

EXETER CITY COUNCIL
SCRUTINY COMMITTEE – ECONOMY
9 JUNE 2011

ECONOMIC DEVELOPMENT SERVICE – UPDATE

1.0 PURPOSE OF REPORT

- 1.1 To provide Members with an overview of the Economic Development Service's activities during 2010/2011 and set out its priorities for 2011/2012.

2.0 BACKGROUND

- 2.1 Exeter's economy lies at the core of the Exeter and Heart of Devon (EHOD) economic sub-region, an area which sits broadly across Exeter, East Devon, Mid Devon and Teignbridge. Exeter and its sub-region are recognised as a principal economic driver in the region making it an important part of the South West economy.

- 2.2 The Council contributes to the implementation of the EHOD Economic Development Strategy 2008 – 2013 primarily through the activities of the Economy and Tourism Unit, which seeks to sustain and increase the economic well being of the city working in partnership with key stakeholders in a range of roles, in leadership, facilitation, co-ordination, and support.

- 2.3 The priorities of the Strategy focus on promoting and securing the growth of businesses, a better-trained workforce, helping people into work, bringing forward the availability of employment land and lobbying for investment in transportation and the communications infrastructure.

- 2.4 The agreed vision for the sub-region with the city as a major contributor is that: -

“The Exeter and the Heart of Devon Economic Partnership will promote sustainable economic growth enabling the sub-region to take its place as the third largest focus of high value employment in the Region.”

- 2.6 The Strategy has 3 strategic objectives, to:

- secure successful and competitive businesses – through higher value jobs and improved turnover and investment
- build strong and inclusive communities - by improving access to jobs and services through training and other measures
- become an effective and confident sub-region – through effective partnerships, lobbying and coordinated funding.

- 2.7 This report summarises the strategic context within which the Economic Development Service operates. Activities are grouped under the priorities of the Strategy. Section 5 of this report sets out the key actions planned in 2011 – 2012.

3.0 STRATEGIC CONTEXT

- 3.1 Appendix 1 contains additional detail on the performance of the national, regional and local economy.

- 3.2 The Bank of England's Inflation Report (May 2011) continues to indicate that growth in the UK remains uncertain, dragged back by increasing energy prices, restricted household incomes and lower consumption. The Bank rate was held at 0.5 per cent. The Consumer Price Index of inflation (CPI), which excludes house prices, stood at 4.5 per cent in April 2011, whilst the Retail Price Index (RPI), which includes house prices stood at 5.2 per cent. The outlook for CPI indicates that further rises are expected and may reach 5 per cent by the end of 2011 before gradually falling back in 2012 and 2013.
- 3.3 The Office for National Statistics (ONS) reported in April 2011 that Gross Domestic Product (GDP) increased by 0.5 per cent in Q 1 of 2011. This followed a decrease of 0.5 per cent in Q4 2010, caused largely by the severe weather conditions. Overall, GDP is estimated to have reached the level it was at in Q3 2010. Thus the economy over the 6 month period between Q4 2010 and Q1 2011 has overall, experienced zero growth. However, some sectors saw higher levels of growth in Q1 2011, for example, Business and Financial Services grew by 1.0 per cent, transport, storage and communications grew by 2.7 per cent and manufacturing by 1.1 per cent.
- 3.4 The South West RDA's 'Economic Review, Issue 22, March 2011 adds the following context, 'the UK economy is experiencing some (hopefully short-lived) stagflation – low growth and high inflation.' The Review suggests that economic 'headwinds' will dampen activity levels, caused in part by 'tax increases and spending cuts at national and local level and a dependence on diminished spending power by locals and visitors' alike.
- 3.5 In addition, the Review suggests that job losses in the public sector will continue in 2011/12. Exeter as an administrative centre for a range of employers is likely to see up to 5,000 jobs lost, as redundancies and lost earnings affect spending power. The effects are likely to spread beyond the city into the wider sub-region as many employees commute from the rural and coastal areas of the city's hinterland.
- 3.6 Nevertheless, as previously reported, the EHOD sub-region has real opportunities for growth against the national backdrop of an uncertain economic outlook.
- 3.7 Exeter aspires to grow its market position and build on its competitive strength as the "regional capital" west of Bristol. This positioning is underpinned by its on-going focus on infrastructure and strategic employment site developments across the Exeter and East Devon New Growth Point and the increasing stature and research capability of the University of Exeter. This coupled with other science-based assets such as the Met Office supports the branding of Exeter as a city of science. Moreover, Exeter's attraction as a place for investment, for work and to visit, will continue to be founded on the city's substantial presence in the professional and business service sectors, the city's significant and growing retail offer and the renowned environmental and cultural quality of life provided by the city and the wider area.
- 3.8 Overall, to secure Exeter and the sub-region's future competitiveness, its strategic priorities lie in maintaining a focus on investment in: infrastructure, business support, research and development, in the workforce, and in maintaining and enhancing those characteristics which are to be expected from a recognized regional centre.

4.0 SUMMARY OF ACTIVITIES

- 4.1 The following section summarises the activities delivered or supported by the Service and is set out under each of the agreed strategic objectives and priorities of the Economic Development Strategy 2008-2013.

**Strategic Objective 1 – To secure successful and competitive businesses -
through higher value jobs and improved turnover and investment**

Priority - Provide the right environment for business

Action - Continue to provide support and advisory services to small businesses.

