

**Title:** North East Universities Innovation and Commercialisation Programme 2026-2027

**Report of:** Phil Witcherley, Director of Economic Growth and Innovation

**Portfolio:** Home to a Growing and Vibrant Economy

### Report Summary

The purpose of this report is to outline the detail of the North East Universities Innovation and Commercialisation Programme (the Programme) and seek approval for the allocation of funding in the sum of £2.168 million for a 12-month period (April 2026–March 2027) to be awarded to Durham University as accountable body and lead delivery partner for the Programme. This investment will maintain continuity of two established programmes – Northern Accelerator and Arrow – and extend their delivery across the entire North East Combined Authority (North East CA) geography.

The Programme is an existing programme previously funded by the UK Shared Prosperity Fund (UKSPF). It is intended that this additional funding will extend the Programme for an additional 12 months from April 2026 to March 2027 following the end of the UK Shared Prosperity Fund and will extend coverage across the entire North East CA region, now integrating Sunderland University fully into the Programme. The Programme will continue to deliver a region-wide, consistent offer for innovation and spin-out support, and will respond to expressed demand from businesses in Gateshead and South Tyneside.

Durham University is the lead partner for Northern Accelerator and hosts the core delivery team within its Research and Innovation Services (RIS) department. This team provides administrative, strategic and operational management for the programme. Arrow is a Newcastle University–led innovation support programme, designed to break down barriers that prevent Small and Medium Enterprises from accessing university expertise.

### Recommendation

The Chief Executive is recommended to:

1. Approve the allocation of £2.168m of North East CA Integrated Settlement funds for the Programme; and
2. Approve that North East CA enters into a grant funding agreement with Durham University as the accountable body and lead delivery partner to provide £2.168m funding to operate and manage the Programme .

### A Summary of Investment Proposal (Context)

#### Key Project Information

Project Outline	
<b>Funding Source</b>	Integrated Settlement
<b>Proposal Name</b>	North East Universities Innovation and Commercialisation Programme
<b>Lead Organisation</b>	Durham University
<b>Delivery Areas</b>	Regional
<b>Start Date</b>	1 April 2026
<b>Financial End Date</b>	31 March 2027

<b>Practical completion date (date by which all outputs will be achieved)</b>	30 September 2027
<b>Total Project Value</b>	£2,168,000
<b>Grant Amount Requested</b>	£2,168,000
<b>Budget Implications</b>	£2,168,000 to be taken from Integrated Settlement

## 1. Background

The Programme is split into two new models which align the Programme with wider ecosystems:

- Northern Accelerator – accelerates research commercialisation by creating and scaling high-growth spin-out companies from university research. Northern Accelerator connects with the Strategic Commercialisation Ecosystem North East programme (SCENE), a five-year initiative focused on enhancing technology transfer and commercialisation in the region, and the Inspire Spin-Out Fund to strengthen commercialisation and investment readiness.
- Arrow – embeds innovation in SMEs by connecting them with university expertise to develop new products, services, and processes. Arrow will integrate with broader university innovation offers and national programmes (e.g., Knowledge Transfer Protocols, Innovate UK).

The North East continues to face a structural challenge in business-led Research & Development and innovation activity, which constrains productivity and competitiveness. Without North East CA funding, both programmes would cease when current UK Shared Prosperity Fund funding ends on 31 March 2026, having a negative impact on North East CA objectives. It would risk loss of momentum to Combined Authority's Access to Finance Programme, particularly its £22.5m Inspire Spin-Out Fund (jointly funded with the universities) and disruption to wider SME innovation support, reducing regional capacity to attract national funding and private investment.

The proposed additional funding underpins wider leveraged investments, including £9.7m Research England-funded Strategic Commercialisation Ecosystem North East programme and projected £42m co-investment into the regional innovation ecosystem through the Inspire Spin-out Fund (£22.5m), Strategic Commercialisation Ecosystem North East, private sector leverage (£10m+) and additional University and Partner contributions.

Cabinet has previously endorsed the principle of supporting innovation-led growth and university-business collaboration through UK Shared Prosperity Fund-funded programmes (In-TUNE) and agreed delegated authority for programme delivery under North East CA's Single Assurance Framework. This proposal represents the next step in that strategy, ensuring continuity and alignment with North East CA's Local Growth Plan and Devolution Deal commitments.

