

Research Report

Understanding Rural Durham - Supporting Durham County Council's evidence base

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Non-technical abstract

NICRE, in collaboration with Rural Business Network (RBN), was commissioned by Durham County Council (DCC) to strengthen the existing evidence base on the needs and opportunities of the county's rural businesses to inform delivery of interventions through the UK Shared Prosperity Fund (UKSPF) and the Rural England Prosperity Fund. The project also aimed to identify opportunities for the rural economy in the transitions towards net zero and digitalisation.

The project draws from quantitative and qualitative empirical evidence from firms from across business sectors in rural areas of County Durham. Particular effort was made to involve businesses in deep rural areas and those which do not normally engage in business support and networking in order to better understand their needs and motivations.

Acknowledgements and funding

The project 'Understanding Rural Durham', delivered by NICRE and RBN, was commissioned by Durham County Council. We are grateful to the representatives of rural businesses who joined the roundtable discussions and completed the questionnaire, for their time and their valuable insights in support of this project.

This paper is published by the National Innovation Centre for Rural Enterprise (NICRE) which is funded by Research England to collaborate, research and co-design ideas and solutions to foster rural enterprise and unlock the potential of rural economies.

NICRE works with businesses, policy makers and other partners across the UK to take part in research and catalyse change.

It brings together the strengths of its founding university partners: Centre for Rural Economy and Business School at Newcastle University, Enterprise Research Centre at Warwick University and Countryside and the Community Research Institute at the University of Gloucestershire and Royal Agricultural University.

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Executive summary

This report provides a summary of research in support of Durham County Council's evidence base on the needs and opportunities within the rural economy in the county to inform delivery of interventions through UKSPF and the Rural England Prosperity Fund.

It has been prepared by staff from the National Innovation Centre for Rural Enterprise (NICRE) at Newcastle University and Rural Business Network (RBN) as part of the project 'Understanding Rural Durham', commissioned by Durham County Council, to better understand the particular needs of the county's rural businesses. It also aimed to identify opportunities for the rural economy in the transitions towards net zero and digitalisation.

The project draws from quantitative and qualitative empirical evidence involving businesses from across business sectors in rural areas of Durham. Particular effort was made to engage businesses in deep rural areas and those who do not normally engage in business support and networking in order to better understand their needs and motivations. Rural economies are diverse, however this report highlights some of the priority needs for businesses, including a need for improved design, promotion and facilitation of available support and delivery of more accessible measures.

Key messages as follows:

- Businesses in rural Durham are facing a volatile and challenging environment with the **cost-of-living crisis** following the Covid pandemic, meaning most firms are focused on **stability, survival** and **resilience**.
- Uncertainty about the future, including current **price and cost instability**, is presenting challenges for **forward planning**, including **succession plans**.
- Top **business priorities** for the next three years include expanding current markets, increasing staff skills, strengthening leadership capabilities, reducing costs and adopting new digital technologies.
- Rural businesses in the county are less likely to have a **written business plan**, but would welcome guidance and support to develop one.
- Considerable **growth ambition and potential** in rural areas of the county exists and should be built upon and encouraged through **tailored support** to provide wider economic, social and/ or environmental benefits.
- Rural businesses are often operating with **multiple intertwined objectives and priorities** at the same time and require a combination of **sector-specific and cross-cutting support** to develop wider business skills and capabilities.
- **Regulatory factors, competition in the market**, and **skills** are among the top challenges faced by rural Durham businesses.
- **Skills and labour challenges** include difficulties for **recruitment and retention**, and accessing **specialised staff training** and **apprenticeships**.
- Many rural Durham businesses face challenges with **late payment** from customers and cash flow issues, with almost a fifth of businesses reporting **obtaining finance** as a major obstacle.

- **Connectivity and infrastructure** represent key constraints on enterprise in the county, relating to **limited broadband, digital skills** and **rural transport provision**, and contributing to **isolation and loneliness**.
- Rural businesses are seeking **unbiased information** about **broadband options** and support to **improve internet connectivity**, including potential **satellite access** for rural areas through **larger regional deals** with companies for affordable pricing.
- **Access and information to digital services** are important to rural businesses and there is a need to **boost accessibility**, specifically to **difficult-to-reach rural businesses**.
- **Poor transportation provision** limits **recruitment and retention** for rural businesses and **career training opportunities** for young people in rural areas, requiring **investment in infrastructure** to support consistent bus routes and scheduling.
- Rural businesses are interested in **alternative transportation options**, including **Responsive Transport Services** and **electric cars and car clubs**, which could be **subsidised** along with **public transportation**.
- Strengthened opportunities to **share ideas and network** with other similar businesses (potentially through existing Durham Business Hubs or other successful networks) are highly valued by rural businesses, particularly to facilitate **knowledge sharing, social support** and **reduce isolation**.
- Businesses across rural Durham demonstrate a **wide range of innovative activities, but** many **do not consider themselves to be innovative**, which can limit business' ability to seek and **access external funding** or target effective customer engagement strategies.
- Specifically, **aside advanced technology**, many businesses fail to recognise their **social, cultural, eco/ green, inclusive practices** as innovative.
- Limited **qualified personnel and expertise, administrative requirements** and **red tape, set-up costs, broadband speed and reliability** are major obstacles to innovation in rural businesses.
- **Small and micro rural businesses** are looking for eligibility for, and access to, smaller funding opportunities to enable them to make changes or improvements and would welcome **bespoke and targeted funding opportunities**.
- Innovation support **grant funding is considered complicated and time-consuming**, especially for those unfamiliar with the procedures, requiring **process simplification** and efforts to **raise awareness** and **understanding of innovation** and innovation support among rural businesses.
- Among rural businesses in the county, there is concern over **costs** and a **lack of understanding of the business benefits** of making changes towards net zero.
- **Carbon calculators** can often appear **burdensome and unclear**, suggesting **guidance and support** toward utilising and implementing carbon calculators would be welcome, alongside a free **carbon audit service**.

- Resources of **best practice** and **case studies** demonstrating **sustainability and net zero**, demonstrating **clear and tangible incentives** would provide information and inspiration to rural businesses.
- Improved messaging about actions taken by businesses could be better communicated to customers, with raised awareness of the **importance of transitioning to net zero** across the county for both businesses and the general public.
- Interest in net zero and sustainability measures exist, particularly toward **solar and wind energy** and **electric vehicles**, but **strict regulations** and **long application processes** prevent businesses from adopting changes.
- Restrictions in **building regulations** for Grade 2 listed buildings can **hinder efforts to reduce environmental footprint** and **energy costs**, particularly for home-based businesses.
- **Investments in infrastructure** are needed to support rural business transition to net zero, especially in relation to **electric cars and charging ports**.
- Local, fully **electric car club** scheme would **support net zero efforts** and **improve the transport provision** in the county.
- **Uptake of business support** by rural businesses is often limited by a **sense of independence** and **pride in looking for and accepting external support**, as well as **low understanding of where to seek advice** and support.
- Businesses have difficulty **accessing funding support** due to **location restrictions** and **complex application** processes, as well as **inappropriate funding thresholds** (especially for small and micro businesses) with respect to scale of funding or minimum spend.
- Rural enterprises would welcome the availability of **small accessible grants** and loans to support purchase of pieces of technology and equipment, as well as **revenue or technical support** to help set-up infrastructure, trouble shoot problems or improve training and skills.
- Rural businesses in Durham are interested in advisory services, business training and mentoring through **in-person advice, business networks** and **peer-to-peer learning**, e.g. delivered via rural **business hubs**.
- **Trusted advisors** with specialist knowledge **relevant to rural businesses** and **trusted organisations and networks in the local community** are best placed to **facilitate knowledge exchange** and **deliver business support**.

1. Introduction

This report provides a summary of research in support of Durham County Council's evidence base on the needs and opportunities within the rural economy in the county to inform delivery of interventions through UKSPF and the Rural England Prosperity Fund.

It has been prepared by staff from the National Innovation Centre for Rural Enterprise (NICRE) at Newcastle University and Rural Business Network (RBN) as part of the project 'Understanding Rural Durham', commissioned by Durham County Council, to better understand the particular needs of the county's rural businesses. It also aimed to identify opportunities for the rural economy in the transitions towards net zero and digitalisation.

The project draws from quantitative and qualitative empirical evidence involving businesses from across business sectors in rural areas of Durham. It combines secondary data analysis using the 2021 NICRE State of Rural Enterprise Survey (which included 1,284 North East businesses of which 326 were in rural County Durham) and new primary data collected from mid-March to April 2023 consisting of five in-depth focus groups (involving 24 rural businesses in locations across Durham) and supplemented by questionnaire responses from a further 32 rural businesses (refer to Appendix for more details on methods, sampling and recruitment of participants).

2. Business ambitions and goals

2.1. Maintaining business viability

The most widely held objective of businesses in rural County Durham is to maintain viability, as in other areas in the North East (Figure 1). Businesses are facing a volatile and challenging environment with the cost-of-living crisis following the Covid pandemic, meaning most firms are focused on stability, survival and resilience. Evidence from the NICRE Rural Enterprise Survey in 2021 shows that three quarters of businesses in rural Durham aim to keep their business similar to how they currently operate, which is a slightly higher proportion of businesses compared to other rural areas across the region (Figure 2).

Figure 1: Ambition to keep the business viable ¹

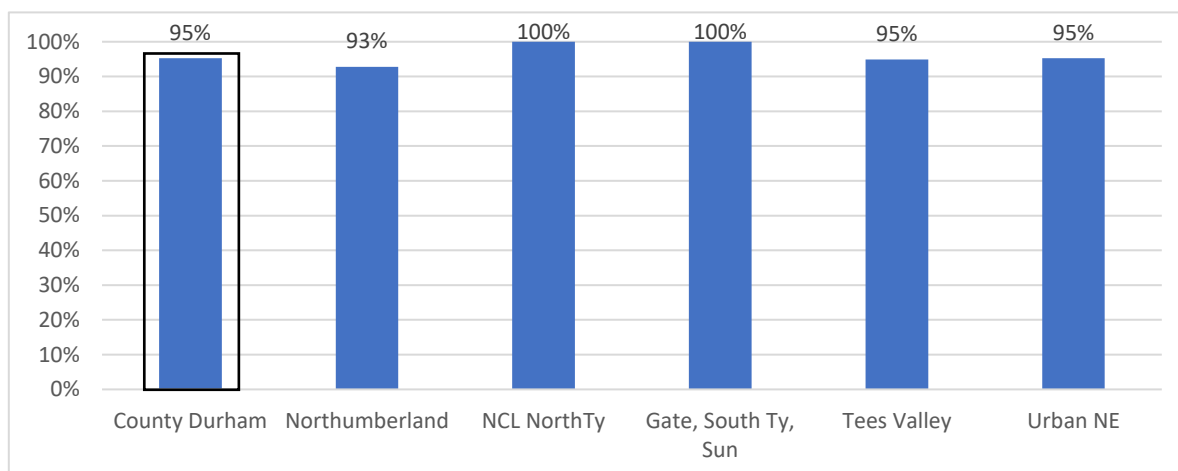
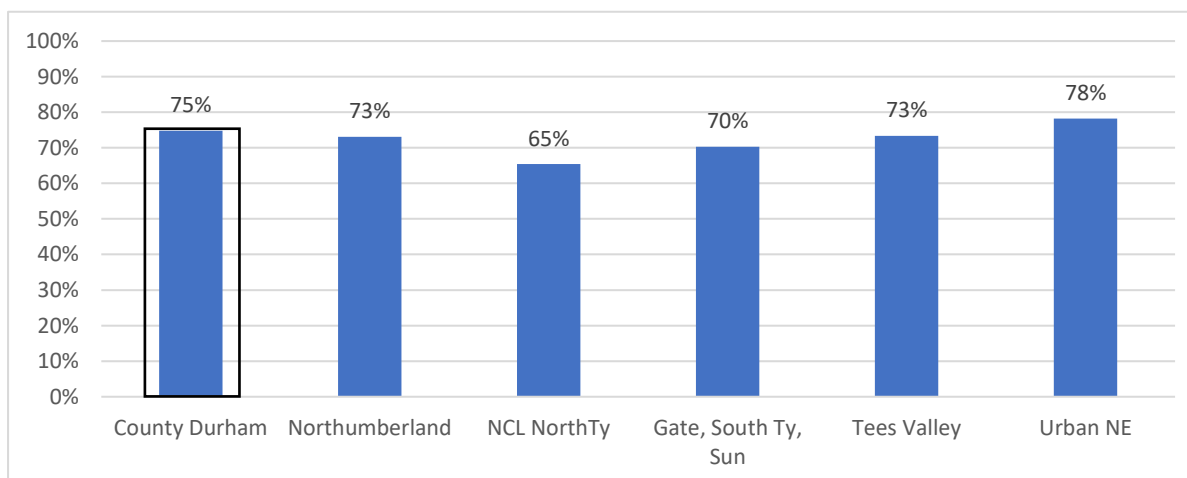


Figure 2: Ambition to keep the business similar to how it currently operates ²

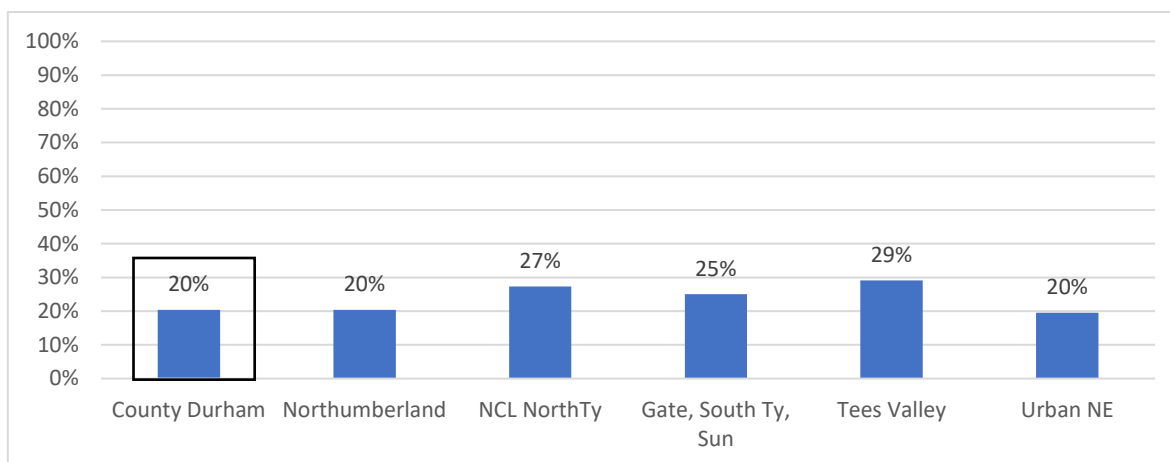


There is considerable growth ambition and potential in rural areas of the county on which to build and encourage. Growing the business and expanding it nationally or internationally is important for one in five businesses in rural Durham, which is similar to the share of firms in rural Northumberland and urban areas, but considerably lower compared to other rural areas in the North East (Figure 3).

