

EXETER CITY COUNCIL
SCRUTINY COMMITTEE – ECONOMY
8 MARCH 2012
SUPPORT FOR SMALL BUSINESSES

1 PURPOSE OF REPORT

- 1.1 To provide Members with an update on the performance of small business support services funded by the City Council.

2 BACKGROUND

- 2.1 It is important to encourage and support new businesses to replace those that have ceased trading, to create new or perhaps better employment opportunities, and to enable the economy to respond to changing economic circumstances. The generation of new social enterprise businesses is also important to help strengthen and diversify the local economy.
- 2.2 Social enterprises are businesses that principally have social objectives, with any profits achieved ploughed back into the business or into the community. In essence, the efforts of the social enterprise are invested into providing social benefit not for private financial gain.
- 2.3 Over the past 12 months, Government has changed the national and regional landscape of business support. Business Link as the primary publicly funded national organisation has largely ceased direct one-to-one client contact. The service is now delivered more remotely via a website providing information and tools for business needs and a national contact centre to help businesses who cannot find the information they need on the web or who do not have access to the internet.
- 2.4 Government has introduced new forms of help for start-ups for target groups. Support includes the New Enterprise Allowance to help people unemployed longer than 6 months to start a new business and establishing a network of at least 40,000 business mentors nationally to offer practical advice and support for high growth businesses through coaching. It is not clear locally how this initiative is progressing.
- 2.5 In terms of support for social enterprise, the level of service regionally also appears to have decreased with advisory organisations such as RISE and Co-Active having ceased trading during the current financial year.
- 2.6 Against this backdrop, and although the current picture is not so positive, it is important to note that according to the latest data available, Exeter has continued to perform relatively well in terms of employment growth and business start ups:
- the city saw a net growth in employment between January 2008 and December 2010 of some 4,500 people; in comparison, Plymouth and Torbay experienced a reduction in employment of some 6,800 and 400 people respectively.
 - In 2011, nearly 13% of Exeter's businesses were less than 2 years of age; in Devon the rate was just under 10%

- 2.7 The City Council provided funding during 2011/2012 for delivery of business support, advice, and guidance including support for social enterprises. This combines with funding from the University's Innovation Centre, to support businesses under the banner of Exeter Business Support, which is a partnership consisting of Peninsula Innovations Limited (PIL), which is responsible for the management of the University's Innovation Centre and Exeter College's Business School. Exeter Chamber of Commerce and the Exeter branch of the Federation of Small Businesses support the Partnership.
- 2.8 The Fruit Tree for Business is contracted by the City Council to deliver support to new or existing social enterprises. The range of expertise offered by Fruit Tree for Business alongside Exeter Business Support and that provided for innovative/high growth businesses has the additional benefit of ensuring expertise is available across a wide spectrum of business needs in the city. This collaboration of service delivery and cross referrals has brought additional expertise to clients, offered a wider range of possible sources of funding, the development of appropriate business models to meet needs, and has proven to be a useful vehicle of support to secure further investment into Exeter.

3 UPDATE

- 3.1 The table below summarises the outputs secured from the funding provided by the City Council for traditional business and social enterprise support.

	April 2011 – January 2012	April 2010 – March 2011	Target
Traditional businesses supported			
pre-start businesses assisted:	129	144	120
small businesses assisted to start-up	31	40	40
recent start-ups and existing businesses	43	71	70
number of jobs created	36	48	40
participants at workshops	69	N/A	N/A
Social enterprise businesses supported			
pre-start businesses assisted:	32	No Data	No Target Set
small businesses assisted to start-up	5	10	10
social enterprises in the pipeline to start-up	8	8 (see 3.2)	No Target Set
recent start-ups and existing businesses	33	57	20
number of jobs created	17	28	10
on-going support for 2010/2011 start-ups	7	N/A	12

- 3.2 Of the 8 social enterprises in the pipe-line to start-up during 2010/2011, 3 commenced trading in 2011/2012 – 1 of which opted for a traditional business model, 2 registered to trade but have not commenced trading, and 3 decided not to start-up.
- 3.3 Outputs from the University's Innovation Centre funding providing assistance for business development under the partnership banner of Exeter Business Support are as follows:

- 39 pre-start businesses supported
- 9 small businesses assisted to start-up
- 76 recent start-ups and existing businesses supported
- 26 jobs created
- 91 people had their business skills developed
- 28 business network sessions – involving around 1,050 participants