Exeter Business Support

- 4.2 The generation of new business is important to help strengthen and diversify the local economy and assist in replacing those that have ceased trading, to create new or perhaps better employment opportunities and to enable the economy to respond to changing economic circumstances.
- 4.3 The partnership involved in Exeter Business Support consists of Peninsula Innovations Limited, responsible for the management of the University's Innovation Centre, Business Link, Exeter College's Business School, and CEU (Community Enterprise Unit) Ltd., now trading as The Fruit Tree for Business. The Partnership is supported by the Exeter Chamber of Commerce and the Exeter branch of the Federation of Small Businesses
- 4.4 The City Council contributes £42,000 for the delivery of Exeter Business support activities and Peninsula Innovations Ltd, contributes £79,749, the joint activities of which, including those delivered by Business Link, have resulted in the following outputs.

Combined activities of Exeter Business Support 2010/2011

298	pre-start businesses advised
53	businesses started up (excluding Business Link data as not available)
60	jobs created (excluding Business Link data as not available)
1529	existing business supported
319	individuals participated in businesses training event
289	individuals participated in business advice workshops
17	networking events for business with 827 participants

- 4.5 Government is changing the service delivery model of Business Link, providing more remote support, and largely ceasing the availability of direct one-to-one client contact. The regional services of Business Link will close by the 25th November 2011. The new delivery model for business support broadly includes:
- online business information and tools for business needs
 - a national contact centre to help business who cannot find the information they need on the web or who do not have access to the internet
 - help for start-ups including the New Enterprise Allowance to help people unemployed longer than 6 months start a new business
 - establishing a network of at least 40,000 business mentors to offer practical advice
 - supporting high growth businesses through coaching
 - tailored action to support entrepreneurial activity among key parts of our communities, including women, Black, Asian and Minority Ethnic groups and Armed Service leavers

- 4.6 Officers worked with Peninsula Innovations Limited to secure funding from Government to deliver support for unemployed people under the New Enterprise Allowance scheme. Peninsula Innovations Limited drew together a consortium across Devon and Cornwall to bid for an 18 month contract. The successful bid will lever in a small amount of extra income which will be used to deliver additional activities in the city to support small businesses.

Support for social enterprises

- 4.7 In 2010/2011 the Council funded a 12 month pilot to enhance the support available to social enterprises in Exeter. The Council contracted with CEU Ltd., to co-ordinate the delivery of the pilot, which complemented the support available through Exeter Business Support. A total of 65 enquiries received social enterprise support in Exeter, resulting in the following outputs.

7	social enterprises starting up
8	further start-ups on the way to starting up
30	new jobs forecast to be created
27	existing social enterprises supported
46	individuals participated in advice workshops

Local purchasing and supply

- 4.8 The Service has continued to work with Exeter Federation of Small Business, Exeter Chamber of Commerce and the following public sector partners to help local firms to be aware of and win small public sector supply contracts:

- Devon and Cornwall Police
- Devon County Council
- Exeter City Council
- Exeter College
- Exeter Primary Care Trust
- Royal Devon & Exeter NHS Foundation Trust
- The Met Office
- University of Exeter

- 4.9 The Exeter Buy Sell Prosper website was established in 2009 to enable local small businesses to raise awareness of their products and services and to provide a sourcing directory for purchasing officers in these organisations seeking to place orders worth less than £25,000. To date, 415 businesses have registered. In addition, the public sector partners contributed a small amount of funding to help develop the functionality of the website.

- 4.10 Subsequent cut backs to public sector spending and structural/staffing reviews have prevented some organisations from active involvement and no supply contracts have been let through the presence of the website. More recently and following the same principle, the Government has launched 'Contracts Finder, which is likely to require all of the public sector to advertise opportunities on contracts of £10,000 or above and reduce the pre-qualification information required of companies seeking to be on the tender list. It is hoped this will help to increase the opportunities whilst also reducing the barriers to small businesses winning contracts.

- 4.11 As a consequence the Exeter Buy Sell Prosper website will now be used as a signposting site only. Furthermore, officers are working with partners within the New

Growth Point area to explore the feasibility of establishing a website portal through which the main contractors working on the key developments will advertise their tenders and award sub-contracts to local businesses and suppliers.

Youth Enterprise Support Service (YESS)

- 4.12 Following support given to help Exeter College set the initiative up, an officer is a member of the steering group which has been delivering this 15 month project across the sub-region to encourage young people, up to the age of 18 years, to take forward business enterprise activities. The initiative concludes in June 2011.

As of March 2011, the YESS has achieved the following outputs:

- 303 young people have been supported through the initiative,
 - of these, 50 young people took part in workshops on personal training, business finance and social media,
 - 3 business competitions have been held to encourage entrepreneurial activity,
 - 9 young people have had regular 1:1 sessions to help develop and/or establish their business,
 - to date 5 small businesses run by young people have started up.
- 4.13 Exeter College is reviewing the benefits of YESS and are considering which strands of service delivery would best suit the needs of supporting students to start up post the conclusion of the YESS project. As part of this review, the College is also considering establishing an Enterprise Academy and if feasible and viable this may open in the 2012 academic year.

Action - Continue to provide an appropriate monitoring and ‘aftercare’ relationship with indigenous and investing organisations to help secure their long-term future in the region.

