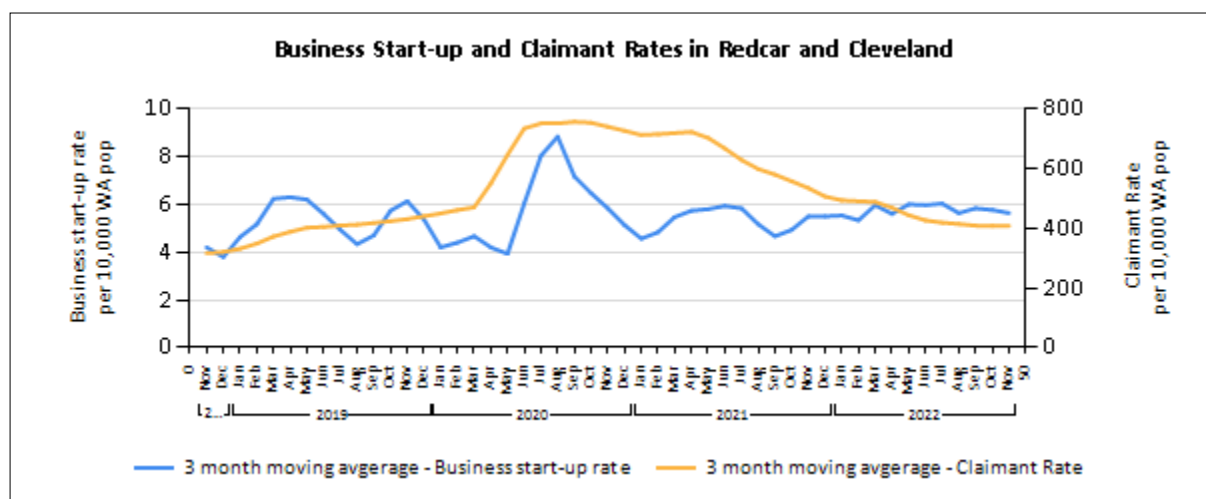
Source: BankSearch

Table 43: Business Start Up Rate and Claimant Rates – Middlesbrough



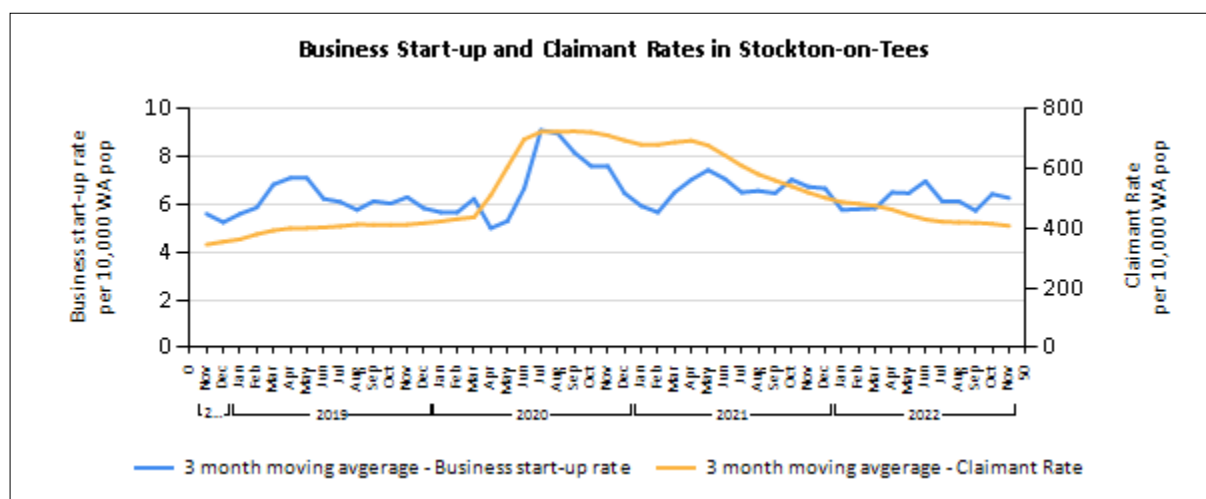
Source: BankSearch

Table 44: Business Start Up Rate and Claimant Rates – Redcar and Cleveland



Source: BankSearch

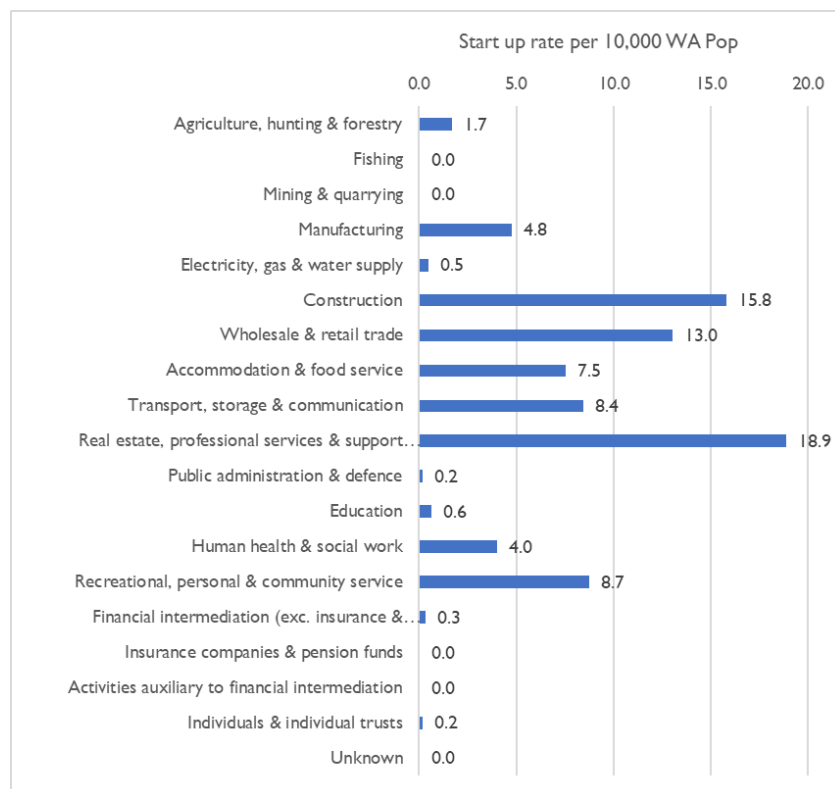
Table 45: Business Start Up Rate and Claimant Rates – Stockton-on-Tees