¹ NICRE Rural Enterprise Survey 2021.

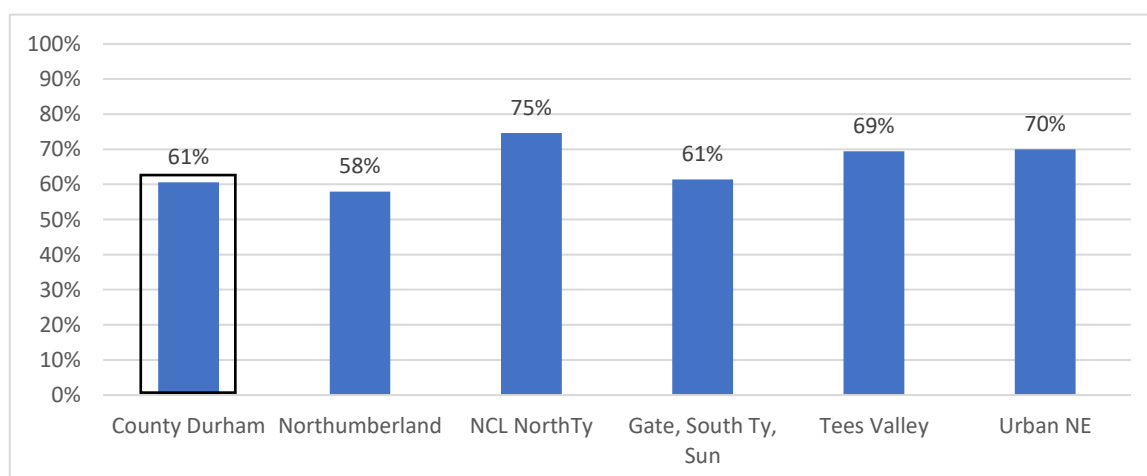
² NICRE Rural Enterprise Survey 2021.

Figure 3: Ambition to build a national and/or international business ³



Many rural businesses in Durham place importance on providing economic, social or environmental benefits. Three in five businesses in rural Durham have the ambition to provide employment for others, though this is a considerably lower share of firms than in rural Tees Valley and urban areas (Figure 4). Some 58% of rural firms in Durham aim to create social and environmental benefits (Figure 5), and 85% of rural businesses are seeking to have a good work-life balance, compared to 93% of firms in urban areas in the region (Figure 6).

Figure 4: Ambition to provide employment for others ⁴



³ NICRE Rural Enterprise Survey 2021.

⁴ NICRE Rural Enterprise Survey 2021.

Figure 5: Ambition to increase the social or environmental benefits of the business ⁵

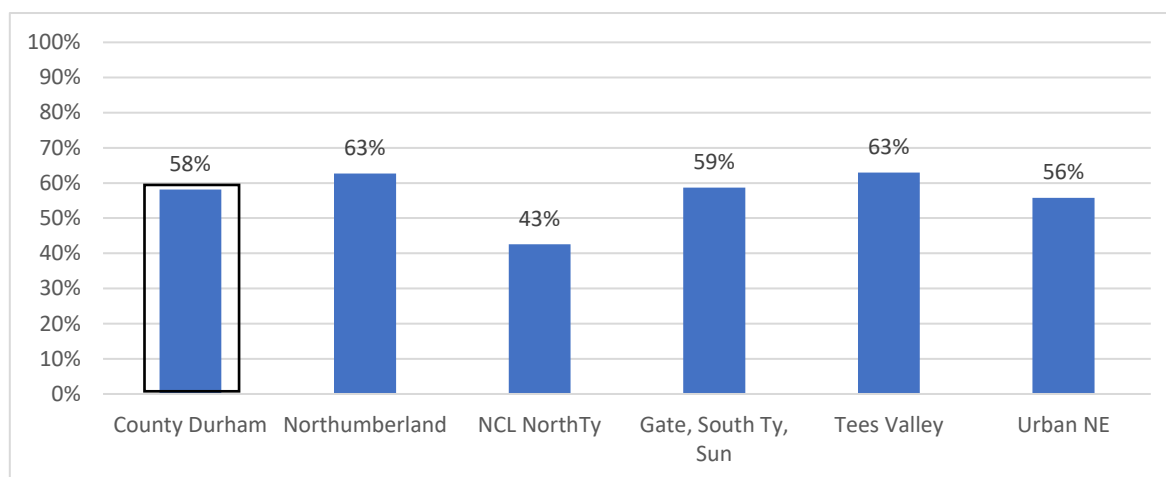
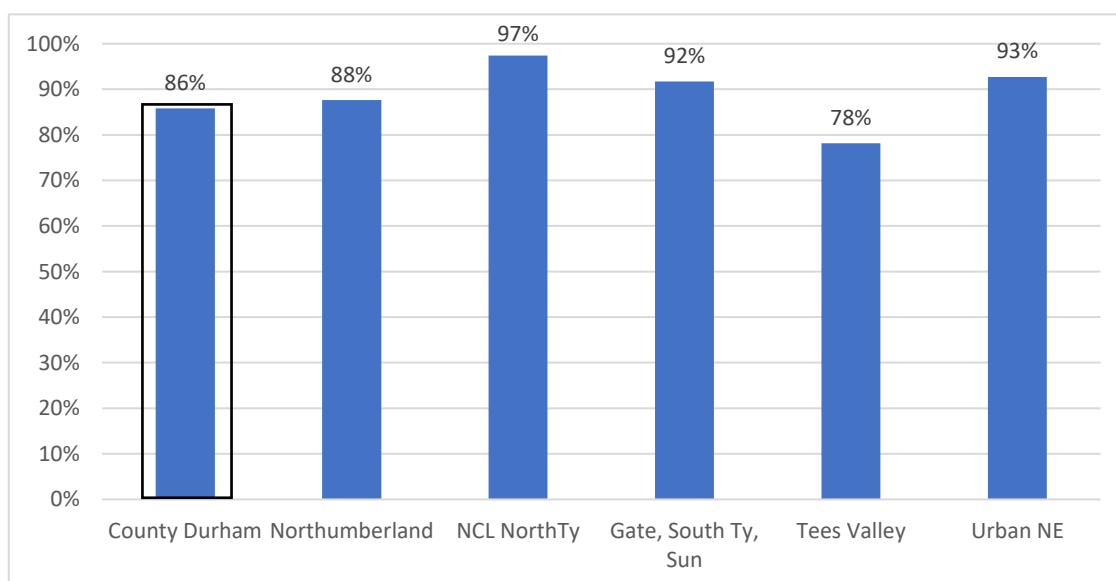


Figure 6: Ambition to have a good work-life balance ⁶



Findings from the 2023 focus groups and questionnaire highlighted that many businesses do not have a succession plan and are uncertain about what the future holds. Some reported the interest of growing their business rapidly with a view to exit.

⁵ NICRE Rural Enterprise Survey 2021.

⁶ NICRE Rural Enterprise Survey 2021.

"We got three sons and none wants to be a dairy farmer! That's our issue, what do we do with our dairy business? ... We have other opportunities with those buildings that could benefit our sons in future, rather than continuing dairy farm. We're at very difficult spot on what to do in our life."

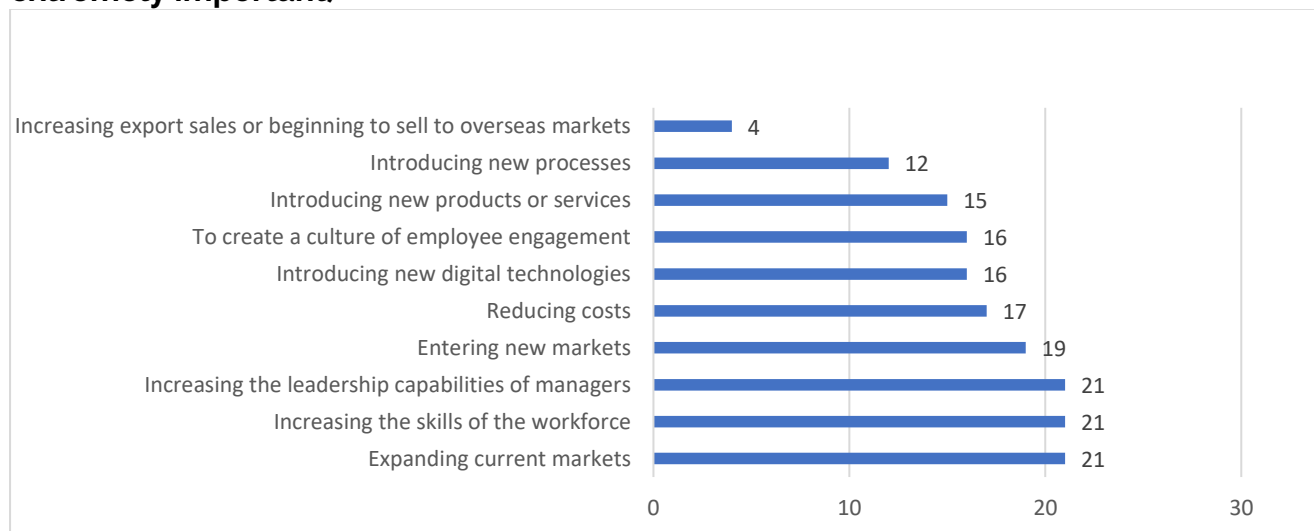
"[This business] is up for sale, happy to sell it to someone I trust and can work alongside them, it needs to be the right person."

It is clear that rural businesses are often operating with multiple objectives and priorities at the same time. For instance, among those who aim to grow, more than a half of them aim to increase the environmental or social benefits of the business, according to our online questionnaire. For many businesses, 'keep running the business', 'generating a stable income', 'employing more people', or 'exporting or accessing new markets outside the region' are business goals that they have set.

Among the top business priorities for the next three years, and possibly key areas for future support, are expanding current markets, increasing staff skills and strengthening leadership capabilities (Figure 7). Entering new markets, reducing costs and adopting new digital technologies are also significant priorities for rural businesses in County Durham.

Other priorities, expressed by a smaller share of rural businesses, include implementing innovation strategies by introducing new products, services or new processes, and creating a culture of engagement. Only a small group of businesses mentioned starting to, or increasing levels of, export sales as very important, which suggest this is an area where raised awareness and capacity building around the opportunities for exporting may be warranted.

Figure 7: Business priorities in the next 3 years (rated as very important or extremely important) ⁷



Many of these priorities are intertwined and necessary for meeting business ambitions. For instance, some business stated that the digitisation of their business process will be helpful for generating new growth opportunities and expanding markets. Digitalisation, for example through online marketing and promotion, will also be useful for businesses to be

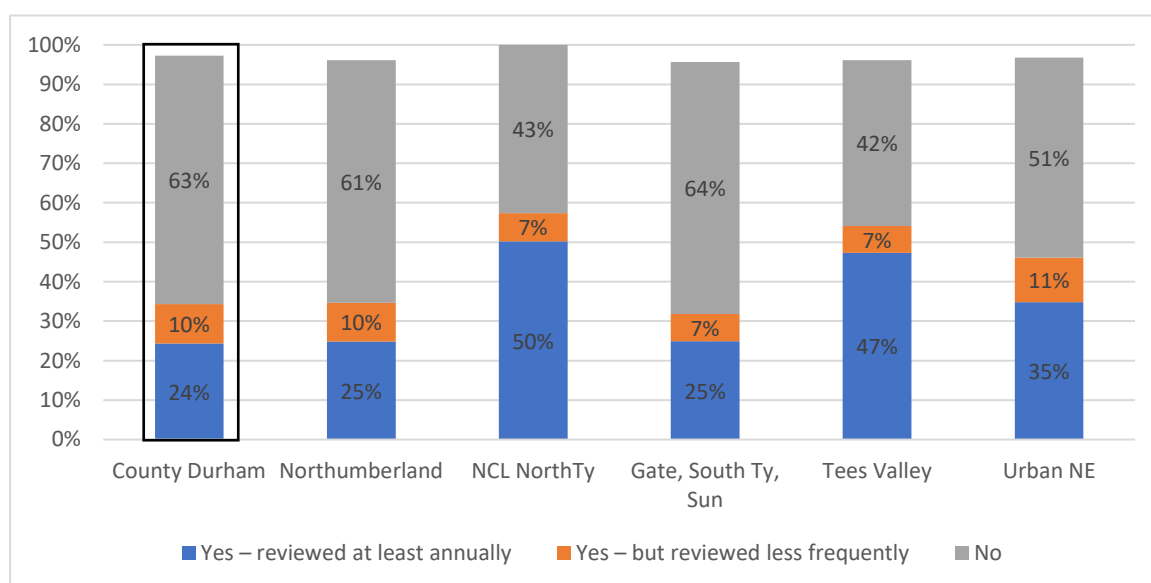
⁷ Durham Rural Business Questionnaire 2023.

more cost effective. It follows that there is a need for integrated offers of specialist and cross-cutting support.