Supporting investment enquiries

- 4.14 The Service continues to manage the majority of the Council’s website business pages, handle inward and local investment enquiries about sites and premises, and support businesses through the provision of information and statistics about the local economy. High profile and/or substantial employment generating organisations for Exeter can receive tailored help and support including the provision of bespoke information and assistance with site visits. More routine enquiries are handled by the provision of information on the City council’s website business pages and are followed up where appropriate.
- 4.15 Overall figures for 2010 show there were 847 investment enquires for EHOD, up from 776 handled in 2009. In the period up to March 2011, a further 216 enquiries were received.
- 4.16 In 2010, 31 companies used the service to relocate and / or expand in EHOD, 28 of which were in Exeter. Many of these enquiries originate from 2007 onwards and demonstrate the length of time a business is connected with the Service before being in a position to move or expand. These companies reported over 330 jobs being created and/or safeguarded in the local economy and include, David Lloyd Leisure, Calendar Club HQ and the Exeter Academy of Sound.
- 4.17 Around 80% of enquiries in 2010 came via the internet, much the same as in 2009. A further 6% of enquiries were received through the UK Trade and Investment (UKTI)

network, a government organisation that helps national companies trade internationally and assists overseas firms to invest in the UK. Statistics on enquiries for 2010/2011 are set out below, with data for 2009/2010 in brackets.

- 60% originate from within EHOD (58%), including 38% from Exeter (35%)
- 8% were from the rest of Devon (7%)
- 22% originate nationally and 9% internationally (21% and 13% respectively)
- 67% were existing employers seeking relocation or additional premises for expansion (70%)
- 33% wanting to start-up (30%)

4.18 The breakdown of enquiries can be summarised as follows: -

- 43% light industrial units, warehouse and distribution sectors (42%)
- 31% office sector (33%)
- 12% retail (11%)
- 13% hotels and leisure and restaurants (12%)
- 1% investment opportunity/other (2%)

Promotion & Marketing

4.19 There is on-going pressure to reduce the cost of government and make efficiency savings including in response to utilise more energy efficient buildings and sustainable operational practices, which may include the potential for relocations of some London based departments, agencies and their employees. Government has established a specific division of the Cabinet Office to continue to explore the potential for further relocation.

4.20 Officers have continued to promote awareness of the city and the sub-region as a place for investment and relocation and sought to maintain a national profile with potential public sector employers, which might see Exeter benefit from a re-location by:

- placing advertisements and editorial in public sector magazines and websites
- profiling the city on external inward investment sites
- undertaking email marketing to contacts within key public sector governmental departments and agencies – to date no successes can be reported.

4.21 Where cost effective opportunities exist to raise the profile of the city as a worthwhile location in which to invest or establish a business/organisation, officers place articles or seek to influence editorial in appropriate publications to maintain a positive image of the city.

Supporting Retail

4.22 Officers have been working with the Chamber of Commerce and the City Centre Manager in developing information for and promoting the benefits of the proposed Exeter City Centre Business Improvement District (BID). Businesses will vote in July to determine the establishment of the Exeter BID. Should the majority vote for an Exeter BID, it is anticipated that activities will commence from around September 2011 onwards, with an annual budget of some £600,000. A more detailed report is on the agenda of this Committee.

4.23 The City Centre Manager and City Council continue to work closely with landlords and

agents on attracting new businesses to the City Centre. Retail unit vacancies nationally are running at approximately 14%. Within Exeter, the number of city centre vacant retail units has gradually reduced to 7.5% (April 2011).

Priority - Provide the right workforce for business

Action - Establish the Exeter and Heart of Devon Employment and Skills Board as a driver to ensure matching between employers' needs, target sectors' needs and skills training offered.

Employment and Skills Board

- 4.24 The Service plays an active role in the Exeter and Heart of Devon Employment and Skills Board (ESB) and also the training provider based EHOD Workforce Development Group.
- 4.25 ESB membership is voluntary. The Board relies strongly on the commitment, cooperation of its partners, and stakeholders to drive forward improvements to the local skills landscape. Partners include The Met Office, Flybe, Waitrose, EDF Energy, Michelmores, Pearson, Federation of Small Businesses, Chamber of Commerce and Industry, Devon and Cornwall Business Council, CITB Construction Skill, University of Exeter, FE Colleges and Schools, Job Centre Plus, Careers South West, City and District Councils and the Skills Funding Agency.
- 4.26 The following activities and achievements have been undertaken by the ESB and its working groups.

Employer Engagement Mechanism

- 4.27 ESB has developed an effective, employer led partnership which is the main focal point for employment and skill activity in the EHOD area. The Board provides an engagement mechanism for enabling local businesses to articulate their skills needs and help shape local provision and support to be more reflective of the needs of the local business community.
- 4.28 The Board is now embedded in the local skills landscape and working with partners to influence and shape local training provision

Strong Evidence Base

- 4.29 The ESB have evaluated both the current labour and skills market and the future employment and skills needs of economically significant developments, including the Science Park, Skypark and Cranbrook. The ESB have, and will continue to use the study recommendations to inform its strategic planning and as a platform for seeking cooperative activity amongst its partners, and to help ensure skills supply targets meet future business demand.