The streamlined delivery model reflects Cabinet's guidance on minimising overheads while ensuring compliance. Governance will be maintained through collaboration agreements between Durham University as the accountable body and lead delivery partner with Newcastle University, Northumbria University and Sunderland University, quarterly reporting to North East CA and alignment with North East CA branding and communications requirements.

Independent evaluations of previous phases of Northern Accelerator and Arrow demonstrate strong impact and value for money:

- Northern Accelerator has created 63 spin-outs since 2016, attracting over £165m investment and delivering high-value jobs in priority sectors. Return On Investment forecast: £7.40 Gross Value Added per £1 invested.
- Arrow has supported over 250 businesses, catalysing innovation projects projected to deliver £11m net additional Gross Value Added and a Return On Investment of £3.84 per £1 invested.

## 2. The Investment Proposal

The North East Universities Innovation and Commercialisation Programme is a collaborative initiative between the North East CA and the four regional universities of Durham, Newcastle, Northumbria, and Sunderland (Partner Universities). It aims to address a critical economic challenge: low levels of business-led Research & Development and innovation in the region, which constrain productivity and competitiveness.

The programme would directly support increased private investment and co-investment; The Inspire Fund and Strategic Commercialisation Ecosystem North East create strong conditions for attracting private investors and venture capital, especially for high-growth spin-outs. Additionally, Arrow's innovation projects have often led to follow-on funding from Innovate UK and private sources.

This proposal therefore seeks £2.168 million North East CA funding for a 12-month period (April 2026–March 2027) to maintain continuity of these programmes following the end of UK Shared Prosperity Fund funding and extend delivery to cover all universities in the North East CA area. The total costs for the project are included in the table below:

Budget Heading	2026/27
	Total
<b>Salaries Total</b>	£1,466,182
Durham (Arrow)	£205,817
Durham (Northen Accelerator)	£241,278
Newcastle (Arrow)	£421,701
Newcastle (Northen Accelerator)	£81,938
Northumbria (Arrow)	£185,340
Northumbria (Northen Accelerator)	£75,819
Sunderland (Arrow)	£203,021
Sunderland (Northen Accelerator)	£51,268
<b>Flat Rate Indirect Costs</b>	£219,927
<b>Marketing &amp; Promotion Total</b>	£22,000
Arrow: Consumables	£10,000
Arrow: Marketing	£12,000
<b>Other Revenue Total</b>	£460,000
Northern Accelerator Programmes: Proof of Concept	£300,000
Northern Accelerator Programmes: Executives into Business	£100,000
Northern Accelerator Programmes: Future Founders	£60,000
<b>Grand Total</b>	<b>£2,168,109</b>

The proposal aligns with:

- North East CA Local Growth Plan (2025–2035) – missions for inclusive economic growth, green energy revolution, and global competitiveness.
- Corporate Plan – priorities for innovation, skills, and Net Zero transition.
- North East Devolution Deal – commitments to increase business Research & Development, foster university-business collaboration, and support scale-ups.

Beyond March 2027, there is potential for the programme to migrate to the £410m Local Innovation Partnerships Fund, which is designed to empower regions to shape Research & Development investment aligned with local strengths. This fund will provide at least £30m to the North East CA region, supporting transformative innovation through local partnerships. To support this transition, the North East CA is already taking proactive steps, including aligning Programme activity with emerging priorities, strengthening regional university–industry collaboration structures, and engaging early with central government on programme design and readiness.

In addition, Research England is reforming Higher Education Investment Fund for 2026–2031 to focus on outcomes-driven funding tied to economic growth and regional impact. The programme aligns

strongly with Higher Education Investment Fund priorities for knowledge exchange, commercialisation, and inclusive growth.

North East CA is currently building an evidence base of impact and demand that can feed directly into future funding proposals and Business Support Framework.

Effective and coordinated communications will be essential to the successful delivery of the North East Universities Innovation and Commercialisation Programme. Given the Programme's strategic importance, the scale of public investment, and its role in advancing North East CA's economic objectives, a clear and proactive Communications Plan has been developed to ensure visibility, transparency, and stakeholder confidence.