2.2. Business planning

Though they may have a general direction of travel that they are aiming for, rural businesses in the county are less likely to have a written business plan. The NICRE Rural Enterprise Survey in 2021, shows that only about a third of businesses based in rural Durham have written business plans, with 24% reviewing their plans at least annually (Figure 8). This level is similar to other rural businesses in Northumberland, but significantly less in comparison to rural Tees Valley (47%) and urban businesses in the North East (35%).

Figure 8: Having a business plan in place ⁸



The focus group discussions highlighted that among those businesses which currently do not have a business plan, several thought it would be useful to do so, but would welcome guidance and support to develop one. While some had prepared a business plan on their own, some could not finish it without help from their business or peer network. They understood that a business plan was a useful approach to plan the business in the long-term and to ensure it was on track and remained financially viable.

However, a vast majority of businesses think that having a business plan is not useful or needed. Aside of a low appreciation of the relevance or importance to having these in place, some held the view that having a plan was only a requirement for banks and seeking finance, rather than serving a wider purpose in terms of resilience or growth. Many businesses clearly also find forward planning difficult due to instability of prices and the business environment in general. Sector considerations were also apparent. For example, some farm business owners who took part in the focus groups described many of their peers as seeing themselves principally as farmers rather than businesses, yet who also

⁸ NICRE Rural Enterprise Survey 2021. N.B. The graph bars do not add to 100% because businesses that answered "don't know" or did not answer this question are not shown.

needed to develop their wider business skills and capabilities if they were to adapt and diversify.

Key points:

- Businesses in rural Durham are facing a volatile and challenging environment with the **cost-of-living crisis** following the Covid pandemic, meaning most firms are focused on **stability, survival** and **resilience**.
- Uncertainty about the future, including current **price and cost instability**, is presenting challenges for **forward planning**, including **succession plans**.
- Top **business priorities** for the next three years include expanding current markets, increasing staff skills, strengthening leadership capabilities, reducing costs and adopting new digital technologies.
- Rural businesses in the county are less likely to have a **written business plan**, but would welcome guidance and support to develop one.
- Considerable **growth ambition and potential** in rural areas of the county exists and should be built upon and encouraged through **tailored support** to provide wider economic, social and/ or environmental benefits.
- Rural businesses are often operating with **multiple intertwined objectives and priorities** at the same time and require a combination of **sector-specific and cross-cutting support** to develop wider business skills and capabilities.

3. Challenges and obstacles to success

The NICRE Rural Enterprise Survey in 2021 found that regulatory factors, competition in the market, and skills are among the top challenges faced by rural Durham businesses (Figures 9 and 10).

For example, nearly half of firms consider that competition in the market and regulations or red tape are a major obstacle to their business success. Competition in the market is a more prominent challenge for rural firms in Durham than other rural areas in the region and comparable with urban firms. A third of firms face issues with taxation, VAT, PAYE, and 36% highlighted difficulties in finding the right skills. Similarly, a slightly higher share of rural firms in Durham face difficulties surrounding the cost and availability of premises, compared to rural Northumberland and Tees Valley, and urban areas in the region.

Figure 9: Regulatory factors as a major obstacle to business success ⁹

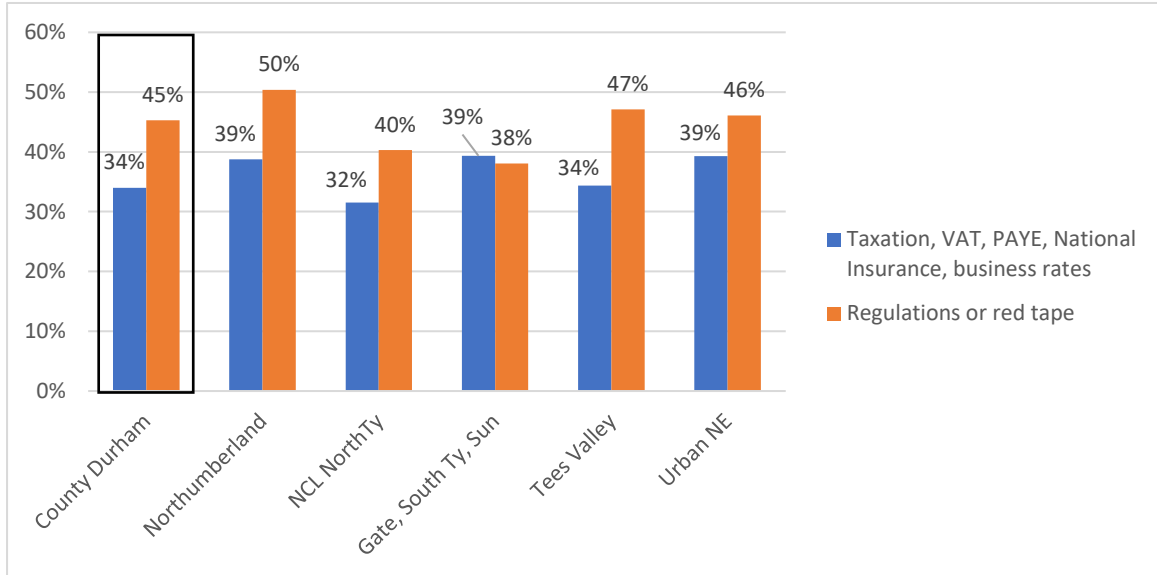
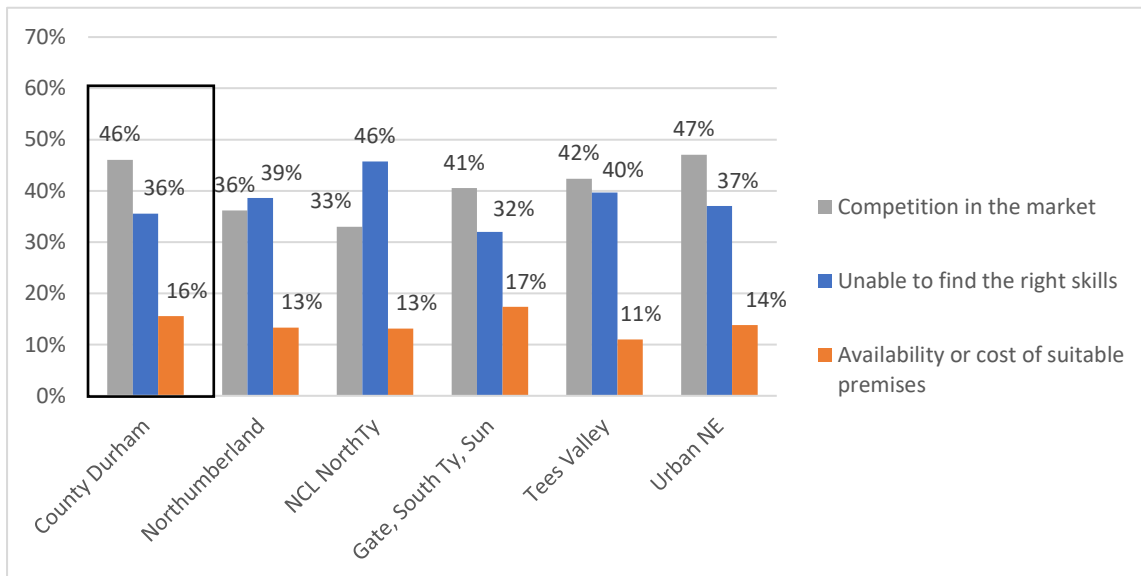


Figure 10: Other factors as a major obstacle to business success ¹⁰



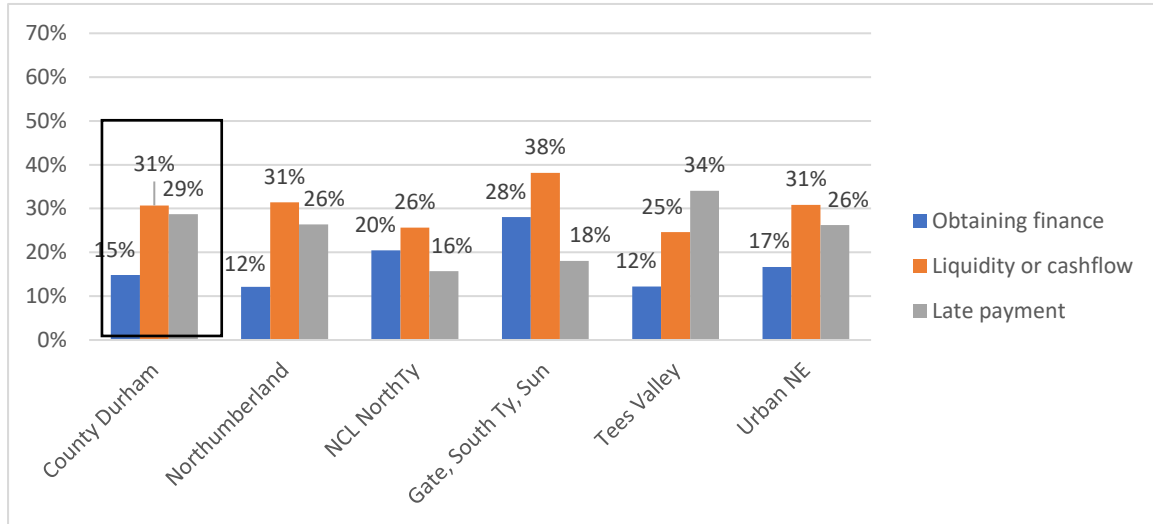
At the time of the business survey, a third of rural Durham businesses stated that they faced challenges with late payment from customers and cash flow issues (Figure 11). Some 15% of the businesses reported obtaining finance as a major obstacle, which was a slightly higher share of firms compared to rural areas in Northumberland and Tees Valley,

⁹ NICRE Rural Enterprise Survey 2021.

¹⁰ NICRE Rural Enterprise Survey 2021.

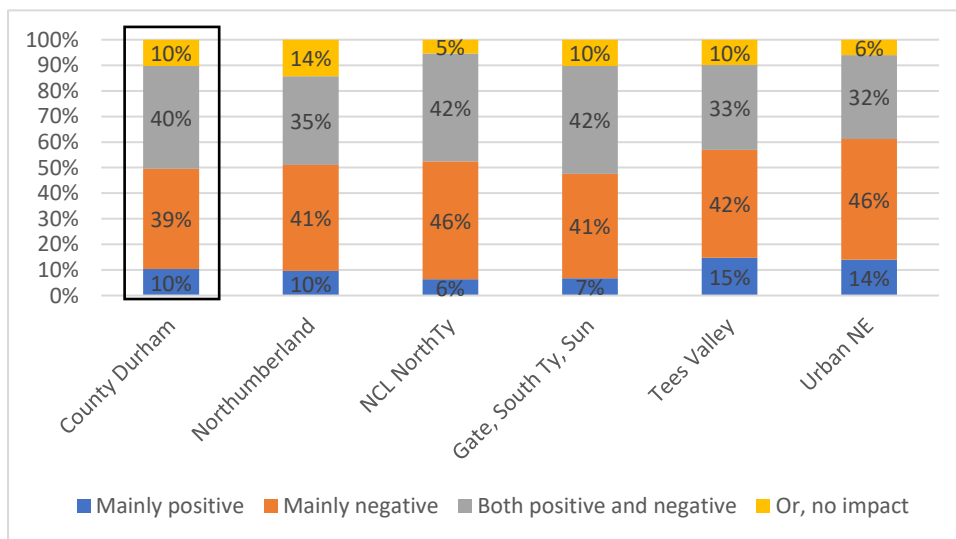
but lower than in urban areas in the region and rural Gateshead, South Tyneside and Sunderland.

Figure 11: Finance as a major obstacle to business success ¹¹



Difficulties linked to economic uncertainty due to the pandemic and social distancing were especially felt in County Durham (Figures 12 and 13).