Strategic Planning Role

- 4.30 The EHOD Employment and Skills Plan 2011-13 has been produced and this sets out the EHOD ESB's strategy for influencing delivery, addressing challenges and implementing change through its delivery partners and stakeholders. Its priorities include local issues around improving productivity, leadership and management skills, securing more apprenticeships, improving the employability of school leavers, enterprise support for young people, addressing unemployment and realising the employment opportunities in the burgeoning green economy, all of which need the

Board's strategic input.

Practical solutions through key projects

- 4.31 The ESB and its working groups have focussed on pre-employment and in-employment training and skills priorities and the delivery of projects aimed at finding practical solutions to priority needs. Examples of key projects include:
- Delivering a multi-partner pilot project, including a coordinated programme of employment support at new business sites. Target outputs: pre-employment training to prepare local people for job opportunities, eligible unemployed people found for interview, and secure new apprenticeship placements.
 - Facilitating an overarching skill, training and employment programme for the construction sector at the Growth Point development sites. Target outputs: apprenticeship placements secured, accredited, and non accredited training delivered on and off site, local procurement maximised, unemployed people progressed into employment, work based learning programme initiated to encourage young people to consider the industry as a potential career (ie. school visits, work experience placements etc).
 - Delivering a website portal which signposts businesses to locally relevant advice and information about skills, training and business support. Target outputs include: simplifying access to business support and advice on skills issues, increasing visibility and awareness of local initiatives thereby increasing employer engagement.
 - Delivering a series of Career and Skill Progression Maps to raise awareness of the skills and competencies and relevant training required to perform key roles and those needed for progression to higher positions. Outputs: to date 4 "Maps" for Hospitality, Health Care, Customer Service and Business Administration, plus a blank template for others to use.
 - Delivering the EHOD Employment and Skills Plan 2011-13. The Delivery Plan to support the strategy is currently being negotiated with lead partners. Output: further projects will be developed to address skills issues or support the development of priority skills in the EHOD area.
 - The following research projects were also delivered for the Board: New Growth Point Employment and Skills Study (identifying in detail the anticipated timetable and range of employment opportunities to be generated by the programme of developments), EHOD Employment and Skills Analysis 2010, EHOD Statement of Work and Skill Priorities.

Priority - Create a culture of Enterprise and Innovation

Action - Work with the Exeter Science Park Steering Group to establish an appropriate management vehicle for the Science Park, secure planning permission and start development on site

Exeter Science Park

- 4.32 The Science Park Company was set up in 2009 and is working with partners to progress the project. Devon County Council has the responsibility for progressing site access works. The site infrastructure has progressed well with the completion of bridge access and cross site road construction including taking utilities into the site mainly on schedule
- 4.33 A marketing strategy has been developed and initial marketing activity is starting to

identify potential occupiers for the first building and tenants for the science park centre.

Action - Ensure incubation units and enterprise centres are placed at strategic points in the sub-region, supported by business advisors and mentors

Innovation Centre Activity

- 4.34 The Head of Economy and Tourism sits on the Innovation Centre Strategy Board, which governs the direction of business development and support activities arising from the Innovation Centre. The centre is one of the partners in Exeter Business Support as referred to above.
- 4.35 The Centre has a diverse group of clients, from public and private sectors, from start-up to mature companies. Currently it supports 53 organisations (not including subsidiaries), of which: 31 organisations are resident in offices or laboratories; 7 using hot desks; and 15 are clients based elsewhere. These organisations currently employ nearly 165 staff in the Centre of which 69 new jobs were created after becoming Centre residents. In 2010 Centre clients turned over nearly £20m.
- 4.36 In terms of business support activity the following are employed, 1 FTE officer, 2 part time officers (0.3 FTE Technology Support for Centre clients – physical and virtual), and 0.5 FTE Business Support from the Centre Director. In total, including the member of staff employed for Exeter Business Support, a total of 2.8 FTE employees are engaged in business support activities.
- 4.37 In 2011 the Centre established a SETsquared facility for the benefit of its clients – further accelerating their ability to develop and access technology, markets and finance. SETsquared is a collaboration between the universities of Bath, Bristol, Exeter, Southampton and Surrey which partners in enterprise activities and collectively supports the growth and success of new business opportunities through spin-outs, licensing and incubation. The Partnership also works with industry through research collaboration and consultancy.
- 4.38 The Innovation Centre has also been working with Business Link to deliver additional services to clients, in particular:
- collaborating with GWE Business West (UKTI) to deliver 3 European funded pilot products to help businesses and pre-start-ups prepare for and start trading internationally:
 - o “Born Global”, a competition for high growth potential companies yet to trade internationally. Fantasy Shopper, an Innovation Centre business, competing against nearly 90 applicants from across the SW, won the competition.
 - o “Export Pioneers”, a ‘fit-to-trade’ programme to help pre-starts or existing companies prepare for international trade.
 - o “International Deal Maker”, a mentor and broker assigned to particular companies to help them achieve international sales.
 - The Centre is working with GWE Business West (Business Link) in another of their ERDF funded programmes in 3 high growth support programmes:
 - o Starting a High Growth Business – providing coaching and mentoring for pre-

start-ups or recent start-ups that have the potential to achieve at least £500k to £1m turnover in 3 years of trading.

- Coaching for High Growth – providing coaching for existing companies with at least £1m turnover capable of growing at least 25%.
- Understanding Finance for Business – providing coaches and mentors for pre-start through to established businesses with growth potential.