Source: BankSearch

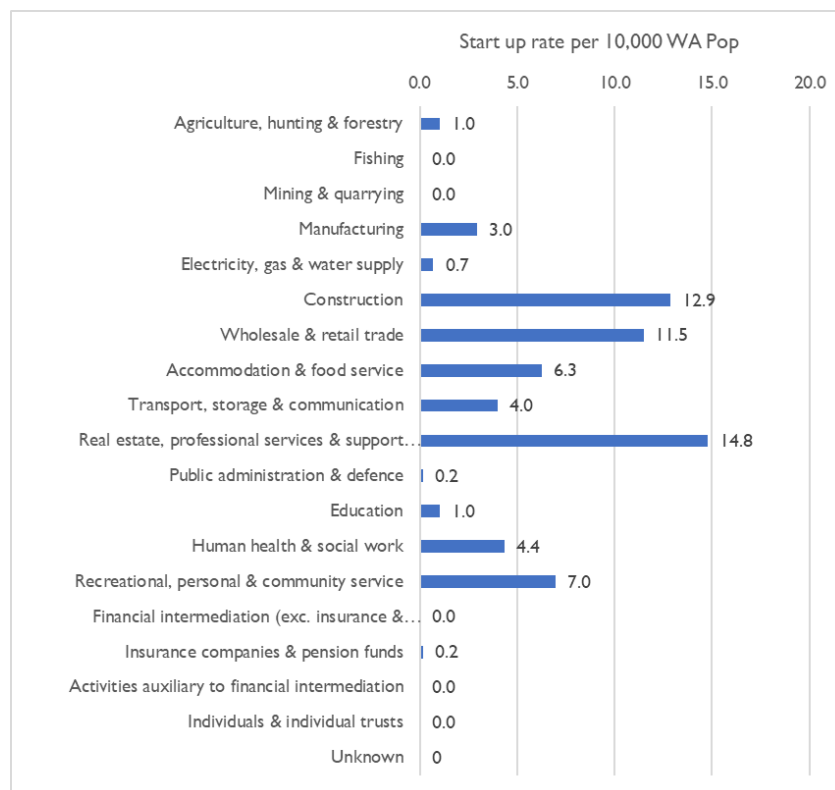
### 6.1.3 Start up rates by Industry

Figure 20: Start up Rates by Industry 2022 - Darlington



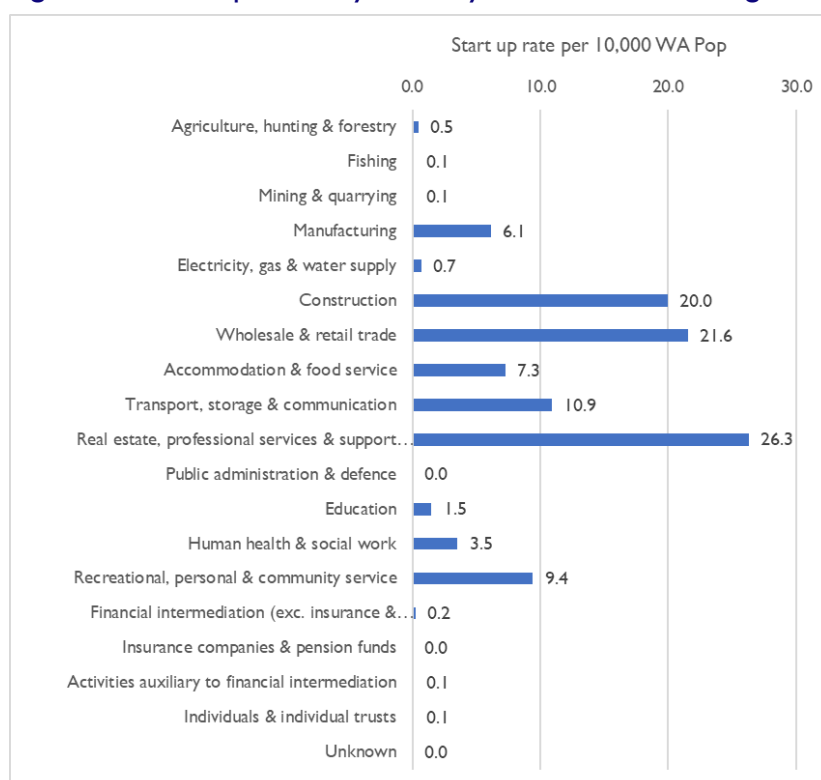
Source: BankSearch

Figure 21: Start up Rates by Industry 2022 - Hartlepool



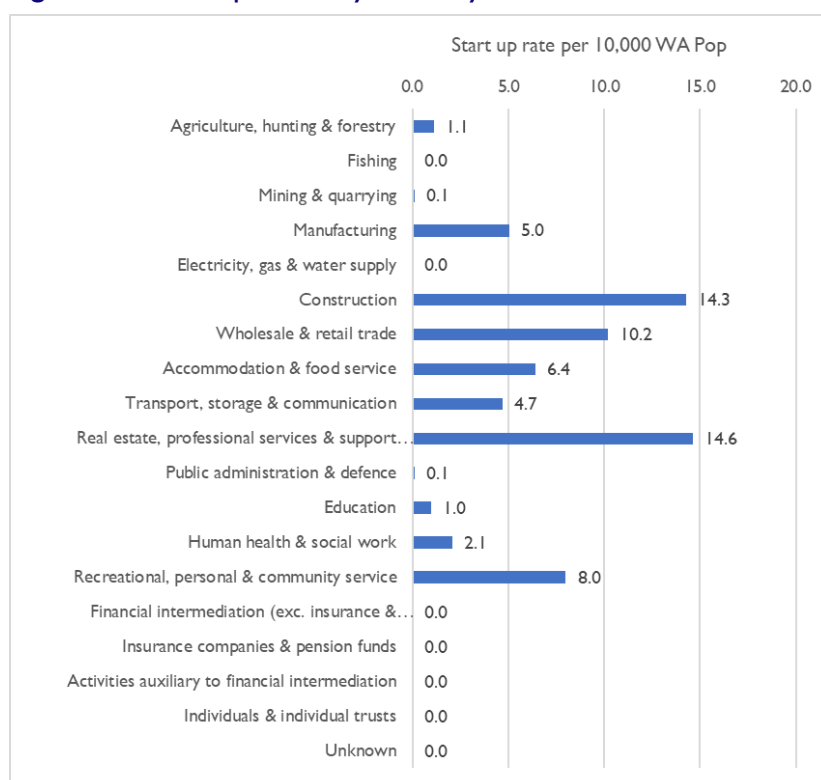
Source: BankSearch

Figure 22: Start up Rates by Industry 2022 - Middlesbrough



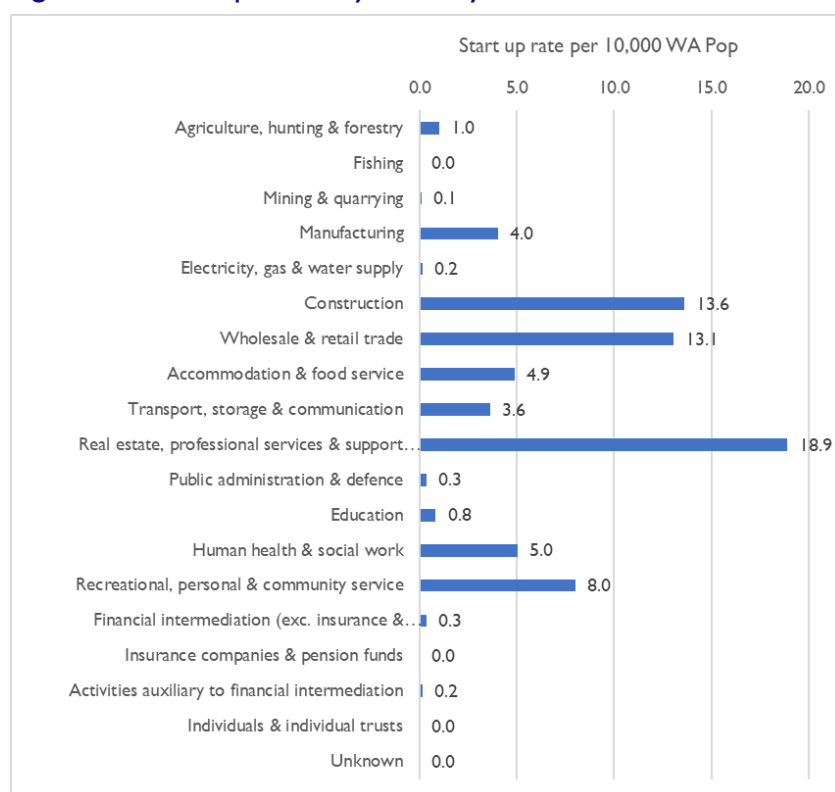
Source: BankSearch

Figure 23: Start up Rates by Industry 2022 - Redcar and Cleveland



Source: BankSearch

Figure 24: Start up Rates by Industry 2022 - Stockton



Source: BankSearch

## 6.2 Additional information on data sources

### 6.2.1 BankSearch

The following comments are provided by BankSearch regarding the collection of data:

1. Data is collected from the main suppliers of business banking services: Barclays, Co-operative Bank, HSBC, Lloyds Banking Group, Royal Bank of Scotland Group, Santander, TSB Bank and Neobanks.
2. A 'Start-up' reflects the opening of a first current account from a small business banking product range. They represent businesses new to banking or those previously operated through a personal account. The data exclude businesses operating through personal accounts, those without banking relationships or those banking with other institutions.