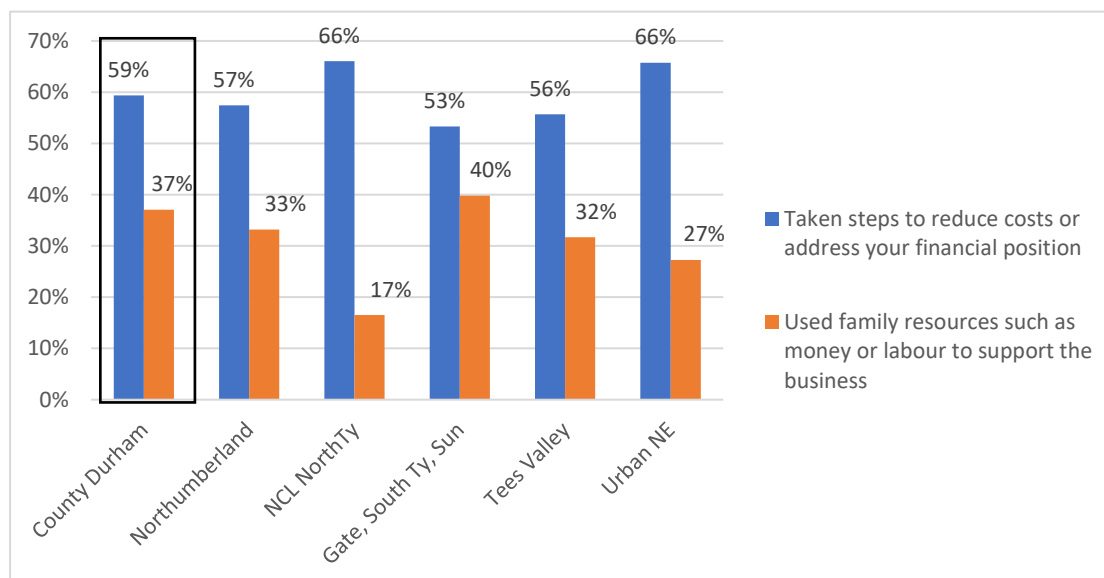
Figure 12: Impacts of Covid-19 on the business ¹²



¹¹ NICRE Rural Enterprise Survey 2021.

¹² NICRE Rural Enterprise Survey 2021.

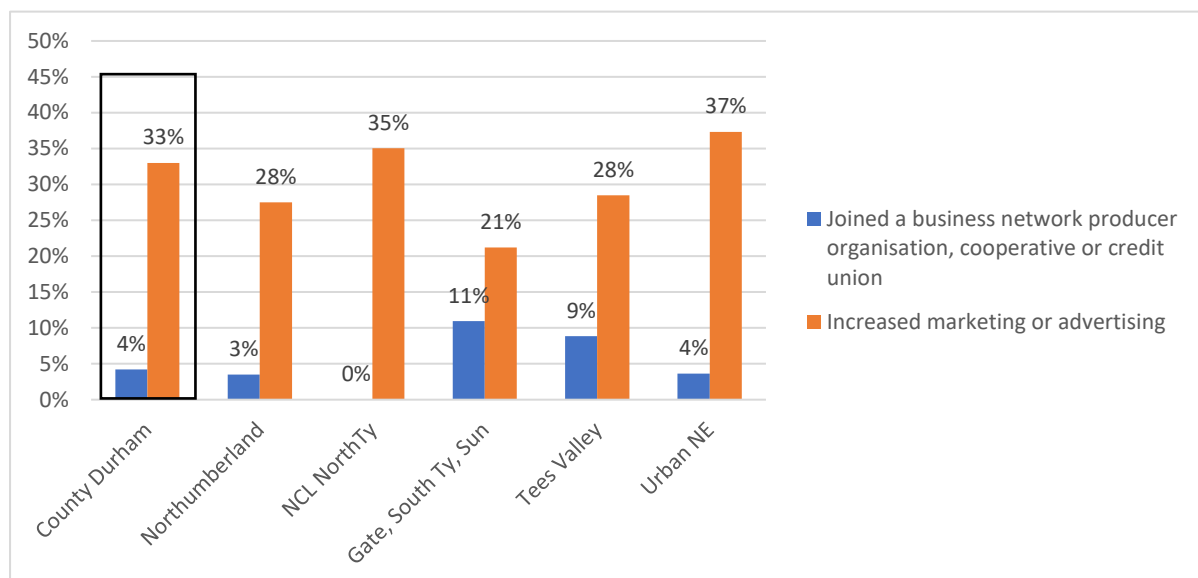
Figure 13: Business adaptation strategies implemented in the last year, 2021 ¹³



Compared to firms in other rural areas in the region, more rural firms in Durham needed to take steps to reduce costs and, as in Gateshead, South Tyneside and Sunderland, more (37%) turned to using family resources such as money and labour to support the business. The evidence on other types of business adaptation strategies suggests that about one in three businesses in rural Durham increased marketing or advertising, which was higher than for rural businesses in Northumberland and Tees Valley, but slightly lower than urban businesses. Only 4% of rural businesses in Durham joined a business network producer organisation, cooperative or credit union, which is similar to rural ones in Northumberland and urban businesses in the North East, but lower than rural Tees Valley (Figure 14).

¹³ NICRE Rural Enterprise Survey 2021

Figure 14: Business adaptation strategies implemented in the last year, 2021 ¹⁴



Many of the challenges discussed above were mentioned by the rural businesses which took part in the focus group discussions, which are summarised in Table 1.

Numerous issues arose. For example, staffing and skills shortages are major impediments, with rural businesses struggling to attract and retain talent, predominantly due to the rural location where these businesses operate, with poor public transport provision and level of amenities, as well as type of industry, which might not be appealing for the young generation.

Interesting discussions emerged in the context of business ambitions and values, as many rural businesses explained how their mindset is at the core of what they do and the services they provide - especially farmers, social entrepreneurs and community leaders, who would not identify themselves as businesses:

"That's the main difference with a rural business, that's the way of life..."
"For old generation farmers, [business] is quite a scary word. My husband and I would say: we are not business people, we're farmers!"

These statements also capture how such businesses might not actively look for external support, or grant funding, due to such 'language barriers'. In particular, many inspiring female entrepreneurs we spoke to, often underplay their businesses and innovative practices, despite significant impacts in providing useful services, creating jobs and providing wider social benefits for the rural community.

Various public behaviour issues were mentioned among the challenges rural businesses face. For instance, fly-tipping, crime and trespassing – businesses were seeking reassurance that these issues are being tackled. Some rural businesses also expressed a sense of feeling 'misunderstood' and 'undervalued', highlighting how public awareness and recognition is limiting their efforts, and motivation, to deliver public value and increase their sustainability efforts. Similar issues with poor misunderstanding emerged in the

¹⁴ NICRE Rural Enterprise Survey 2021



context of business support – highlighting the need for trustworthy advisors, who would understand their business, their operations and their needs:

"Finding somebody who understands your business, nobody has a clue about what you're talking about and what you're doing. Need to support rural businesses as well as end-users in our community as they often get forgotten about."

Major significant challenges, and more common among the diversity of rural businesses, relate to finance and planning, connectivity and local networks, innovation ambitions and funding support, net zero transition and incentives, business support and advice. These will be discussed in more depth in the following sections.

Table 1. Common challenges identified by rural businesses

| Priority themes | Emergent themes and illustrative examples |
|---|---|
| Business ambitions and values | <ul style="list-style-type: none"> • Mindset of rural businesses at core of their ambitions and values (e.g. farming is both a business and a 'way of life', diversification seen as a success for rural businesses) • Not identifying as a business/ business person – esp. for small and micro firms, social enterprises • Not recognising their innovative practices as part of their unique offering • Celebrating entrepreneurial success - women owned and women led businesses often underplaying their inspiring business and innovation |
| Finance and planning | <ul style="list-style-type: none"> • Cashflow and access to finance (inc. small grants) – linked to innovation, net zero, etc. • Inflation, price/ markets volatility, energy costs, making it hard to plan and forecast • Cost of doing business and future uncertainty • Not having written business plans, associated misperceptions and need for support |
| Skills and labour | <ul style="list-style-type: none"> • Staffing and skills shortages - recruitment and retention issues, due to rural location (high travel costs and poor transport infrastructure) and type of industry • Legislation and funding around hiring staff • Training and upskilling – flexible to cover range of needs, yet specific to the industry and business requirements • Various skill gaps mentioned - budget planning, accounting and finance, computing and technology, leadership and management, content/ digital marketing and social media, practical skills (e.g. on-site farm skills), mental health and wellbeing • Apprenticeships have potential to address skill gaps, but no guarantee of how long they will stay at the business and lack of public transport makes attending college challenging • Promotional language is important – if you use 'training', it suggests 'you need work' • Succession planning (e.g. for family/ farm business) and potential skills gap (learn through experience, passed on via generations, and not taught skills) |
| Connectivity, infrastructure and networks | <ul style="list-style-type: none"> • Poor broadband reliability impacting productivity on daily business operations (e.g. software, card machine, online equipment) • Inadequate digital technology and skills • Poor public transport provision, frequency of bus services, car/ taxi clubs • Limited infrastructure and charging points for electric vehicles • Poor physical connectivity, rural isolation and loneliness impacting mental health |

| | |
|-----------------------------|--|
| | <ul style="list-style-type: none"> • Increased need for community engagement, networking, social support • Support and invest in rural business/ network hubs, trusted advisors and knowledge-exchange brokers |
| Supply chains | <ul style="list-style-type: none"> • Strategies to foster local economy, via cooperation and support among local businesses and existing networks • Need support for sustainable public procurement, creating opportunities for small businesses (e.g. schools and hospitals) • Efforts to award circular economy and delivery of local economic, social and environmental benefits |
| Innovation | <ul style="list-style-type: none"> • Low awareness of what innovation entails and where to find eligible support • Wide array of innovative practices - not only technological, also social, cultural, inclusive (e.g. disabled and older people), green/ eco, etc. • Time and cost factors as main obstacles • Complicated and time-consuming grant funding applications, with timing of payment post-implementation |
| Net zero transition | <ul style="list-style-type: none"> • Knowledge, attitudes and perceptions • Legislation, lack of clear guidance, future uncertainty • Clear and tangible incentives • Neutral, independent and free advice (e.g. carbon tools, carbon audits) • Subsidies and better infrastructure to support electric vehicles • Low public/ customer appreciation and willingness to pay for more sustainable products and services |
| Business support and advice | <ul style="list-style-type: none"> • Awareness of where to look for support and understanding eligibility criteria (inc. different programmes, catchment area) • Too proud to seek for help • Red tape and legislation • Quality and longevity of business advice • Need of trusted advisors, understanding the business and acting proactively as knowledge broker • In-person advice, via business networks and peer-to-peer learning (e.g. business hubs, villages halls) |
| Public behaviour | <ul style="list-style-type: none"> • Public awareness, recognition and willingness to pay for delivering public value (e.g. social and environmental benefits) • Farm businesses feel undervalued and misunderstood (e.g. "many do not question where the milk comes from") • Fly-tipping and littering, crime and trespassing – need of help and reassurance that these are being tackled |

4. Connectivity, infrastructure and networks

The main issues facing rural businesses in Durham relating to connectivity centred on internet access (poor broadband), digital skills and transport, specifically public transport. These particular challenges also influence other areas of business opportunities, as a lack of internet connectivity and digital skills limit technical innovation, and poor connectivity due to low public transport provision impacts recruitment and retention as well as net zero transitions.

4.1. Broadband and productivity

Businesses in rural Durham face significant challenges with broadband quality and connectivity. A third of rural businesses rate their broadband quality as being poor or very poor, which is almost double that reported by urban businesses in the region (Figure 15).

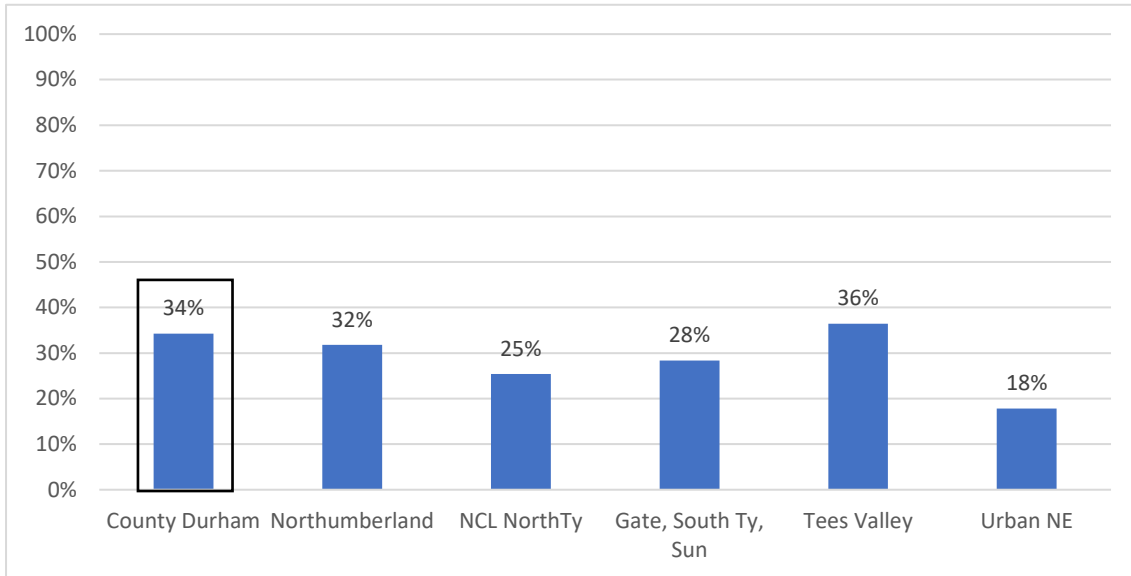
Through the focus group discussions, participants also emphasised problems with internet connectivity, particularly in 'deep' rural areas, whilst highlighting the importance of good quality internet access to their businesses. Many participants described how the instability and unreliability of broadband access has a knock-on effect on other aspects of their businesses, particularly technical innovation to access services that rely on internet connectivity (e.g. remote access to farm monitoring equipment, security for remote holiday lets or campsites, online booking software, accounts and card machines).