Strategic Objective 2 - To build strong and inclusive communities - by improving access to jobs and services through training and other measures

Priority - Improve participation in the economy

Action - Develop targeted actions to tackle deprivation in the most deprived areas within the sub-region, defined by the ‘super output areas.’

Exeter Positive Steps

- 4.39 The Service continues to work with providers and public and voluntary sector agencies to focus attention on some of the most deprived areas in the city with a view to helping people on the road into employment.
- 4.40 Over the past 12 months twelve projects have been supported. The Council at Executive allocated a further £15,000 for 2011/2012. This money will be matched funded by the local charity that has hitherto co-financed activity.
- 4.41 Devon Community Foundation co-ordinate activity. The following outputs as of March 2011 have so far been achieved by the projects, many of which are continuing delivery in this financial year.
- Of the 245 people targeted by the projects, there have been 114 beneficiaries to date, of which
 - 23 have found employment
 - 15 have gone onto further training
 - 7 have gone onto voluntary work
 - 14 have come off benefits
 - the profile of the beneficiaries supported include:
 - 61 unemployed
 - 78 unemployed for 6 months or more
 - 21 who had never worked
 - 29 were ex-offenders
 - 11 people with disabilities
 - The beneficiaries supported come from the following areas within Exeter:
 - Newtown
 - Priory – Trees, Rifford Road and Poets neighborhoods
 - Mincinglake – Beacon Heath area
 - St David’s – City Centre East and Cathedral
 - Cowick – Newman Road Area
 - City wide
- 4.42 Officers will continue to work closely with Devon Community Foundation in developing

and delivering further projects that target support to help people most affected by deprivation within Exeter on the pathway into work.

Priority – Promote and enhance what is best about the sub-region

Action - Improve the way the EHOD is perceived by investors, businesses, potential workers.

City of Science

- 4.43 The overarching objective is to raise Exeter's profile as an internationally renowned location and gateway for excellence in science, research, and innovation. In order to encapsulate the areas of science where Exeter truly excels, 4 key themes have been chosen: Climate Change and the Environment; Creating a Healthy Population; Smarter Products and Digital Creativity.
- 4.44 Work has continued towards presenting Exeter as a 'City of Science' and in reinforcing the recognition of the city as a successful location for knowledge based businesses and organisations. The initiative also aims to promote higher levels of interest in students to pursue science subjects in schools and the college. The partners have put together a shared exhibition at the Devon County Show to promote interest in studying careers in science and to highlight some of the science related to their activities.
- 4.45 Partners in the initiative include the City Council, the University of Exeter, the Innovation Centre, the Met Office, the Environment Agency, the Peninsula College of Medicine and Dentistry, the Royal Devon & Exeter NHS Foundation Trust, St Luke's Science and Sports College, Exeter College, Flybe, the Royal Albert Memorial Museum and Devon Education Business Partnership. The following website has been established and provides more information on activities <http://www.exeterscience.org/>. Over the past year there has been a series of articles in the local press.

Priority - Improve leadership, influence and partnership

Action - Ensure planning policies in Local Development Frameworks reflect vision and goals of the economic development strategy.

Employment Land

- 4.46 The availability of sufficient and suitable strategic employment land is crucial to economic development in the city and the sub region. The Service worked with partner local authorities to identify key employment sites and associated infrastructure for their development. This work contributed towards the production of the Local Investment Plan, published in January 2011 as part of the area's bid for funding from the Government's Homes and Communities Agency which can provide financial support for future investment.

5.0 Economic Development Activities 2011 – 2012

- 5.1 The Economic Development Strategy as supported by this Committee has been developed and taken forward on the basis of the following principles:
- recognising the strong and successful partnership that has existed across sectoral boundaries with public, private and third sector organisations, working to build upon the city's distinctive assets – its university, sectoral composition and quality of place – and of that city's place in the wider geography

- working across administrative boundaries to secure investment in economic development and regeneration – the city has to decide how best it can work together with the surrounding sub-region in order to maximise competitiveness
- investing in workforce skills – skills are a key determinant of economic success before and during the recession, and will be even more important for recovery. There is a need to increase the supply of skills in the workforce and stimulate demand for higher level skills amongst local employees.
- making sure the strategy responds to changes in the economy – it is important to attract and grow private sector knowledge-intensive services, firms, job and individuals, as well as developing retail, leisure and tourism sectors to provide better quality employment opportunities for those with lower skills, and those entering or returning to the labour market.

5.2 The Service's key priorities for supporting growth and recovery in 2011/2012 are summarised as follows:

- Work with the business community to secure support for the establishment of the city centre Business Improvement District
- Work with the Exeter and Heart of Devon Growth Board to influence and secure support for priority actions and developments from the new Local Enterprise Partnership
- Work with partners to develop proposals for an Enterprise Zone (if the detailed criteria match with the economic aspirations of the City Council)
- Continue to progress the development of Exeter Science Park with a particular focus on its promotion
- Increase business formation and survival through a programme of activities coordinated by Exeter Business Support
- Promote the formation and survival of social enterprises through the services of Fruit Tree for Business
- Adjust service delivery and customer relationship management in the handling of investment enquiries and the operation of the Commercial Property Register with reduced resources
- Continue to work with the Exeter and Heart of Devon Employment and Skills Board to promote investment in relevant training provision for employers and progress projects which support local people to take advantage of job opportunities arising from the Exeter and East Devon New Growth Point projects
- Through the delivery of Exeter Positive Steps Fund projects assist people from the most deprived neighbourhoods and backgrounds in the city to take up training and/or employment
- Develop a marketing strategy for the city which will include identifying and reinforcing a distinctive and progressive brand identity for the city, differentiating it and looking to develop its reputation as the second city in the South West only behind Bristol