The Plan will:

- Ensure consistent messaging across all Partner Universities, delivery teams (Northern Accelerator and Arrow), and the North East CA, reinforcing the Programme's purpose, achievements, and regional impact.
- Provide visibility for the funder, ensuring that the North East CA's investment (through the Integrated Settlement) receives appropriate recognition and is clearly associated with measurable outputs and outcomes.
- Support stakeholder engagement, including SMEs, academics, business support organisations, investors, and government departments, by presenting accessible and coherent information on opportunities, successes, and wider ecosystem benefits.
- Strengthen reputational assurance, particularly in areas where programme delivery interacts with national innovation bodies, local partners, and potential future funders such as the Local Innovation Partnerships Fund and Research England.
- Maximise reach of case studies, success stories, programme outputs and wider regional impact, supporting ambitions for increased inward investment, business confidence, and spin-out visibility.
- Enable coordinated media activity, including targeted campaigns, showcasing opportunities and alignment with North East CA branding and communications requirements.

The Communications Plan has been developed collaboratively by Durham University (as accountable body), Newcastle University (Arrow lead), the other Partner Universities, and the North East CA Communications Team. It will include key messages, branding requirements, stakeholder mapping, a media and events schedule, and protocols for announcing major Programme milestones such as new spin-outs, innovation project completions, and leveraged investment wins.

Alongside the communications plan, a key outcome of this funding period will be the development of a sustainable long term delivery model for university led innovation and commercialisation across the North East. As this investment serves as a bridging arrangement following the end of UK Shared Prosperity Fund support, it is essential that the Programme partners - North East CA, Durham University, Newcastle University, Northumbria University and Sunderland University - work collectively to design and agree a future model that is financially and operationally sustainable beyond March 2027.

This will include joint work to:

- Scope long term funding options aligned with emerging national and regional innovation programmes, including opportunities through the Local Innovation Partnerships Fund.
- Review delivery structures, governance arrangements and resource requirements to ensure the Programme can transition from interim funding to a stable multi year model.
- Identify opportunities to embed the Programme within wider university–industry collaboration frameworks and regional economic strategies.
- Develop a jointly owned roadmap and financial plan setting out how continuity, scaling potential and long term impact can be secured.

Establishing this longer term approach will be a core deliverable of the 2026/27 period and is essential to ensuring the Programme remains a central part of the region’s innovation ecosystem beyond this bridging year.

This proactive approach will ensure strong and consistent visibility of the Programme and the role of the North East CA as the funder, while supporting wider regional objectives and strengthening the case for future investment beyond March 2027.

### 3. Outputs and Outcomes

The forecast outputs and outcomes for 2026/27 are grounded in the Logic Model developed for the Programme and informed by seven years of delivery evidence from Northern Accelerator and Arrow.

The Logic Model inputs (North East CA funding, university resources) enable activities such as Small and Medium Enterprise innovation projects (Arrow) and spin-out support (Northern Accelerator), which generate outputs (businesses supported, academics trained, proof-of-concept projects) leading to outcomes (new products, jobs created, strengthened collaboration) and long-term impacts (regional productivity growth, Net Zero contribution).

These figures reflect the minimum viable proposition for 2026/27, as the previous UK Shared Prosperity Fund-funded activity ends in March 2026. All outputs and outcomes are forecast based on historical delivery and logic model assumptions.

Outputs	26/27	Total
<b>Enterprises supported</b> (Arrow + Northern Accelerator) - Arrow plays a role in raising overall levels of innovation across the North East CA area by providing in-depth, tailored support to businesses. Through the North East University Innovation Programme, Arrow will engage with 84 businesses in the target geographies, delivering projects that respond directly to business innovation needs. These projects typically range from one week to two months, with a median duration of 3–4 weeks, allowing time for meaningful knowledge exchange.	88	88
<b>Potential entrepreneurs supported</b> (Northern Accelerator) - At least 46 academics involved in commercialisation activities will be supported with intensive enterprise training and mentoring, continuing to build the future spinout pipeline.	46	46