Some businesses felt that the cost of accessing the internet were particularly challenging, with the rates paid for connectivity being the same in villages and cities but without the same level of service. For some, a satellite signal is sometimes the only option for internet access, which can be particularly expensive for an individual business and is not a guaranteed solution. Focus group participants highlighted that time spent addressing poor internet connectivity could be better spent elsewhere in managing and developing their business.

They also felt that lack of connectivity adversely affected them as they were unable to market their business through social media channels or keep their website up to date due to lack of bandwidth. The focus group discussions highlighted a general lack of understanding around the options available to improve broadband connectivity and very few participants knew about the Building Digital UK Project gigabit and associated vouchers to support rural residents and businesses.

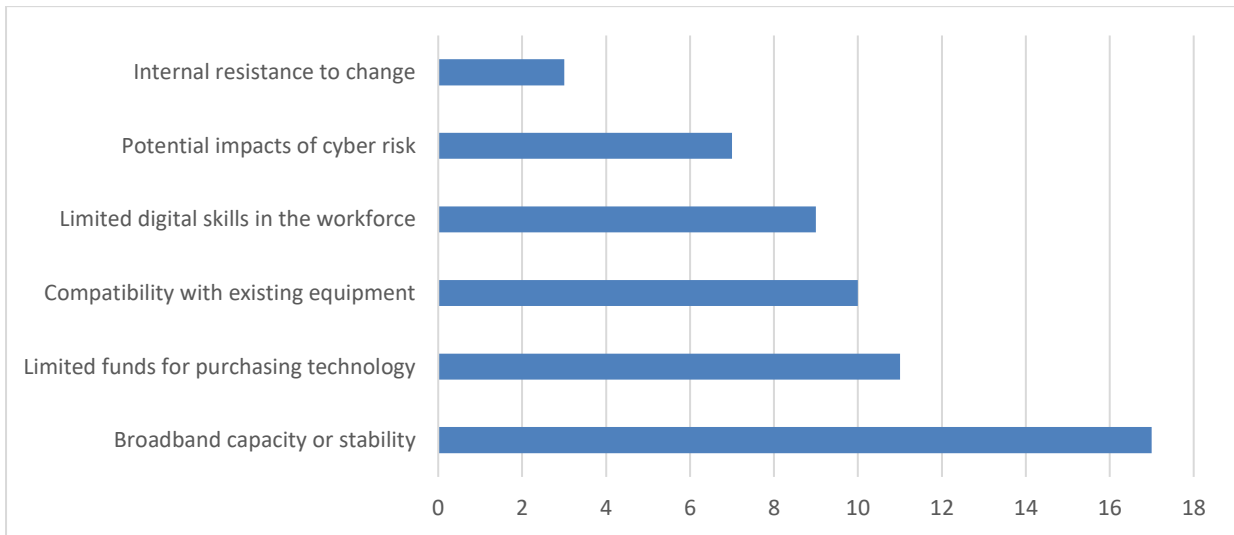
Being able to access a neutral/ independent resource detailing options for improving broadband connectivity would be useful to ensure the best and most cost-effective option was being adopted.

Figure 15: Percentage of businesses rating broadband quality as being poor or very poor ¹⁵



Responses to the questionnaire also pointed to problems associated with the capacity and stability of broadband, difficulties with equipment compatibility, as well as a lack of funds to purchase the necessary technology to take full advantage of the opportunities of digitalisation (Figure 16).

Figure 16: Rural businesses in County Durham citing barriers to digitalisation as significant or very significant to their use of technologies ¹⁶



¹⁵ Durham Rural Business Questionnaire 2023.

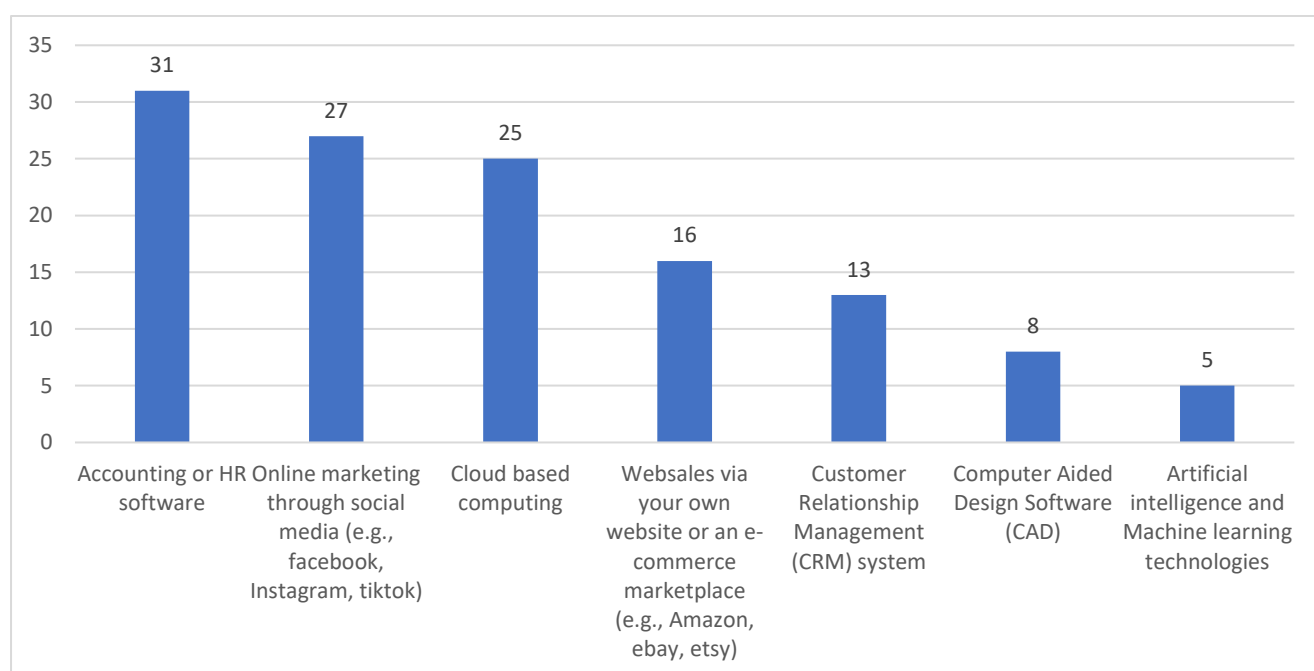
¹⁶ Durham Rural Business Questionnaire 2023.

4.2. Digital technology and skills

Beyond broadband connectivity, the focus groups and questionnaire also drew attention to digital skills. Use of support from the Digital Durham programmes was often mentioned and had been found to be useful, particularly for IT support and equipment funding, but there was also a recognition that many businesses would benefit from further support. Participants recognised the necessity to upskill their digital skills (e.g. social media, podcasts, AI, etc.), which included providing opportunities for staff and business owners to access digital skills training. While several businesses expressed motivation to adopt new digital skills, others demonstrated some reluctance and internal staff resistance to change.

The questionnaire also asked rural businesses about their adoption of digital technologies. The most frequently mentioned digital tools were accounting or HR software, online marketing through social media and cloud-based computing (Figure 17). Several businesses that responded also utilise their own website for sales or have a store on e-commerce marketplaces to sell their products or services. Customer relationship management systems were also commonly used. The least selected technologies by respondents were computer aided design (CAD) software and artificial intelligence/machine learning, though some rural businesses do use these technologies.

Figure 17: Different types of digital technologies currently used ¹⁷

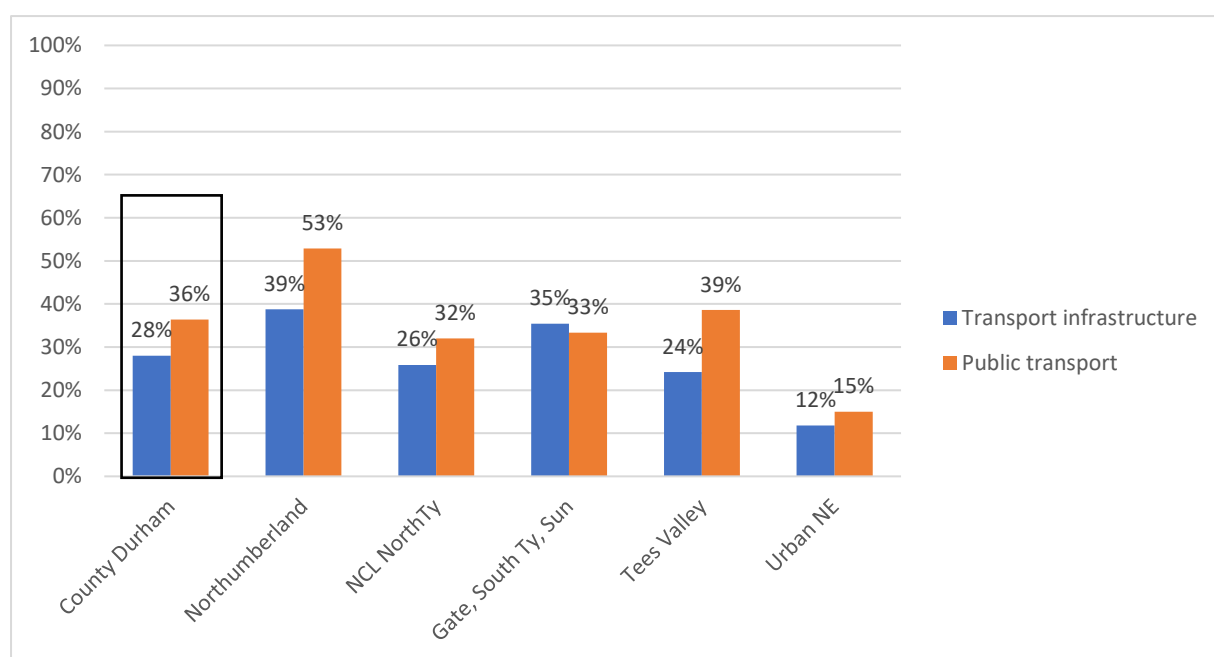


¹⁷ Durham Rural Business Questionnaire 2023.

4.3. Transport provision

Transport infrastructure and specifically public transport, are stated to be poor or very poor by about a third of rural businesses in Durham, which is over twice the response for urban businesses in the region, but less pronounced an issue than in rural Northumberland (Figure 18). Participants across all the focus groups highlighted how poor public transport is a major issue for their businesses. They said that transport costs are high - yet services, particular for buses, are limited, which can impact staffing and time saving overall. The focus group discussions emphasised how poor transport options link closely with the challenge of recruitment and retention, explaining how many rural businesses require that staff have cars to access work, which can limit the pool of available skilled labour. Additionally, participants noted that poor access to public transport limits future career decisions for young people living in rural areas, as they can have difficulty accessing preferred courses or apprenticeship training. Transport problems also pose very particular problems for businesses. For example, a local nursery business described trying to promote independence with young children by taking them out on buses, but that the service was so irregular it left them having to often change plans at the last minute, with parents needing to be contacted to pick up their child from a different location after buses hadn't turned up.

Figure 18. Percentage of businesses selecting transport infrastructure and public transport as being poor or very poor ¹⁸



New types of transport services were viewed positively and flagged by participants (e.g. Tees Flex, Demand Responsive Transport Service), with the caveat that the adoption of

¹⁸ NICRE Rural Enterprise Survey 2021.

phone apps/digital technology can limit who can access new services, especially with the barriers to digital technology already mentioned above.

4.4. Connectivity and infrastructure solutions

Through the focus groups and questionnaire, business owners were able to suggest their own potential solutions to overcome connectivity and infrastructure barriers.

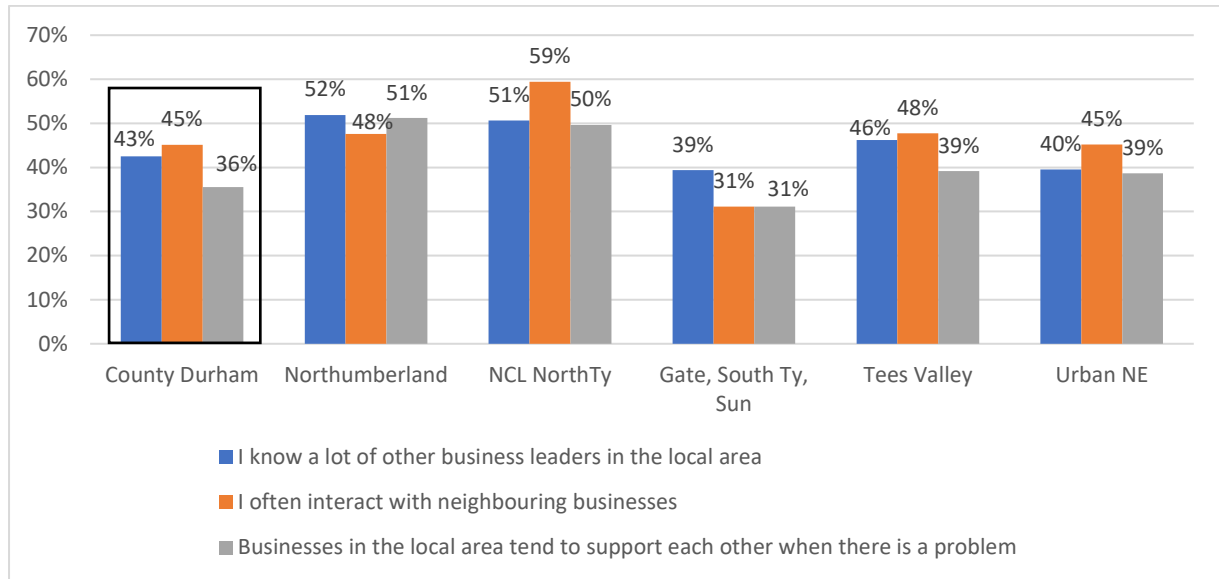
The issue of broadband connectivity was generally felt to require overall improved infrastructure for rural areas, which might include the option of satellite internet, particularly if a collaborative approach could be brokered on behalf of many regional businesses to alleviate costs. It was considered that specific funding to allow businesses to buy routers and booster boxes where 5G is not available would also help address the cost barriers associated with internet connectivity in rural areas. Some businesses also noted that specialised advice for connectivity and digital services would be beneficial, which could include guidance on the best internet options to rural businesses and digital technologies to support their businesses (e.g. on-line marketing, promotion, social media communication). It was suggested that there was a specific opportunity to further expand the offerings for digital and connectivity services based on the learnings from the Digital Durham programme.