6.0 FINANCIAL IMPLICATIONS

- 6.1 The direct operating costs of the service to the City Council including employees, premises and support services and budgets for initiatives in 2011/2012 are summarised below:

Revenue (2011/12 budget)	
Economy & Tourism Admin including staffing, premises, operational and corporate support costs	£473,820
City Marketing	£30,150
Exeter Positive Steps Fund	£15,000
Exeter Business Support (EBS) for Small Business	£42,000
Social Enterprise Support	£25,000
Total	£585,970

7.0 RECOMMENDATION that

- 7.1 Members note the report and support the economic development priorities and activities for 2011 – 2012

RICHARD BALL
HEAD OF ECONOMY AND TOURISM

KARIME HASSAN
DIRECTOR ECONOMY AND DEVELOPMENT

ECONOMY AND DEVELOPMENT DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

1. Exeter and Heart of Devon Economic Development Strategy 2008 – 2013
2. 'Economic Development Update', Scrutiny Committee – Economy, 3 June 2010
3. 'Economy Update', Scrutiny Committee – Economy, September 2010

Appendix 1 Economy Overview

1.0 INTRODUCTION

- 1.1 This appendix provides a pen-picture on the performance of the economy at national, regional, and local levels.

2.0 BACKGROUND

- 2.1 In September 2010, this Committee received a similar report, a summary of which appears below.
- 2.2 Nationally the recovery from the recession was forecast to be a difficult path over the next two years as the UK economy endeavours to move away from growth which was principally based on private and public sector consumption to one based on a net export led recovery.
- 2.3 The Bank rate had been held at 0.5%. However, many analysts pointed towards the increasing inflationary pressures in the economy and pondered if the Bank of England would soon find it necessary to raise rates to counter inflation.
- 2.4 Overall and across all sectors, employers envisaged making on average 5.5% of the workforce redundant. Average earnings growth stood at 2.7%, whilst CPI stood at 3.7% and RPI at 5.0%.
- 2.5 The numbers of people claiming Job Seekers Allowance (JSA) had been falling nationally and stood at 3.5% (July 2010). In Exeter, JSA rates had also followed a downward trend, standing at 2.3%. In terms of the unemployment rate difference between genders in Exeter, the rate for males stood at 3.2% and for females at 1.4%.
- 2.6 The numbers of people claiming JSA for 6 months or more, but below 12 months had fallen slightly. However, those claiming for over 12 months had continued to increase. In terms of the impact on young people (18 to 24 years of age), the numbers claiming JSA had continued to gradually decrease.
- 2.7 The June 2010 Quarterly survey from the Exeter Chamber of Commerce indicated that confidence levels were dipping slightly and profit margins were being squeezed for 28% of the businesses. However, 50% of firms planned to make investments in their company over the next quarter.
- 2.8 The number of business insolvencies reported in Exeter between Q3 – 2009 and Q2 – 2010 had remained unchanged from the previous 12 month period, whilst regionally and nationally, insolvencies had risen by over 10%.
- 2.9 In terms of residents' personal circumstances, the Exeter Citizen's Advice Bureau (CAB) reported a continued upward trend in the number of people seeking advice on debt and also for welfare benefits.

3.0 ECONOMY UPDATE

Nationally

- 3.1 In April 2011 the Office for National Statistics (ONS) reported that CPI inflation stood at 4.5 per cent, up from 4.0 per cent in March 2011. RPI stood at 5.2%, down from

5.3% in March. The next update from ONS on inflation will be published on 14 June 2011.