Description of Outcomes	Timeframe for achievement	Totals
<b>Direct jobs created</b> - Jobs created through spin-out formation, supported by Northern Accelerator, tend to be high-value jobs in key sectors. External evaluation of previous Northern Accelerator projects estimated the average GVA of jobs created was c£79,000 compared with a regional average GVA of c.£52,000.	31/3/27	20
<b>Direct jobs safeguarded</b> - Many of the jobs included are high-value, with GVA around c£60,000 above the regional average of c£52,000. Alongside these tangible impacts, Arrow is changing the culture of innovation and ensuring it is inclusive: 72% of SMEs report increased innovation activity, and nearly half have strengthened collaboration with other businesses and research institutions. This positions Arrow as a programme that delivers economic impact comparable to similar initiatives nationally while embedding long-term innovation capability in the region.	31/3/27	2

<b>Number of new enterprises created</b> - a minimum of 10 strong commercialisation prospects through a competitive proof-of-concept fund, de-risking their commercial potential. This will support and maintain a pipeline of substantially de-risked high-quality research commercialisation propositions in turn providing future deal-flow for the University Spinout & Commercialisation VC Fund.	31/3/27	9
<b>Enterprises introducing new-to-market products</b> - Through the NE University Commercialisation and Innovation Programme, Arrow enables delivery across the four partner institutions, connecting businesses with dedicated academic expertise and specialist facilities.	31/3/27	13
<b>Enterprises introducing new-to-firm products</b> - Arrow helps build partnerships that position businesses and universities to secure national funding and attract investment, strengthening the regional innovation ecosystem.	31/3/27	4

#### 4. Timetable for Implementation

Milestone	Forecast Date
Project start date	01/04/2026
Commence recruitment of new Arrow projects	01/04/2026
Commence delivery of new Arrow projects	01/05/2026
Future Founders – Cohort 1 starts (Northern Accelerator)	21/09/2026
Future Founders – Cohort 2 starts (Northern Accelerator)	08/02/2027
Commence development of North East CA wide Arrow case studies	01/10/2026
Complete delivery of Arrow projects	31/03/2027
Financial completion (all expenditure defrayed)	31/03/2027

#### 5. Evaluation

It will be a condition of the Grant Funding Agreement with Durham University that the University undertakes an internal evaluation of the Programme's delivery and impact. This requirement will also be replicated within the Collaboration Agreements between Durham University and the participating partner universities. This will be led by funding and compliance officers within each institution. Activities include:

- Collecting and verifying data on outputs and outcomes.
- Monitoring progress against agreed targets and milestones.
- Ensuring compliance with North East CA's assurance principles.

The Programme will:

- Track outputs (e.g., businesses supported, spin-outs created) and outcomes (e.g., jobs created, GVA uplift) using robust systems.
- Collect qualitative evidence such as case studies and success stories to demonstrate impact.
- Use lagging indicators for longer-term impacts (e.g., new products/services, investment secured), acknowledging that some benefits will materialise beyond the funding period.

Partner Universities agree to provide data, participate in interviews and surveys, and allow analysis of programme data for evaluation purposes. Data-sharing requirements will need to be assessed, and appropriate data-sharing agreements must be established where necessary.

## 6. Appraisal

An internal appraisal of the Programme was completed by the North East CA on 3 December 2025. The proposal achieved an overall GREEN rating across all five cases of the HM Treasury Five Case Model, confirming that it is strategically aligned, economically viable, commercially sound, financially robust, and deliverable within the proposed timeframe.

The proposal demonstrates strong strategic fit with North East CA’s Local Growth Plan, Corporate Plan, Devolution Deal, and the Mayor’s manifesto, addressing a critical regional challenge of strengthening business innovation capacity. The economic case is supported by clear outputs and outcomes, robust Return On Investment evidence from previous programme phases, and well-documented social value contributions.

Governance and delivery structures are comprehensive, with clear roles for Durham University (Northern Accelerator) and Newcastle University (Arrow), supported by collaboration agreements between Durham University as the accountable body and lead delivery partner with the other Partner Universities. Financial viability is confirmed, with detailed cost breakdowns and sustainability plans linked to future funding streams such as the Inspire Spin-Out Fund and Strategic Commercialisation Ecosystem North East programme.

No additional conditions were recommended for inclusion in the funding agreement.

Delivery of the Programme will be streamlined with reduced overheads (15%) and essential staffing only, safeguarding spin-out pipelines and SME innovation support while minimising costs.