Regarding rural transport provision, overall improvement of rural transport infrastructure was suggested, including regular and consistent bus scheduling. Focus group participants highlighted the potential benefits of a Demand Responsive Transport Service like Tees Flex, with the caveat that the service could be made more accessible to a wider range of end-users if it was available beyond a phone-app. Subsidies for sustainable transport methods (public transport, electric car purchases/ car clubs) were also suggested, and in particular for businesses providing essential services though heavily reliant on transport, e.g. such as domestic home care.

4.5. Local business networks and engagement

Compared to businesses in rural Northumberland and Tees Valley, businesses in rural Durham are slightly less likely to connect to other local businesses, local business leaders or to support one another through problems. Yet the picture in Durham is not dissimilar to that in the urban North East and seemingly more positive than in Gateshead, South Tyneside and Sunderland (Figure 19).

Figure 19: Connections to local businesses ¹⁹



Rural businesses which took part in the focus group discussions indicated great interest in strengthened business/ local networks as a tool for exchanging knowledge and information, keeping up with latest changes in the economy, learning from peer-experience and discussing challenges and opportunities with like-minded rural businesses. Many businesses are members of various local/ regional business support organisations and networks such as: North East England Chamber of Commerce (NEECC), MINT Business Club, The Federation of Small Businesses (FSB), Small Business Britain, National Farmers' Union (NFU), the Agriculture and Horticulture Development Board (AHDB), the British Holiday & Home Parks Association (BH&HPA), British Off Road Driving Association (BORDA), Food and Drink North East (FADNE), UMi, Business Durham, Biz Group 66, Dales Business Women, the Inclusive Entrepreneur Network, Entrepreneurs' Forum, and Rural Business Network (RBN).

Some participants mentioned the valuable role of rural business hubs in offering fast broadband, co-working space and hosting business training or mentoring, while also reducing isolation. For self-employed business owners, face-to-face business networks, which provide physical connectivity and social support, but also socialising opportunities, were felt to have positive effects on mental health. Several participants suggested a need for a greater emphasis on bottom-up approaches to build cooperation and trust, coupled with places to meet and network among businesses, in order to encourage greater peer-to-peer support and complement more formal business support and advice programmes.

From the 2023 questionnaire, we find that rural businesses in County Durham cooperate not only with other businesses in their local area, but also with others in the North East as well as other regions to produce, or improve, their products or services. However, there is also a significant number of businesses that do not do so.

¹⁹ NICRE Rural Enterprise Survey 2021.

Key points:

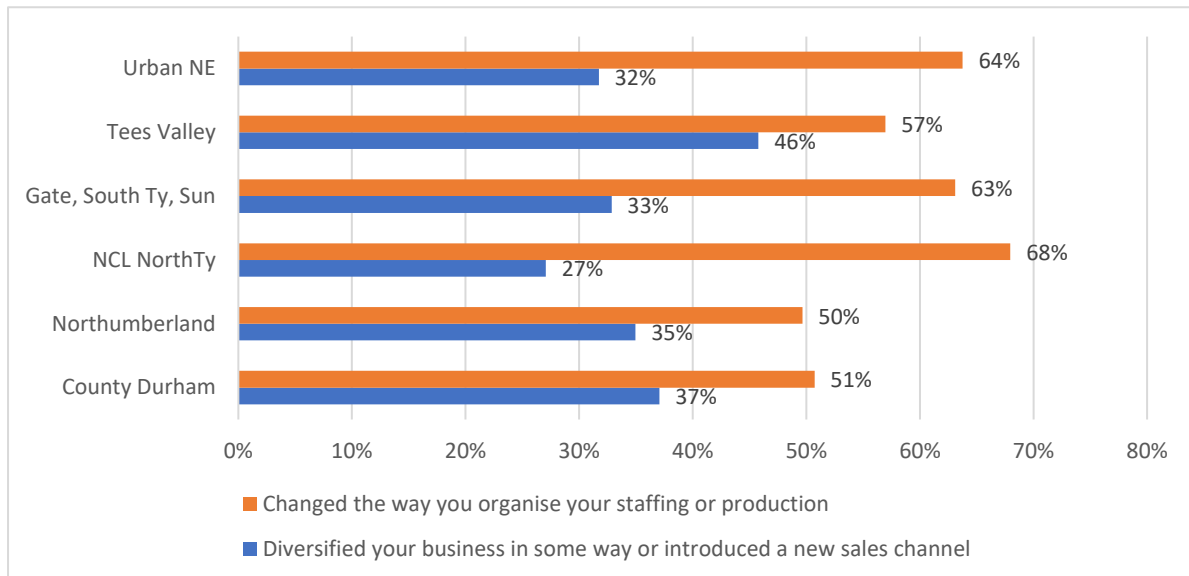
- **Connectivity and infrastructure** represent key constraints on enterprise in the county, relating to **limited broadband, digital skills** and **rural transport provision**.
- Rural businesses are seeking **unbiased information** about **broadband options** and support to **improve internet connectivity**, including potential **satellite access** for rural areas through **larger regional deals** with companies for affordable pricing.
- **Access and information to digital services** are important to rural businesses and there is a need to **boost accessibility**, specifically to **difficult-to-reach rural businesses**.
- **Poor transportation provision** limits **recruitment and retention** for rural businesses and **career training opportunities** for young people in rural areas, requiring **investment in infrastructure** to support consistent bus routes and scheduling.
- Rural businesses are interested in **alternative transportation options**, including **Responsive Transport Services** and **electric cars and car clubs**, which could be **subsidised** along with **public transportation**.
- Strengthened opportunities to **share ideas and network** with other similar businesses (potentially through existing Durham Business Hubs or other successful networks) are highly valued by rural businesses, particularly to facilitate **knowledge sharing, social support** and **reduce isolation**.

5. Innovation

5.1. Range of innovation and entrepreneurship

Businesses across rural Durham are demonstrating a wide range of innovative activities, yet many do not consider their businesses to be innovative *per se*. This was very clear during the Covid-19 pandemic when, for example, half of rural businesses in Durham changed their staffing or production organisation and a third diversified or introduced a new sales channel (Figure 20).

Figure 20: Implementation of business strategies during the pandemic ²⁰



Insights from the focus groups highlight many examples of innovative business models, and of unique and creative products and services. One participant, for example, described implementing changes to packaging materials for their products, which was not only helping them to improve their environmental sustainability but also acting as a selling point to expand their customer base. For this business, and others that are routinely making new or significant changes or improvements to products, process or services, these innovations are essential for their business vitality, though they themselves do not always recognise them as such as they may not be linked to advanced and innovative technologies. Specifically, many businesses fail to recognise their social, cultural, eco/green, inclusive practices as innovative.

"We try move forward to make things easier all the time and your figure it out.. we're always looking for things, easier and different ways of doing things"

"Innovation – that's something I thought we don't do, because we just plod along. But having listened to it.. It's something we do, do it! We don't give the title of innovation.. that word is a scary word..."

"No, I wouldn't identify as innovative business. But we're a creative business, that's innovative, isn't it?"

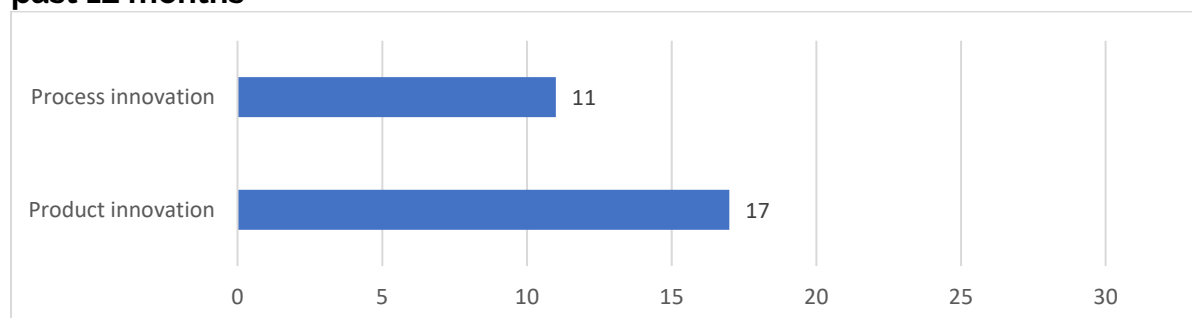
Moreover, for some businesses adopting innovative cutting-edge technologies, they might fail to market it as 'innovation'. This position can limit businesses' ability to seek for, and thus access, external funding or target effective customer engagement strategies.

Findings from the questionnaire show that many of Durham's rural businesses have introduced new or significantly improved products or services to customers in the past year, and new or significantly improved processes to the business, such as business

²⁰ NICRE Rural Enterprise Survey 2021.

models or supply-chain changes (Figure 21). As mentioned earlier, many of them also have product or process innovation amongst their top priorities for the next three years.

Figure 21: Introducing new or significant improved products or processes in the past 12 months ²¹



Innovation has brought many different benefits to the businesses. It has helped to improve quality and the range of existing goods and services, replaced outdated ones, as well as adding value to their business offer. In the focus group discussions, businesses explained how, as a result of innovation, they were able to improve the flexibility and capacity for producing goods or services, reduce environmental impacts, and satisfy regulatory requirements. Innovation also helped to bring down energy and overall costs for the business.

The businesses also experience obstacles to innovation which may be a focus for future innovation support. Lack of qualified personnel and expertise was mentioned by several businesses as holding them back from implementing any significant changes or improvements to their products or services (Figure 22). Others explained, at the focus groups, that they could often be bogged down in administration and red tape which meant less time and energy for forward planning and implementing change. They complained that managing and addressing more pressing business issues or activities, such as, addressing changes to minimum wage, offering pensions, audits, paperwork, does not leave them with much time to plan for improvements or changes in products or services.

The costs of innovation and availability of finance was also highlighted (Figure 22). One business, for example, explained that significant changes or improvements to the business required their family to make a major personal investment, when there might be other more pressing matters needing attention.

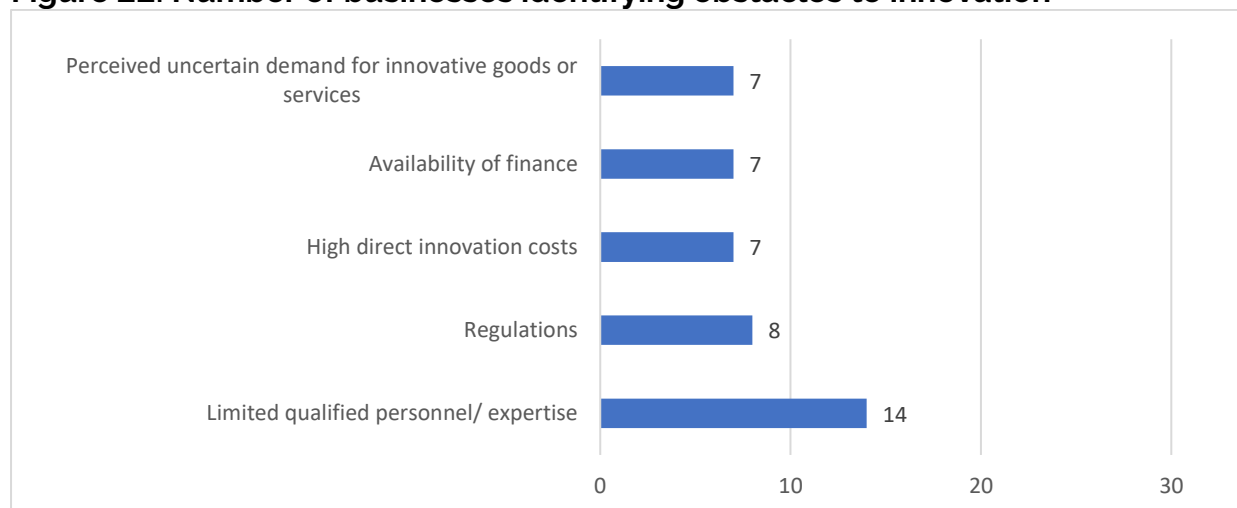
“..Agree, time and cost, and cost especially stopping you moving forward.”

Broadband speed and reliability pose significant constraints to process innovation. Several businesses in the focus groups gave examples of when they had tried to introduce changes to business processes or digitalisation. A farmer who diversified their business for example, had tried to introduce an online booking system, install variable rate application systems, or have CCTV fitted in the business, to improve efficiency and productivity, but only to find the changes did not work and were even more time-

²¹ Durham Rural Business Questionnaire 2023.

consuming due to unreliability of internet connection. Numerous businesses mentioned the challenges of taking card payments due to the unreliability of the network.