- 3.2 ONS argue that the recent upward surge in CPI annual inflation was in part affected by the timing of Easter this year, with fares for transport overall increasing by 29 per cent between March and April 2011 compared to falling by 1.0 per cent between March and April 2010. Alcoholic beverages and tobacco rose by 5.3% in the March/April 2011 months, compared to a 2.1 per cent rise in the same period March/April 2010. The most significant downward pressures on CPI inflation were falls in the costs of white goods, products for personal care and transport insurance, whilst clothing and footwear saw a slight rise of 1.3 per cent between March/April 2011.
- 3.3 The Bank of England Inflationary Report (May 2011) arising from the consideration of the Monetary Policy Committee (MPC) continues to indicate that the outlook for growth is highly uncertain, reporting that inflation will 'remain well above the 2% target'. Inflation is likely to fall back gradually in 2012 and into 2013 as the impact over time diminishes from the VAT rise to 20% (January 2011) and from high energy and import price inflation and also a downward pressure on increases arising from spare capacity within firms to respond to growth without significantly increasing their costs.
- 3.4 In the immediate future, inflation will be driven by additional rises in commodity, energy, and import prices. However, the timing of when inflation will fall is unclear and dependent on a number of factors including, changes in global prices for commodities, and the desire by businesses to absorb the cost increases or reclaim their profit margins, and also, any changes to the overall cost of labour.
- 3.5 The latest available survey by the Chartered Institute of Personnel and Development (CIPD) in the winter of 2010/2011 forecast an overall fall in employment throughout 2011, particularly in the public sector. That said, 'manufacturing and private sector services will provide the majority of new jobs' created.
- 3.6 The survey forecast for the first quarter of 2011, that around 13% of employees in the public sector would be made redundant (one in eight staff). Whereas across all sectors, the forecast for redundancies was for 9% of employees (around 1 in 10 of staff), up from the 5.5% planned for the last quarter of 2010.
- 3.7 The CIPD survey anticipated that overall pay awards for 2011, excluding bonuses, would be around 1.3%, with the private sector securing on average 2.3% rise and the public sector seeing their pay decrease by - 0.33%.
- 3.8 The latest available edition of the Local Government Employment Digest (April 2011) provides a useful commentary on key aspects related to the national economic picture, extracts of which are set out below.
 - in 2010, gross domestic product (GDP) grew overall by 1.3%
 - real household income fell by 0.8% in 2010, the first full year decline since 1981; 2011 is likely to see a repeat in decreasing incomes
 - average earnings growth over the 12 months to January 2012 were forecast to be around 2.3%; however, earnings fell in the 3 month period November 2010 to February 2011 suggesting wage increases are not yet responding to inflationary pressures
 - the main inflationary pressures were derived from increases in domestic heating costs, fuel costs and clothing; of note, manufacturing input costs had risen by 14.6% in the 12 month period to March 2011
 - manufacturing output grew by 5.4% over the previous 12 months (March 2011)

- the retail sector had seen little or no growth with sales growing 0.2% compared to a - 0.9% fall in February
- growth in the economy is being brought about by exports, which suggests a move away from the UK reliance on consumption towards an economy more based on trade
- according to the Nationwide and Halifax, house prices fell by around 1.5% over the 12 month period to February 2011; the Land Registry reports that whilst house prices fell by 1.7% overall across England and Wales, the East of England and London saw price increases
- the number of people claiming JSA stood at 1.45 million (March 2011), a decrease from the previous amount (as of June 2010) of 1.46 million people registered as unemployed; throughout 2010, private sector employment grew by 428,000 people but decreased by 138,000 in the public sector.

3.9 The main data on UK purchasing activity, which paints a picture of economic performance, is obtained from the Purchasing Managers Index (PMI) produced jointly by the Chartered Institute of Purchasing and Supply and 'Markit'. In contrast to a slowing and weakening of activity reported in (July 2010); manufacturing, construction and services sectors showed an overall picture of growth (May 2011).

- Manufacturing has been expanding for twenty one months, with Q1 growth in 2011 being the fastest since Q3 in 1994. Average output price increases have been charged to the customer as a result of higher input costs being paid over a twenty month period by the manufacturers, driven in part by shortages in a range of raw materials and disruption to the supply chain. As a consequence of a sharp falloff in orders, principally caused by a weakening domestic market, particularly within the consumer goods and construction sectors, the rate of expansion has been slowing. That said, new export order growth has been increasing driven by higher demand from the US, Europe, China, Russia, Middle East and Turkey; this is in contrast to the reported picture of virtual stagnation (July 2010). As the manufacturing sector has continued its recovery, employment has risen over the 13 month period (April 2010 to April 2011). However, some commentators express concern about the sustainability of growth for the remainder of 2011 as it is almost entirely dependent on exports.
- Construction activity slowed sharply in April having expanded strongly in February and March 2011; new business secured by construction companies has been increasing for the past thirteen months. The increase had been driven primarily through more opportunities to tender and the conversion of previous quotes to firm orders for work. The recent slowdown in activity has arisen from the weak performance of activity in the housing and civil engineering sub-sectors. Cost inflation remains a significant pressure in the sector as companies paid for higher prices in raw materials and energy. There are on-going concerns about Government spending cuts which affects confidence in the construction sector. Despite growth in orders, employee numbers overall have decreased as firms focused on cost control and limiting their use of sub-contractors.
- Service sector activity has been increasing with higher sales and enquiries, whilst a backlog of work has hitherto stretched capacity, resulting in a small rise in employment in March 2011; the first time in nine months (June 2010). However, in April, payroll numbers decreased, offsetting the growth seen in March. Business to business services has grown more than other areas within the 'industry' as they have benefited from growth in other sectors; this is in stark contrast to the picture painted by the outlook in July 2010. Inflationary pressures from rising input costs

and wages have affected profit margins as firms endeavoured to limit some of the transfer of increased prices onto the consumer. However, many companies bowed to the pressures in April which saw the steepest rise in output charges since 2008.

Regionally

- 3.10 In contrast to the picture of slowing momentum indicated in July 2010 data, all nine English regions are reporting growth; the highest being seen in the South East, with the South West in 4th position on activity levels. The May 2011 edition of England's PMI's (economic indicators) illustrated the following picture of economic activity.
- The majority of England's regions saw stronger new growth across the private sector in the first 4 months of 2011, with the South East reporting the highest levels. This is in stark contrast to the picture of a slowdown of business activity and declining orders reported from July 2010 data. Inflationary pressures were the strongest seen on input costs paid by businesses since 2008; some input price increases were passed onto customers. However, such transfer of costs was limited because of an underlying weakness in demand, with the South West reporting the slowest rise in output costs.
 - The first quarter of 2011 also saw significant expansion in the South West's private sector economy, with manufacturers and service companies reporting growth in new orders. However, the rate of increase for new orders slowed in February and March. This slowdown continued in April, enabling businesses to reduce the backlog of work. For eight successive months employment growth has continued, brought about by new orders, and almost entirely within the manufacturing sector with the service sector reporting a reduction in staff numbers over this period. In terms of inflationary pressures, higher prices paid for fuel, energy, transport and raw materials over the past twenty-eight months have led to businesses passing on some of the costs to their consumers for six consecutive months.