## 7. Subsidy Control and Procurement

The proposal has been assessed in accordance with the requirements of the Subsidy Control Act 2022. It is not considered that the grant of funding to Durham University will be classed as a subsidy on the basis that Durham University are not an ‘enterprise’ for the purposes of delivering the Programme and the funding is unlikely to confer an economic advantage. Durham University and the other Partner Universities will be required to comply with the Subsidy Control Act 2022 when delivering the Programme. It is expected that support to Small and Medium Enterprises will be managed through the Minimal Financial Assistance (MFA) route which allows for subsidies up to £315,000 to be given to enterprises over a three-year period.

Where any of the Partner Universities are required to procure goods or service for delivery of the Programme (e.g., external supplier for Future Founders training), it will be managed through competitive tendering in line with each Partner University’s procurement rules and in accordance with the applicable procurement legislation.

## 8. Red/Amber/Green Assessment

For reference the previous Red/Amber/Green rating has been included below which confirmed an overall rating of green by the external appraiser.

Overall RAG assessment		
Risk Rating	Strategic case	Green
	Commercial case	Green
	Economic case	Green
	Financial case	Green

	Management case	Green
	Overall rating	Green

## 9. Recommended Conditions of Funding

There are two recommended conditions of funding:

- Completion and submission of an Equality Impact Assessment is required before the grant funding agreement is finalised; and
- Signature of collaboration agreements between Durham University and the other Partner Universities is required prior to the grant funding agreement being finalised.

## B. Potential Impact on North East Combined Authority Objectives

The appraisal confirms that the proposal strongly supports North East CA's strategic objectives and wider economic priorities:

- **Inclusive Economic Growth:** The programme addresses one of the region's most significant challenges - low business innovation capacity - by creating and scaling innovation-led enterprises and supporting Small and Medium Enterprises to adopt new technologies. This directly contributes to North East CA's mission to grow a vibrant economy and reduce regional disparities.
- **Net Zero Transition:** The proposal aligns with North East CA's vision for a Greener North East. Both Northern Accelerator and Arrow include projects and spin-outs focused on clean energy, sustainable materials, and industrial decarbonisation, accelerating the transition to Net Zero.
- **Skills and Employment:** By fostering Research & Development activity and supporting spin-outs, the programme creates high-value jobs and stimulates demand for advanced skills. It also strengthens collaboration between universities and businesses, contributing to workforce development and inclusive access to innovation opportunities.
- **Investment and Competitiveness:** The programme leverages significant additional funding (e.g., Inspire Spin-Out Fund and Strategic Commercialisation Ecosystem North East) and builds a pipeline of investible businesses, improving the region's attractiveness to private investors and national innovation funding streams.

The appraisal concludes that the proposal is well aligned with North East CA's Local Growth Plan, Corporate Plan, Devolution Deal, and the Mayor's manifesto, and will deliver measurable economic, social, and environmental benefits across the region.

In summary, the Programme will specifically create a better skilled and more diverse workforce to support key sectors (Home of Real Opportunity), ensure commercialisation of Spin-Out businesses leading to improved business productivity and growth (Home to growing and vibrant economy) and support stronger growth across the region. More Spin-Outs in priority sectors will be supported (Home of the green energy revolution) through increased investment in North East businesses, either through the supporting ecosystem or the project directly (Welcoming home to global trade).

## C. Key risks

The appraisal identifies several risks that require monitoring and mitigation to ensure successful delivery of the North East Universities Innovation and Commercialisation Programme:

<b>Risk</b>	<b>Impact</b>	<b>Likelihood</b>	<b>Impact Level</b>	<b>Owner</b>	<b>Mitigating Actions</b>
Poor engagement with business community	Non-delivery	Low (10%)	High	Project Partners	Build on InTUNE experience; proven models; leverage networks; marketing analysis
Insufficient academic expertise (Arrow)	Non-delivery	Medium (25%)	High	Project Partners	Map expertise; cross-partner collaboration; connect opportunities across institutions
Failure to achieve expected outputs (internal comms)	Reputational impact	Low (10%)	Medium	Project Partners	Tactical communications; knowledge sharing; internal advertising
Managing external communications	Reputational impact	Low (15%)	Medium	Project Partners	Share case studies; targeted media; networking (VentureFest, showcases)
Failure to attract/retain staff	Non-delivery	Medium (25%)	High	Project Partners	Monitor resources; succession planning; re-advertise quickly; funder engagement
Non-compliance with regulations	Reputational impact	Low (10%)	High	Project Partners	Use funder policy knowledge; regular communication; consult on changes
Failure to meet claim deadlines	Reputational impact	Low (15%)	High	Project Partners	Advance notice; regular comms; reuse familiar processes
Delivery partners fail to deliver within budget	Non-delivery	Low (10%)	High	Project Partners	Regular budget reviews; early issue resolution
Failure to agree legal terms (CA/GFA)	Non-delivery	Low (10%)	High	Project Partners	Use precedent agreements; early draft sharing; regular briefings
Maintaining pool of execs for Northern Accelerator	Under-delivery	Low (10%)	Medium	Project Partners	Targeted marketing; pipeline-informed recruitment
Failure to integrate with emerging spin-out support	Reputational impact	Low (10%)	Medium	Project Partners	Extensive engagement; integrated governance

Failure to secure follow-on funding beyond March 2027	Reputational risk for CA and university partners if delivery cannot be sustained	Medium (25%)	High	North East CA/Project Partners	Early alignment with business support design and strategic priorities, engagement with central government, Innovate UK, and local research/innovation stakeholders, creation of a strong evaluation evidence base that supports future investment decisions
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## D. Corporate Implications

### D1. Financial and other resources implications

This report seeks the allocation of £2.168m from the North East CA Integrated Settlement to the Programme, representing 100% of project costs for the 12-month delivery period (April 2026 – March 2027). No direct match funding is included in the financial profile; however, the programme leverages significant additional investment through related initiatives including:

- Inspire Spin-Out Fund (£22.5m fund with £10m North East CA contribution and £12.5m university co-investment).
- Strategic Commercialisation Ecosystem North East Programme (£8.9m Research England funding plus £1.1m match).

Funding source	2026/27	Total
North East CA Integrated Settlement	£2,168,000	£2,168,000
<b>Total</b>	<b>£2,168,000</b>	<b>£2,168,000</b>

### D2. Legal implications

The comments of the Monitoring Officer have been included in this report.

### D3. Equalities implications

The North East CA follows the Public Sector Equality duty and this report has due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010.

The appraisal confirms that an Equalities Impact Assessment (EIA) has not yet been completed for this proposal. While the business case states that the programme is designed to encourage the widest possible participation and engagement, this does not substitute for a formal EIA.

Durham University has acknowledged the need for inclusive delivery and confirmed that the programme will embed equality considerations in design and implementation. Completion and submission of an EIA is required before the grant funding agreement is finalised.

### D4. Consultation and engagement

The development of the Programme has been underpinned by extensive consultation and engagement with key stakeholders to ensure strategic alignment and operational feasibility. Internally, engagement has taken place across the four Partner Universities (Durham, Newcastle, Northumbria, Sunderland) through Enterprise Directors and Technology Transfer Offices. Input from governance

groups such as the UNEE Business and Innovation Group has been sought to shape Programme design and delivery model.

Discussions with the North East CA officers during the commissioning process have ensured alignment with Local Growth Plan priorities and funding guidance. Engagement with regional innovation stakeholders, including sector networks, catapult centres, and business support organisations, has also been undertaken to ensure complementarity and avoid duplication.

Business and wider community feedback has involved feedback from SMEs and spin-out founders involved in previous phases (Northern Accelerator and Arrow) to inform refinements to the delivery model. There is ongoing dialogue with private sector partners and investors to ensure alignment with the Inspire Spin-Out Fund and Strategic Commercialisation Ecosystem North East programme objectives.

This collaborative approach has ensured that the proposal reflects regional economic priorities, leverages existing innovation ecosystems, and addresses identified gaps in business support. Stakeholder input will continue throughout delivery via governance structures and operational meetings.

#### **E. Appendices**

No appendices

#### **F. Background papers**

No background papers

#### **G. Contact officers**

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#### **H. Glossary**

EIA – Equalities Impact Assessment  
MFA – Minimal Financial Assistance  
North East CA – North East Combined Authority  
ROI – Return on Investment  
SME – Small and Medium-sized Enterprise  
SCENE - Strategic Commercialisation Ecosystem North East programme