3. A small business is defined as having, or expected to have, annual debit turnover (i.e. outward payments from their accounts) of up to £1m per annum.
4. Clubs, charities, societies and other 'non-profit institutions serving households' are included.

## APPENDIX 2 - CHILD AND FAMILY POVERTY IMPACT ASSESSMENT FORM

<b>1. Is this decision a Budget &amp; Policy Framework or Key Decision? NO</b>				
If YES please answer question 2 below				
<b>2. Will there be an impact of the decision requested in respect of Child and Family Poverty? NO</b>				
If YES please complete the matrix below				
GROUP	POSITIVE IMPACT	NEGATIVE IMPACT	NO IMPACT	REASON & EVIDENCE
Young working people aged 18 - 21	Yes			Self employment opportunities
Those who are disabled or suffer from illness / mental illness			No	
Those with low educational attainment	Yes			Self employment opportunities
Those who are unemployed	Yes			Self employment opportunities
Those who are underemployed	Yes			Self employment opportunities
Children born into families in poverty			No	
Those who find difficulty in managing their finances			No	
Lone parents			No	
Those from minority ethnic backgrounds			No	
<b>Poverty is measured in different ways. Will the policy / decision have an impact on child and family poverty and in what way?</b>				
Poverty Measure (examples of poverty measures appended overleaf)	POSITIVE IMPACT	NEGATIVE IMPACT	NO IMPACT	REASON & EVIDENCE



Overall impact of Policy / Decision			
NO IMPACT / NO CHANGE		ADJUST / CHANGE POLICY / SERVICE	
ADVERSE IMPACT BUT CONTINUE		STOP / REMOVE POLICY / SERVICE	
<b>Examples of Indicators that impact of Child and Family Poverty.</b>			
<b>Economic</b>			
Children in Low Income Families (%)			
Children in Working Households (%)			
Overall employment rate (%)			
Proportion of young people who are NEET			
Adults with Learning difficulties in employment			
<b>Education</b>			
Free School meals attainment gap (key stage 2 and key stage 4)			
Gap in progression to higher education FSM / Non FSM			
Achievement gap between disadvantaged pupils and all pupils (key stage 2 and key stage 4)			
<b>Housing</b>			
Average time taken to process Housing Benefit / Council tax benefit claims			
Number of affordable homes built			
<b>Health</b>			
Prevalence of underweight children in reception year			
Prevalence of obese children in reception year			
Prevalence of underweight children in year 6			
Prevalence of obese children in reception year 6			
Life expectancy			