Figure 22: Number of businesses identifying obstacles to innovation ²²



5.2. Innovation support

Most of the small businesses in rural areas are micro-firms, sole traders or self-employed businesses. Several explained in the focus groups that they do not require large-scale funding to support them being innovative or to make changes or improvements to their business. Many were looking for eligibility for, and access to, smaller funding opportunities which they felt would be more applicable and beneficial, not only in terms of business growth and job creation, but also for providing benefits to the wider rural community.

"This is what I found the struggle with, sometimes the grant starts at £100,000, I don't need £100,000, I probably need £5k or £10k! No sorry, we won't give you that.. whereas my 5 or 10 will do more for a small business than what 100/200 will do in a big company."

"They need to understand your full process of production and your needs, beyond generating jobs and incomes, as rural isn't about that, is about holding the rural community together. If you don't have that village shop, where is that old lady gonna go and talk to.. she may not talk to anybody all week..!"

As discussed, above, despite the significant range of innovative activities being carried out by small businesses in rural Durham, many such businesses do not class themselves as 'innovative' or do not associate with the term 'innovation'. In turn, they may not think funding and support specifically targeted at innovation or research and development (R&D) is applicable to them. Difficulty with accessing funding and understanding eligibility criteria may therefore reflect limited uptake of innovation grants and dedicated support. It follows that raising awareness and understanding of innovation and innovation support will be especially valuable in helping rural businesses to make use of any innovation support.

²² Durham Rural Business Questionnaire 2023.

For those firms that had considered applying for innovation funding, some described finding the application process too complicated and time-consuming, especially for those who are not familiar with the procedures. In addition, timing of R&D funding payments – which is paid after changes or improvements have been implemented – presents major difficulties with cash flow at the start of the innovation process.

Some businesses had accessed R&D tax credits but noted the challenges around cashflow and the time taken before the money comes back into the business. Sole traders were unaware of R&D credit claims and also raised the issue that they were not aware of such opportunities when choosing the legal structure for their business.

Key points:

- Businesses across rural Durham demonstrate a **wide range of innovative activities, but many do not consider themselves to be innovative**, which can limit business' ability to seek and **access external funding** or target effective customer engagement strategies.
- Specifically, **aside advanced technology**, many businesses fail to recognise their **social, cultural, eco/ green, inclusive practices** as innovative.
- Limited **qualified personnel and expertise, administrative requirements** and **red tape, set-up costs, broadband speed and reliability** are major obstacles to innovation in rural businesses.
- **Small and micro rural businesses** are looking for eligibility for, and access to, smaller funding opportunities to enable them to make changes or improvements and would welcome **bespoke and targeted funding opportunities**.
- Innovation support **grant funding is considered complicated and time-consuming**, especially for those unfamiliar with the procedures, requiring **process simplification** and efforts to **raise awareness** and **understanding of innovation** and innovation support among rural businesses.

6. Net zero transition

The main challenges facing rural businesses in County Durham concerning their transition to net zero are related to knowledge and understanding of what this means for the business, clarity on incentives and restrictions, and a disconnect between customer/public awareness and business practices.

6.1. Business knowledge, attitudes and perceptions

The focus group discussions suggest there is a general lack of understanding and interest in net zero transitions. This is not to say that rural businesses are not interested in net zero or the environmental sustainability of their enterprises, but rather that there is a disconnect between large-scale net zero efforts at a regional and national scale (e.g. green energy, carbon accounting, off-setting) and individual business decision-making. Many businesses were less concerned about net zero targets as they either felt that they were naturally achieving them or that they were too small a business to really make a tangible impact. As one participant commented:

"What's in it for my business, it's the latest buzzword and not many people understand it. What else do you want me to do?"

A key element is thus helping businesses to understand what are the benefits to them and use them as marketing tool to promote their unique selling proposition, as noted by one participant:

"A client asked what we were doing to make our products more sustainable and I explained about how we source ingredients, how the majority of our packaging is recyclable and what plans are for the future.....they said we should be promoting that, as others would want to know and would buy....I'd never thought about using it as a marketing angle."

Participants in focus groups were aware of carbon calculators as a potential tool to assist with their net zero activities but found them burdensome and unclear. Many businesses are now obliged to complete carbon assessments, but it was felt the information required is often at a scale for much larger businesses, which points to a specific need for clearer and more tailored guidance.

Electric cars were a topic of interest at focus groups, especially in relation to addressing the challenge of transport provision in rural settings. Focus group participants highlighted a need for investment in infrastructure for electric car charging points—many businesses are unable to add electric charging points to their houses due to poor infrastructure. A local, fully electric car club, such as the Derwent Valley Car Club scheme, was discussed and had been well received by those participants who were aware of it. While this opportunity was viewed favourably, it was unfamiliar to many focus group participants, which may suggest that wider understanding and awareness of options could be improved.

The supplementary questionnaire also asked about measures businesses had taken towards net zero. About half of the respondent businesses said they had taken some measures to improve their business' environmental sustainability. The businesses highlighted that the main benefit of adopting sustainability improving measures was to reduce costs (Figure 23). Environmental measures also helped several of them to develop new products or services, enter new markets, develop new skills for staff, as well as to attract or retain their employees.

They also signalled several barriers to carbon emission reduction efforts. The most prominent constraint related to costs, with the cost-of-living crisis further intensifying the challenge (Figure 24). Uncertain demand for low carbon products or services, limited information on low carbon technologies and administration and legal procedures were also factors hindering business's carbon emission reduction efforts.

Figure 23: Benefits from measures taken to improve environmental sustainability ²³

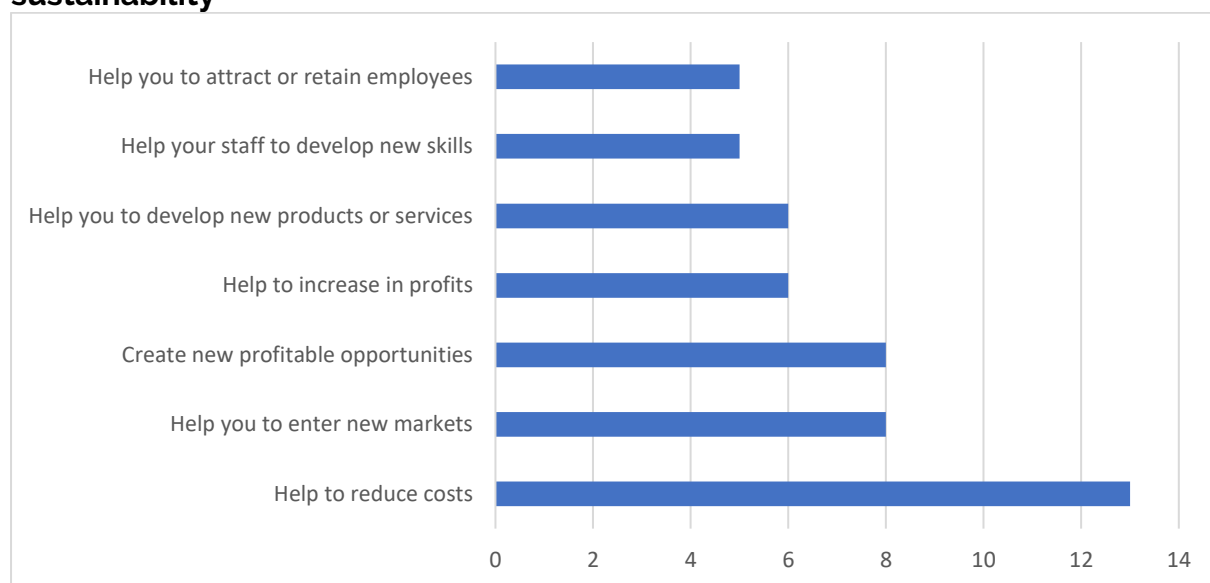
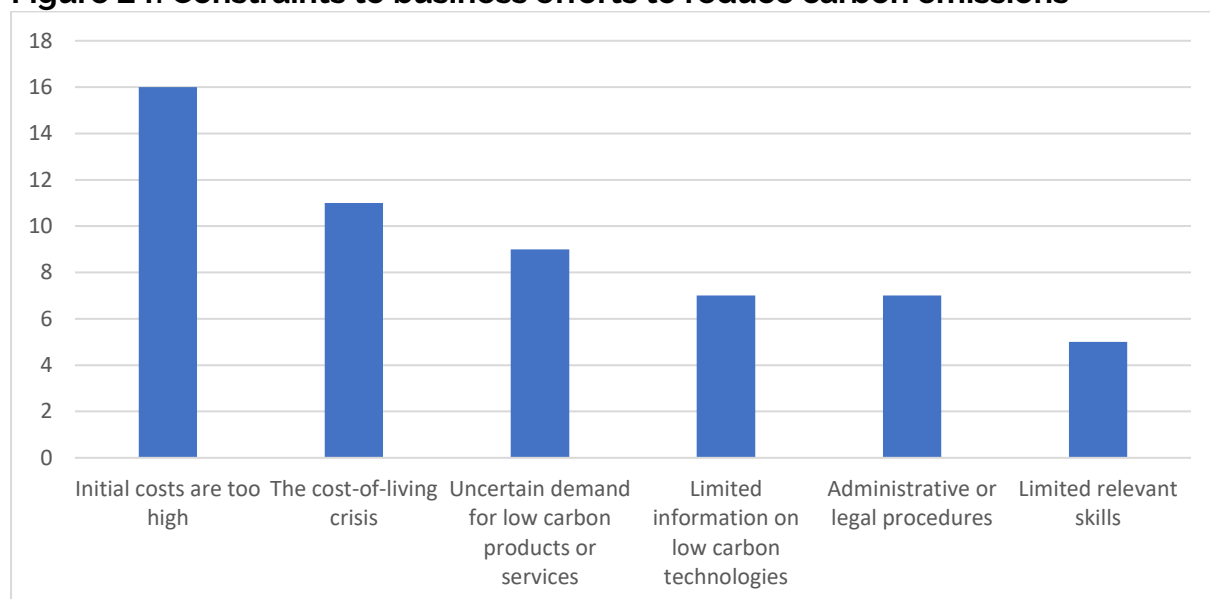


Figure 24: Constraints to business efforts to reduce carbon emissions ²⁴



²³ Durham Rural Business Questionnaire 2023.

²⁴ Durham Rural Business Questionnaire 2023.

6.2. Clear incentives and regulatory restrictions

Even when rural businesses expressed interest in adopting practices towards net zero, they often lamented the lack of clear and tangible incentives, particularly in the face of regulatory requirements and restrictions, and initial set-up costs (Figure 24). Focus group participants felt that incentives for businesses to move toward net zero are unclear and limited and needed to address business concerns about costs.

Participants found application processes and regulations to be a barrier to adopting net zero measures, particularly solar and wind options, and business owners who worked from home noted that installing renewable energy options can be limited by building regulations (e.g. Grade 2 listed buildings). Furthermore, working from a home office prevented some focus group participants from qualifying for net zero grant funding because of requirements for business premises.

6.3. Public awareness and willingness to pay for more sustainable practices

The focus groups also highlighted the vital role of customers in business adoption of net zero measures. For some businesses, they believed their customers were less concerned about sustainability/ net zero practices, or at least less willing to pay a higher price for environmentally friendly practices, which meant less business incentives to make changes.

Uncertain demand for low carbon products or services was a constraint that was also flagged in the questionnaire responses by several more businesses. The focus groups also suggested that customers often found it difficult to discern what activities are more sustainable, where responsibility lies within the supply chain, or to appreciate the implications of new measures for the ultimate costs of products and services. Overall, it was felt that the messaging about net zero practices and actions taken by businesses could be better communicated to customers, through further clarity about the importance of transitioning to net zero across the county for both businesses and the general public.

6.4. Net zero transition solutions

The opportunities for net zero transition solutions from focus group discussions emphasised a need for improved incentives for businesses to adopt new practices or measures. In particular, subsidised electric car purchases for businesses and/or funding and support to establish electric car clubs were viewed very positively. The suggestion of a free carbon audit service to work out consumption was, mostly, welcomed and could be part of a wider strengthening of advice for rural businesses to address many of the challenges outlined in this report. It was also suggested that free resources with examples and case studies available to businesses around ways they might transition to net zero would be useful.

Key points:

- Among rural businesses in the county, there is concern over **costs** and a **lack of understanding of the business benefits** of making changes towards net zero.
- **Carbon calculators** can often appear **burdensome and unclear**, suggesting **guidance and support** toward utilising and implementing carbon calculators would be welcome, alongside a free **carbon audit service**.
- Resources of **best practice** and **case studies** demonstrating **sustainability and net zero**, demonstrating **clear and tangible incentives** would provide information and inspiration to rural businesses.
- Improved messaging about actions taken by businesses could be better communicated to customers, with raised awareness of the **importance of transitioning to net zero** across the county for both businesses and the general public.
- Interest in net zero and sustainability measures exist, particularly toward **solar and wind energy** and **electric vehicles**, but **strict regulations** and **long application processes** prevent businesses from adopting changes.
- Restrictions in **building regulations** for Grade 2 listed buildings can **hinder efforts to reduce environmental footprint** and **energy costs**, particularly for home-based businesses.
- **Investments in infrastructure** are needed to support rural business transition to net zero, especially in relation to **electric cars and charging ports**.
- Local, fully **electric car club** scheme would **support net zero efforts** and **improve the transport provision** in the county.