Local business picture

- 3.11 The March 2011 Exeter Chamber of Commerce quarterly survey of its membership continued to show a mixed picture of local business activity. Confidence is holding up, with 88% still reporting medium to high confidence since March 2010, although those reporting high confidence has fallen every quarter from 19% in March 2010 to 12% in March 2011.
- 3.12 Sales had increased for 57% of local businesses, up from 53% in June 2010. Those businesses reporting profit margins were up, stood at 24%, no change from June 2010. Similarly there was no change of 28% reporting margins were down. Some 15% reported they had made a reduction in staff (10% in June 2010). However, 27% forecast they would take on more staff in the second quarter of 2011 (23% in June 2010) with 50% planning to make investments in their business during this period; 52% having done so in the first quarter. Of concern however, are reports that 71% of firms are now operating below capacity (62% in June 2010).
- 3.13 During 2010 only 3 companies were wound up, compared to 14 in 2009. In addition there were 384 creditor or debtor court petitions for company bankruptcies in Exeter, in comparison to 596 in 2009.
- 3.14 In terms of City Centre retail property, the previous vacancy rates continue to improve, down to just below 7% in comparison to a rising national average rate of some 14%.

Unemployment

- 3.15 Between April 2010 and April 2011, the number of people claiming Job Seekers Allowance (JSA) increased slightly from 2,154 to 2,170. Trends from December 2010 onwards show an increase in claimant numbers, with 287 people joining the register as of April 2011.
- 3.16 The JSA rate in April 2011 stood at 2.6% for Exeter, equal to the South West which had hitherto been 0.1% higher than the city over the past 12 months. In comparison to other areas, Exeter's JSA rate is lower than England and Wales, Plymouth and Torbay. Their rates respectively stood at 3.7, 3.8%, and 4.3%.
- 3.17 The male unemployment rate continues to be higher than for females, 3.6% (1,495 men) in comparison to 1.6% (675 women). Importantly however, the number of people claiming JSA for over 6 months and over 12 months had been falling since August 2010, reversing a long-term upward trend. In July 2010 there were 580 people on JSA who had been unemployed for over 6 months and 255 for over 12 months. Whereas of April 2011, the respective numbers were 525 and 200 people. However, in March 2011, the numbers of people in Exeter claiming JSA for more than 6 and 12 months was lower, respectively standing at 490 and 185 people.
- 3.18 There has been a slight decrease in the numbers of young people, aged 18 – 24 years claiming JSA, with the figures having fallen by around 20 people over the same April to April time period, now standing around 640 young people claiming JSA. Around 1/3rd of all JSA claimants are young people.
- 3.19 In terms of ethnicity and the impact of unemployment on minority groups, the data suggests that there has been no real change with numbers of people on JSA hovering around the 65 to 70 person mark.

Housing Market and Residents

- 3.20 The average house price in Exeter stood at £208,100 in the last quarter of 2010, representing an increase of 5.9% on Q4 2009. Over the same period across England and Wales and the South West region, average house prices had increased by 10.4% and 8.7% respectively. Overall, when comparing sales during this 12 month period, there were -15% fewer transactions in Exeter, down from 531 to 450 respectively.
- 3.21 The following figures summarise mortgage and landlord repossession orders by the courts, which represent actions taken for possession and not actual homes repossessed. Repossessions can occur without a court order being made, while not all court orders result in a repossession taking place.
- 3.22 For the twelve month period between Q1 and Q4 2010 there were 50 mortgage repossession orders issued in Exeter. This represents a - 29% fall on the same period in 2009. Similar declines were seen in England and Wales and the South West region, - 21% and - 20% respectively.
- 3.23 Between the same four quarter periods for 2010 there were 265 landlord repossession orders issued in Exeter, a 2% rise over the same duration for 2009. Across England and Wales, figures show a -1% fall and across the region there was no significant change.
- 3.24 Debt and Welfare benefit enquiries to the Exeter CAB continue to show an upward trend, with 444 more enquiries in 2010/2011 than in 2009/2010, standing as of March

2011 at 4,160 clients seen. Overall across 2010/2011, around 44% of enquiries related to welfare benefits, 42% to debt and around 7% each related to both employment and housing. Enquiries relating to employment and housing increased from September 2010 onwards.

- 3.25 There were 721 client enquiries relating to bankruptcy and debt relief orders, perhaps related to the fact that over 50% of debt enquiries concerned personal finances – overdrafts, credit cards, and unsecured loans; this equates to nearly 2,100 client enquiries; 9% refers to people facing mortgage and rent arrears. The largest source of welfare benefit enquiries, rising significantly from November 2010 onwards, relates to the disability living and employment support allowances, representing some 38% of all enquiries, nearly 2,000. The increase in such enquiries may relate to the Government's drive to assess the ability to work for all people of working age who are claiming disability benefits.