- 3.4 The nature of support provided by the combined activities varies according to the needs of the individual business or the audience if provided during a group session. Thus for example, advice and guidance is given to:
- help individuals decide if self-employment is the right pathway for them
 - test out and challenge a client's business plan or to help them develop a plan
 - assist in financial planning and management processes
 - support the protection of intellectual property
- 3.5 Importantly, clients are assisted in establishing the most appropriate trading entity, be that for example as a sole trader, a partnership, a limited company, a social enterprise, or a co-operative.
- 3.6 Exeter Business Support has established an Enterprise Club for employed and people unemployed for more than 6 months eligible for the Government New Enterprise Allowance. Training is delivered through 5 modules spread over 6 weeks, and involves a mixture of directed and self-guided learning.
- 3.7 Innovation and high growth business support led by the Innovation Centre involves a range of services with partners including a student enterprise programme and the provision of an entrepreneur in residence who works with the Business Support Manager in the Innovation Centre to assist students setting up businesses.
- 3.8 Complementing these business support services is the provision of information on the City Council's website which contains a host of salient economic and social data and contacts for local businesses together with access to our commercial property register. Overall, the Economic Development Service handles between 700 and 1,000 enquiries per year and acts as a conduit and facilitator of bespoke support as and when necessary to help grow businesses and investment in the city.

4 PROPOSAL

- 4.1 New requests for business support services have come from outside of the city and an increased number of referral routes within the City, as Exeter is one of the few areas where business support is provided. There may be mileage in exploring with neighbouring local authorities the establishment again of business support across all or as much as possible of the wider Exeter economy and/or in establishing a joint service to support social enterprises.
- 4.2 People looking to return to work or who are unemployed are very likely to need to explore alternative options for income. Self-employment and running one's own business are options for which many people really do need professional advice and guidance, if only to confirm whether it is or not an option for them.
- 4.3 Support should remain for the development of new start-ups in Exeter. The current economic climate will obviously make trading difficult for many existing small businesses, social enterprises, and recent start-ups. As the current economic conditions are likely to continue, the proposal is that Exeter Business Support and also support for social enterprises in 2012/13 should partly shift their emphasis in delivery. Service activity should also look to ensure that the new start-ups of 2011/12 and from the previous year are given support to promote their survival, to grow their business and create additional employment.

4.4 Whilst the details have yet to be fully developed with PIL and The Fruit Tree for Business for the provision of Exeter Business and Social Enterprise Support in 2012/2013, it is proposed that the Economic Development Service:

- explores with neighbouring local authorities the potential to secure funding and resurrect the establishment of business support across all or parts of Exeter and the Heart of Devon and/or in establishing a joint service to support social enterprises
- negotiates a service level agreement with PIL to deliver the following under the banner of Exeter Business Support:
 - help 20 new businesses to start up
 - support up to 70 recent start-ups and existing businesses
 - continue business skills training through the Exeter Enterprise Club
- negotiates a service level agreement for social enterprise support with the Fruit Tree for Business to deliver the following:
 - helping 5 new social enterprises to start-up
 - consolidating and supporting at least 20 recent start ups and existing social enterprises
 - developing a social enterprise network that secures a sharing of resources and skills between local social enterprises and provides partnering opportunities for tenders and contracts; this should increase sustainability of the smaller organisations by partnership and collaboration.
 - leveraging funds of £10,000 to support social enterprise growth

5 FINANCIAL IMPLICATIONS

5.1 The cost to the City Council for 2011/2012 is set out below.

Service Activity	Funding
Business Support	£42,000
Social Enterprise Support	£25,000

5.2 In 2011/2012, Peninsula Innovations Limited contributed £79,749 to the delivery of services supporting innovative and high growth businesses.

5.3 The cost to the City Council to fund business support and the programme of social enterprise support for 2012/13 is £42,000 and £25,000 respectively. The funding to be met from the Economic Partnerships Initiatives Budget.

5.4 Peninsula Innovations Limited will be contributing just over £81,000 for the provision of innovation/high growth business support in 2012/2013, which complements the business support funding of the City Council.

5.5 The combined amount of funding available in 2012/2013 for business support in Exeter will be just over £148,000.

6. RECOMMENDED that:

6.1 the positive contribution made by the Council to supporting local businesses to start up and also trade be noted;

6.2 the forthcoming release of £42,000 and £25,000 respectively for the provision of small business support and social enterprise support from the 2012/2013 Economic Partnership Initiatives Budget be welcomed; and

- 6.3 Economic Development Service officers be authorised to negotiate service level agreements with Peninsula Innovations Limited and The Fruit Tree for Business for the delivery of services outlined in the report.

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Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

1. Economic Development Service Update – Scrutiny Committee – Economy, 9 June 2011