7. External business support and advice

7.1. Take-up of business support and grant funding

Focus group discussions flagged up several themes relating to perceptions of business support and its accessibility for rural businesses. Despite an appreciation of particular needs and areas where support could be beneficial, there was a commonly expressed view that uptake was low, and especially so for micro enterprises. For some participants, reasons for low uptake were in part due to a strong sense of independence among business owners, with some also feeling too proud to look for and accept business support:

"We're too proud in County Durham to ask for help!"

"My husband would go: support? They think I need support?"

Whilst this may be true for some, the discussions also raised concerns around accessibility. Many businesses admit they do not know whether or not they are eligible for external support and advice. Building an understanding of specific eligibility criteria for different types of programmes in terms of catchment area, but also criteria on available types of support measures, was felt to be too complex and time-consuming, which deterred businesses from applying in the first instance.

"There's a lot of support available if you know where to look and you're in the right location."

"But it's a lottery, you don't know if you gonna get it or not, and if you aren't gonna get it, then it falls on us to fund it.. and it's that lack of continuity in support for businesses, for rural businesses, but also finding it, finding that information."

Many businesses reported that they would not know where to look for specific types of support measures and how they often 'stumble' upon grants by chance, through social media or conversations with peers. Finding where they can get support is considered a steep learning curve. The problem is exacerbated given that available advice and support was seen as being too unstable and short-term, often disappearing with new funding schemes or programmes, which meant businesses had to repeatedly start from scratch.

A key challenge reported by many businesses, was a view that funding thresholds – in terms of scale of funding or minimum spend – were set too high for the size of their businesses. Many would welcome the availability of smaller and more accessible grants and loans to support purchase of pieces of technology and IT equipment (e.g. laptops, machinery, software) as well as revenue or technical support to help set-up infrastructure, trouble shoot problems or improve training and skills.

Businesses also feel frustrated by the grant funding applications process – which they consider often highly bureaucratic, time-consuming and not always worth the effort:

"Not worth it for small funding ..[you] going to spend 6 years of your life writing that application form!"

"Funding forms are just so complicated, and you look at them and go - I can't be bothered. It's too much effort, because I'm not a business person, for me to understand all that."

"[I am] not programmed to write funding forms that way, we're not stupid, we know it needs to be done in a particular way, but cannot write it in that way they want us to! It's stressful."

The language used in forms and requirements were often viewed as being too distant from participants' own experience. For instance, businesses were put off by the language of innovation in being able to identify with and apply for innovation grants or if looking to access expert support (refer to Section 5 on innovation).

Focus group participants pointed to the benefits of having trusted advisors or local facilitation, to help businesses access and navigate through the complexity of funding, identify sources of support and services they would be eligible for, and which would benefit their business. This type of more personal, in-person and proactive support was important in building understanding of their business operation and needs, their rural context, and in leading to more practical and bespoke support over a longer period of time.

These issues together suggest a need for improved design, promotion and facilitation of available support and delivery of more accessible measures.

7.2. Type and format of business support

The focus group discussions and questionnaire responses indicate that rural businesses have used a range of support programmes and grants available across the county, such as the County Durham Growth Fund, Digital Drive County Durham, Durham Ambitious Business Start-ups (DABS), and Durham Business Recovery Grant (Covid-19), *inter alia*. Many pointed to positive experiences, for example in accessing the free business support and advisory services of Upper Teesdale Agricultural Support Services (UTASS) and Enterprise House or in accessing IT support and equipment funding through the digital support programme. There was also praise for the support given by local networking groups and community support organisations for small businesses (one example given being BizGroup66).

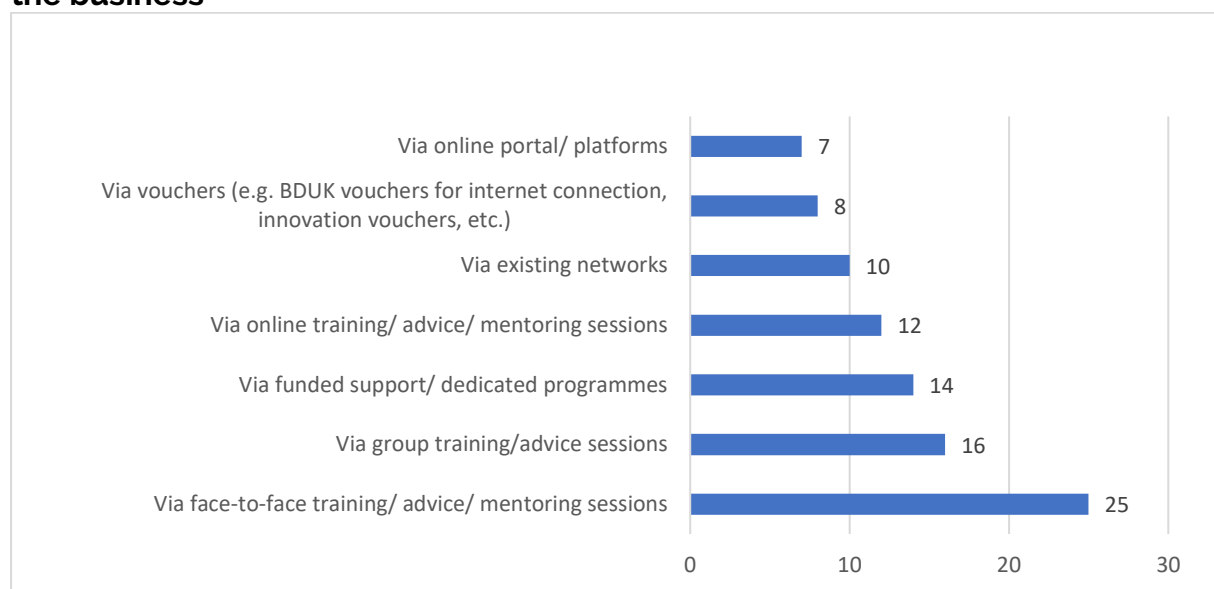
The support and advice received had helped businesses in numerous ways. On the one hand, grants and funding provided financial resources which had enabled businesses to offer new services to customers, improve process efficiencies, provide new services to customers, or buy and acquire new space, tools and equipment essential for business growth. Networks and contacts had helped them to acquire knowledge, information, and develop new ideas.

In terms of format of business support and advice delivery, the vast majority of businesses consider face-to-face training, advice or mentoring sessions to be most useful for them (Figure 25). Group training or advice sessions are also seen as a desirable format to deliver support and advice. Other useful formats for receiving support or advice, in order of importance, include funded support or dedicated programmes, online sessions, existing networks, vouchers, and information or solutions from online platforms.

There was a strong preference for in-person support, business networks and peer-to-peer learning. In this respect, businesses felt that regular, facilitated knowledge-exchange sessions would be useful for enabling peer-to-peer learning. Businesses welcome the opportunity to share experiences from other businesses on ways to overcome similar challenges. Several mentioned the important role that business hubs play in rural areas, acting as a community of practice for businesses to share tips and ideas, providing supportive networking and bolstering resilience, with wider positive community spill-overs in terms of mental health and well-being. In contrast, paid, formal business support was generally perceived with more scepticism, and seen by some as a less valuable, tick-box exercise.

Focus group participants felt it was important to ensure that advisory services, business training and mentoring should be kept within the local economy, utilising existing trusted networks, organisations and support programmes, rather than reinventing the wheel and displacing current provision.

Figure 25: Format in which external support or advice would be most useful for the business ²⁵



With regard to the specific type of content for business support and advice, respondents to the questionnaire and focus group discussions highlighted a wide range of priority needs and dedicated business support services for rural Durham, namely:

- Accessing relevant grants and funding, with associated mentoring or consultancy schemes;
- Accounting, business and financial analysis;
- Digitalising the business, including online marketing and promotion;
- Recruiting and training staff;
- Business growth, expanding into new markets inside and outside the region;
- Regulations changes, e.g. planning permission and building regulation;
- Developing local networks for similar types of business, for space, and for energy efficiency.

²⁵ Durham Rural Business Questionnaire 2023.

Key points:

- **Uptake of business support** by rural businesses is often limited by a **sense of independence** and **pride in looking for and accepting external support**, as well as **low understanding of where to seek advice** and support.
- Businesses have difficulty **accessing funding support** due to **location restrictions** and **complex application** processes, as well as **inappropriate funding thresholds** (especially for small and micro businesses) with respect to scale of funding or minimum spend.
- Rural enterprises would welcome the availability of **small accessible grants** and loans to support purchase of pieces of technology and equipment, as well as **revenue or technical support** to help set-up infrastructure, trouble shoot problems or improve training and skills.
- Rural businesses in Durham are interested in advisory services, business training and mentoring through **in-person advice**, **business networks** and **peer-to-peer learning**, e.g. delivered via rural **business hubs**.
- **Trusted advisors** with specialist knowledge **relevant to rural businesses** and **trusted organisations and networks in the local community** are best placed to **facilitate knowledge exchange** and **deliver business support**.

Appendix

The project comprises two main strands of work and associated analyses, described as follows.

The first strand consists of secondary data analysis using the 2021 NICRE State of Rural Enterprise Survey which focussed on the needs and opportunities of rural (farm and non-farm) businesses, in comparison to a reference sample of urban businesses. The survey covers over 4,000 businesses across three English regions in the UK – the North East, the South West and the West Midlands. The survey, conducted between June and August 2021 using Computer Assisted Telephone Interviewing (CATI), features private sector for-profit and not-for-profit businesses employing at least one person, and includes in total 2,555 rural non-farm businesses, 860 urban non-farm businesses, and 529 farms. Within the North East region, the sample covers 1,284 businesses. Businesses were classified as rural or urban based on the official ONS (2013) classification. As the sample was weighted by firm size, responses are weighted to give regionally representative results for the rural and urban business populations²⁶.

This report concentrates on the findings for non-farm rural businesses in County Durham, with a reference sample from other rural areas, as well as urban businesses, in the North East. The rural Durham sample covers 326 non-farm businesses.

The second strand involves primary data collection from a combination of two methods – in-depth focus group discussions with rural businesses and a supplementary online questionnaire. This work mainly focused on three main thematic areas where development of further understanding was needed, with a specific focus on key challenges and opportunities for rural businesses across County Durham. It sheds light on business experiences in the transitions towards net zero and digitalisation, innovation, and the most valuable types of funded support and business advice needed in rural areas. Different sectors of the economy (including farm and non-farm businesses) and different size bands were targeted for participant recruitment to both focus groups and online questionnaire. Particular effort was made to engage businesses in deep rural areas and those who do not normally engage in business support and networking in order to better understand their needs and motivations. All participants gave their informed consent and were assured of confidentiality and anonymity of their identity.

Five in-person focus groups were conducted during March 2023 and hosted at different locations across rural County Durham. These locations were: West Butsfield, Houghall, Barnard Castle, Preston-le-Skerne and Castle Eden. Venues utilising village halls or enterprise hubs were prioritised, where available, with catering supporting the local rural economy. Focus groups were specifically spread geographically to encourage representation from local businesses, including those in most 'deep' rural areas, as well as to reduce miles travelled. In total, 24 participants joined the focus group discussions, representing 34 businesses. One focus group was specifically aimed at farmers and one at social enterprises (inc. CIC). Overall the participants represented a wide array of diverse

²⁶ Further empirical evidence from NICRE will become available through a second major national survey of rural businesses in 2023, covering thematic issues such as costs of doing business, environmental impacts, skills and labour availability.

businesses, in terms of industry, legal status and employment size, albeit a large majority were from micro (less than 10 employees) and small businesses (10-49 employees)²⁷.

Some focus groups consisted of three or four members, while the largest had eight participants. These sizes are within the range recommended in the literature, with the variation reflecting business availability. Focus groups ran for two hours/ two hours and a half, which reflected the need to balance having sufficient time for the discussion of issues against interviewer/ facilitator and participant fatigue. The timings of the focus groups (10am until 1pm) were identified as the most convenient timing, to allow businesses the opportunity to attend without adversely affecting their working day, and included coffee/ tea upon arrival and lunch as opportunities to network and as a token of appreciation ('incentives'). All interview discussions were audio-recorded and transcribed to facilitate data analysis.

The supplementary online questionnaire of rural businesses aimed to offer a wider opportunity for businesses to engage in the project and provide their input. It was not intended to provide, and resources and time would not allow for, a fully representative survey and sample of business in rural County Durham. The questionnaire was conducted over a three-four week period between March and April 2023. The questionnaire, which was administered through Qualtrics, was promoted via NICRE, RBN, network partners and social media, and shared via main local organisations and business associations operating across County Durham (e.g. local government agencies and bodies, community and voluntary organisations, rural/ farming business networks). The questionnaire took 10-15 mins for completion and included closed and open-ended questions. Of the 45 businesses which participated in the questionnaire, we included in this report the 32 located in a rural postcode, according to 2011 Defra Rural Urban classification. The online questionnaire covers self-employed, micro, small, and medium businesses, which are aged from less than three years to more than twenty years, and operating from different industries²⁸.

²⁷ Participants of the focus groups represented businesses operating across a wide array of different sectors: Agriculture, forestry and fishing; Manufacturing; Accommodation and food services; Information and communication; Wholesale & Retail; Finance and insurance; Real estate; Business administration and support services; Education; Human health & social work; Arts, entertainment, and recreation; Other services.

²⁸ Questionnaire respondents represented businesses from the following sectors: Agriculture, forestry and fishing; Manufacturing; Construction; Professional, scientific and technical activities; Business administration and support services; Education; Information and Communication; Arts, entertainment, and recreation; Human health and social work.

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